

4/27/79 [2]

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THE WHITE HOUSE
WASHINGTON
4/27/79

Zbig Brzezinsk/Henry Owen

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

Rick Hutcheson

cc: The Vice President
Hamilton Jordan

FOR ACTION

FYI

FOR STAFFING

FOR INFORMATION

FROM PRESIDENT'S OUTBOX

LOG IN/TO PRESIDENT TODAY

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LAST DAY FOR ACTION

 VICE PRESIDENT JORDAN

EIZENSTAT

KRAFT

LIPSHUTZ

MOORE

POWELL

RAFSHOON

WATSON

WEXLER

 BRZEZINSKI/*Dwen*

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

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VOORDE

ADMIN. CONFIDEN.

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EYES ONLY

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON
20506

*Henry Owen
Advise on how
to proceed
J*

April 24, 1979

MEMORANDUM TO THE PRESIDENT

FROM: Ambassador Robert S. Strauss *RSS*
RE: Mission to Egypt and Israel, April 16-20

The participants in the Mid-East trade and investment mission all feel it was a success not only in immediate visibility but also in generating ideas for substantive follow-up. The governments of the respective countries and the business groups in each were enthusiastic about our appearing on their doorstep, even so abruptly. They welcomed us warmly and talked with us candidly and at length in group meetings and in private sessions by sector.

Our group was impressed with the warmth of feeling in both countries for the role you played in achieving the peace settlement. Enthusiasm about peace is naturally higher in Egypt, where their only war has ended, than in Israel, which remains in a state of war. But both are eager to start economic cooperation and look to the U.S. to be at the very least a catalyst in this process. Each wanted to talk far more about AID than loans. Cooper and I constantly diverted the discussion. Israel emphasized AID less and a reduced rate of interest more. Israel would also like the U.S. to encourage Egyptian-Israeli cooperative ventures, so Israel does not appear paternalistic.

At every opportunity I stressed that we were writing only the first few pages of what promised to be a long book of progress, and that expectations should be bounded by reality. Within those constraints, however, the climate is excellent for a number of modest initial steps which we might take.

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Members of the mission have prepared short memoranda on what they observed, what they feel might be done, and in some instances, how they plan to proceed. These are attached, and include the following ideas:

- A regional development bank could be created to provide the financial organization linking these and such other area countries as might wish to cooperate, and to give a vehicle for German, Japanese and other developed country support. This might be formulated in time for the Tokyo Summit and could be its centerpiece. I have discussed it with Henry Owen.
- We must work within the economic structures of each country, each of which has its own character and its own problems; but we might suggest ways in which they can involve more U.S. investment and participation.
- We must provide support for U.S. business interests and better coordination of U.S. government economic policy in each country, through a special coordinator and/or through the existing joint U.S.-Egypt and U.S.-Israel business councils; such facilitation not only would speed the entry of U.S. firms into the area, but would signal our confidence in the political stability there.
- The Egyptians are expecting a "peace dividend" of significant proportions and we must cushion them against too great a shortfall in expectation.
- The Israelis cannot make a strong economic commitment to meet us halfway in business and social programs because of their continuing expenditures for defense (as Begin put it, "Spending on our economy means making a better life; but spending on defense means life itself.")
- We could possibly fashion a Mid-East Trading Corporation like the existing Western Hemisphere Trading Corporation.

- We should sponsor trade fairs and other promotions.
- OPIC can make a special effort here, even in Israel, which has just about graduated beyond OPIC's reach.
- We should provide a strong management training program for both countries.
- Both have needs in housing (Egypt, of course, more dramatic and severe) but the means by which we can help are distinctive in each.
- In the field of agriculture, there is much to be done in Egypt, where this is Sadat's top priority; and for Israel, we might make an effort on their behalf with the EC.
- Murray Finley and Jerry Gore (Hart, Schaffner & Marx) laid the groundwork for their June mission when they will assist both countries in establishing new clothing industries.

The above are just some of the ideas, large and small, which came from this mission, just as you knew they would.

The two embassies, from Ambassadors Eilts and Lewis down through the ranks, could not have been more helpful; the State Department, the Air Force, and all the agencies we worked with were fully cooperative; and the private sector representatives gave the mission just the right touch of practicality.

All in all, your instincts were right that we should go.

Attachments

THE WHITE HOUSE
WASHINGTON
April 27, 1979

Secretary Brown
Secretary Califano
Secretary Vance

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

Rick Hutcheson

cc: The First Lady

	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
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ACTION
FYI

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	MOORE
	POWELL
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE

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

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

ALCOHOLISM - A COMPLEX DISEASE COMPLICATED BY THERAPISTS

AND OTHER INTERESTED PARTIES

Joseph A. Pursch, Capt. (MC) USN
Chief, Alcohol Rehabilitation Service
Long Beach Naval Regional Medical Center
Long Beach, California 90822

Delivered before the 1979 National Alcoholism Forum Annual
Conference of the National Council on Alcoholism
April 27 - May 2, 1979
Sheraton Park Hotel, Washington, D.C.

Alcoholism is a medical, biochemical, metabolic, endocrine,
allergic, psychosocial, psychosexual, neurotic, characterologic disease
or condition complicated by culture shock. Of course, there is something
wrong with the definition. It isn't long enough! Maybe it has to do
with nationality (to account for the French) or religion (to account for
Irish Catholics) or genetics (to explain away the Jews) or maybe it is
an occupational disease which would explain why housepainters, sailors,
journalists, and Washington bureaucrats suffer so much from it.

Although it is a disease, it can also be seen as a national problem,
like the energy crisis: everyone talks about possible causes and proposed
solutions while the condition gets worse because of ignorance and vested
interests of the problem solvers and of society at large.

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cc Cy
Harold
Joe
for info & possible
action in your
department
J

Perhaps the title for this talk should be, "ALCOHOLISM - A
COMPLEX DISEASE COMPLICATED BY THERAPISTS, ADMINISTRATORS, LEGISLATORS,
BUDGETEERS, EFFICIENCY EXPERTS, RESEARCHERS, EMPLOYERS, LABOR UNIONS,
LEGAL AUTHORITIES, LIQUOR AND DRUG MANUFACTURERES, ADVERTISERS, FAMILY
MEMBERS OF ALCOHOLICS AND SOCIETY AT LARGE.

Let's see if the Navy experience with Alcoholism treatment can
shed some light on this problem. If you see the Navy as a different
world you must reconsider your perspective. For the past twenty years,
I have been doing a study which shows that every member of the uniformed
services began life as a civilian. A sutdy done in 1975 shows that
46% of all Navy recruits are heavy drinkers before their enlistment with
a history of drinking eight drinks per day or twelve or more drinks on
any one occassion, and a high incidence of belligerence and police
problems.

Although the term "Happy Hour" makes you think of an officers club,
it is also true that a typical manufacturing plant in the U.S. is
surrounded by two dozen saloons with three foot signs proclaiming "Happy
Hour Daily From 4 - 7"

In 1965, the Navy had no problems with alcoholism - because we had no alcoholics. But two men to whom the Alcoholism Rehabilitation world will forever be indebted appeared on the scene: Commander Dick Jewell, a recovering alcoholic and Captain Joseph Zuska, a surgeon who is today President of AMSA. They started the Navy Program by establishing an Alcohol Rehabilitation Center in the Long Beach Naval Shipyard.

The "program" consisted of weekly AA meetings and the therapists were recovering alcoholic members of Alcoholics Anonymous. Initially, progress was slow. The Navy environment encouraged heavy drinking and stigmatized the recovering alcoholic and the Medical Community remained indifferent and hostile. The Navy seemed willing to go to any length to prevent the Alcoholic from getting what Zuska and Jewell had to offer. Success rate improved when the founders added group therapy, psychodrama, education, movies, Antabuse, and individual therapy to the program.

By the early 1970's, we noticed that even though alcoholism is a disease, very few of the patients in treatment were there as a result of medical intervention or through the efforts of other professionals such as lawyers, chaplains, and psychologists. It was often a

perceptive sergeant or Navy chief who had sent the patient into treatment.

I interviewed some patients. Here is how they remembered their professionals:

"I was able to see right through my therapist"

"My therapist lied to me about my alcoholism."

"My chaplain had a drinking problem of his own."

"My psychologist didn't know anything about alcoholism. He tried to get me to cut down. I already knew that doesn't work - but how come he didn't know?"

"My dad's lawyer changed my 3 DWI's to reckless driving."

"My doctor was so naive he believed everything I told him. Even my mother-in-law wasn't that stupid and she isn't very bright."

"My therapist pretended that he didn't smell whiskey on my breath at 10:00 in the morning in his office."

"My Commander gave me verbal reprimands because I was the best man they had - when I was sober."

"My therapist got mad when I called him on a Saturday afternoon."

"My doctor didn't do anything for me, he just ordered more tests. I had so many upper GI series I was getting addicted to barium."

"My doctor just gave me more pills."

"My doctor said I had a character weakness."

A study of hospitalization rates showed that the average Navy alcoholic prior to rehabilitation spends a large amount of time as an inpatient in hospitals compared to the number of days which he spends in the hospital following rehabilitation. The ratio was 6:1. My civilian colleagues say this situation is the same in their hospitals. Anybody who is designing hospital cost containment programs might think about this information. Perhaps the best way to reduce costs is for patients to avoid hospitalization altogether. Also, any third party payer who says, "We can't afford to pay for alcoholic rehabilitation," is all wet. There isn't an alcoholic in the country who is going without treatment. We are paying dearly for his "treatment" on medical-surgical-psychiatric wards, and it is not doing much good.

Next, we interviewed physicians. They said that:

"Alcoholics lie about their drinking."

"They won't do what you tell them and they overdose on pills."

"The addict needs to resolve his latent homosexual feelings."

"Heavy drinking is symptomatic of an underlying disorder."

"If the alcoholic could find out why he drinks he should be able to control his drinking"

Clearly, our patients had not benefited from any of these ideas. To send a toxic brain to a psychiatrist is like sending a jelly fish to an orthopedic surgeon. Or as Dr. Stanley Gitlow says, "You can't teach navigation from the deck of a sinking ship." We learned from Alcoholics Anonymous that there would be no progress without total abstinence.

Obviously, in order to diagnosis and treat alcoholism Navy professionals needed training. As we reported in a previous paper, we started a Physician's Training Course in which we included other professionals and some civilians. Our experience reflects the state of professionals throughout the field because of our over one thousand trainees came from practically every school in the country.

In view of the pathologic attitudes about alcoholism that we found among professionals - we feel it is a miracle that alcoholics ever recover at all. It also explains the resistance against the Navy program and all other Alcoholism programs today. We gradually evolved

a two w-eks training course in which recovering alcoholic patients and trainee professionals are in intimate daily contact. At last, the patient can tell the professional what was really going on in his life when he was being passed from internist to psychiatrist, to chaplain and back again; how fiercely the lawyers defended the patient's right to drink; how they psychologists agreed that AA would not help his amnesia of unknown etiology (because they had never heard of balckouts); and how the chaplian was treating the patient's wife for marital discord - in individual sessions, partly because his own boss, the senior base chaplain, had a well known drinking problem himself, while the internist was prescribing the same tranquilizers for the patient and a ranking civil service employee's wife because she also had alcoholism.

The learning process is facilitated because the professional is in daily intimate group work, with mandatory attendance at AA and Al-Anon meetings, minus his usual title, and with no provision for withdrawing from the course prematurely. Here is what we continue to see:

15 out of 20 professionals are totally unable to deal effectively with

alcoholic patients

50% have alcoholic wives, husbands, or other close family members

10% turn out to be alcoholic and end up being admitted for treatment

while they're in training

Some become angry at their schools because they now realize there are untreated alcoholic faculty members still working there, and no teaching is done about alcoholism; and huge sums of grant money are expended on studies which show that rats, too, can die of alcoholism.

Legal, fiscal, administrative experts, and researchers become aware that their clinical aloofness hides anger and contempt for alcoholism in their own family and, by displacement, for all alcoholism work. An administrator learns that his feeling about alcoholics caused him to assign the new ARU station wagon to the Patient Affair's Office; and the fiscal expert understands that he diverted alcoholism funds to buy furniture for the pediatric waiting room because, at the time he was filled with resentment because he had been manipulated into paying for his son-in-law's second DWI.

Psychiatrists, clinical psychologists and social workers defensively cling to their preconceived ideas about the value of individual psychotherapy and controlled drinking studies even though they never see

alcoholics in their own practice. In AA meetings, to control their own anxiety, they keep their minds busy by looking for signs of ambulatory schizophrenia of hysteria when they see a somber-looking male or a thoracically well endowed female alcoholic.

Most psychiatrists initially say that this simple, hoaky system can't work. But they soon come to realize why, in the past three years, they have never once paid a visit to the ARU in their own hospital or sent a single patient there even though the ARU is down the hallway. They also come to grips with the fact that trained alcoholism counselors often do a better job with alcoholic patients than untrained professionals do.

Surgeons, internists, and nuerologists deny the disease concept because, "nobody known what causes alcoholism", and they look sullen when we remind them that nobody knows what causes cancer, ulcers, or diabetes, either. They never saw a recovering alcoholic - only drinking ones. They had touched many livers - but not many lives. When they learn about cross tolerance and cross addiction they say their school misled them. As a result, the prescription pad became their only civil defense against alcoholics.

Internists are incredulous and anxious because we run a seventy inpatient census with only one doctor, with no ward rounds, no scheduled sick call and no medications given other than Antabuse. They see that these patients are getting well, and that they are the same patients who during previous hospitalizations on medicine wards were "Requiring" extensive care, accumulating thick charts of necessary, expensive, often unappreciated care. Fortunately, we usually have one or more recovering alcoholic internists as patients who reassure the doubting professional, while a four-weeks-sober recovering alcoholic psychiatrist with a lot of personal feeling of identification smiles and says, "How long have we been feeling like that?"

The healthy professionals literally turn around. They change from obstacles to helpers, delighted with our success, happy to know that from now on there will be something they can offer their alcoholic patients. A few are not so healthy and cling to their defenses and continue to complicate the disease of Alcoholism. As one of our counselors said, "You can always tell a Doctor, but not much."

The counselor, although the backbone of all good programs, is also a mixed blessing. Abstinence, like chastity, means only that; it does very little for the other person. Abstinence alone and a knowledge of the AA program are no longer qualifications for being a counsellor. Over the years, we've had to terminate some counselors because they were exactly like the doctors they despised so much: hostile, arrogant, rigid, empire builders, sober with a vengeance. Others went sour by relapsing or by covering up their wife's drinking or child abuse, or by keeping her away from the psychiatrist she badly needed.

The alcoholic counselor is doing one of the most taxing jobs in the medical field. For that reason, the Navy counselor is selected, trained, and observed, his work is monitored with care. His psychological adjustment is monitored with care so that he can be de-selected if necessary, lest he too become another complication of alcoholism.

The most effective tools for getting the alcoholic into treatment, namely the boss and the family, ironically, are the biggest obstacles. Professional managers in training realize that, although sincere, they cover up until the alcoholic does "the unpardonable", at which point he

is professionally destroyed with overkill kind of punishment.

The same attitudes are responsible for the recovering alcoholic not being accepted back on the job. Any corporation which says that you cannot trust a recovering alcoholic on the same job in which he was obviously trusted as a drinking alcoholic is saying something ominous about its own corporate mentality. On the job education in an alcoholic rehabilitation service pays huge corporate dividends. Managers have to learn that early intervention, using job threat to create motivation, and monitoring of recovery are extremely cost effective business practices.

The Navy today has five admirals and 242 recovering alcoholic medical department officers back on the same job which they held when they were referred into treatment. Incidentally, I believe in several years from now the most valid data on how recovering alcoholics perform will be available from the Federal Aviation Agency, the ALPA Human Intervention Study in Denver and the various commercial airlines throughout the country who, in my opinion, most effectively use the tools just described.

The alcoholic's family is the biggest obstacle of all because it embodies all the pathology of the professionals. Thirty percent of our patients' mates are alcoholic, drug dependent or compulsive overeaters and the rest have pathologic attitudes about the disease which have been in their families for years: through unconscious mechanisms they cover up, mismanage, deny and even get the alcoholic back to drinking or to taking pills. In extreme cases, the family openly denies the alcoholic the right to even pay lip service to the diagnosis. One of my patients, a middle aged recovering alcoholic physician with six years of sobriety has such a problem/ His mother insists that he couldn't possibly be an alcoholic and she forbids him to say so in her presence. In a recent confrontation with her, he lost his serenity and said, "Mom, during my brother's funeral I was so drunk I fell in his grave." To which she replied: "I told those men they were making the ground too loose around the edges."

The rehabilitation process has to help the alcoholic figure out the strengths and limitations of his family. There is no doubt that this is a family disease, that the family members must be treated for their own attitudes or problems in connection with the disease and that the

recovery rates of treated alcoholics will increase markedly if this is done. Yes, families can be a real complication of recovery.

The environment, "society at large", is where the alcoholic comes from and has to go back to. We consider ourselves extremely fortunate because our number one doctor, the Surgeon General of the United States Navy, Vice Admiral Willard P. Arentzen, has continually pushed for education, training, and deglamorizing alcohol. He has personally ordered every medical department officer who is in position of command, teaching, clinical specialty or a management position to take the two weeks training course. Three years ago he released the following message Navy wide to deglamorize drinking:

"Our seafaring tradition includes rituals with heavy drinking, based on tenacious myths that heavy drinking signifies vigor and promotes good fellowship. Such folklore stemming from the days of the fallions has no place in modern medicine in a modern Navy. It is incumbent on us in our utterances, but more importantly by our leadership actions and our example.

I urge, therefore, that at our Medical Departments official and unofficial social functions from receptions to picnics we deglamorize alcoholic beverages.

Take a close look at irrational drinking customs at your command. You might take remedial action and insist that your staff members act exemplary of their consumption of alcohol or avail themselves of rehabilitation."

I often wonder if the recovering alcoholic sailor's complication today is not the civilian drinking environment. Here is an example: The November 6, 1978 issue of one of the nation's leading magazines carries a full page photo advertising Chivas Regal Scotch. The caption reads "Of course you can live without Chivas Regal. The question is How Well?" Some doctors seem to say: "Alcoholism is a Valium deficiency." This ad seems to say: "Life is an alcohol deficiency." One week later the same ad pictured a larger bottle with the caption "Next time you serve Chivas Regal at a party, do something really impressive. Serve enough." Yes, society through advertising can be a stumbling block to recovery, too.

It appears that not only society at large; but also many of us in the alcoholism treatment field have not yet accepted the fact that alcoholism is a treatable disease with abstinence as the best goal.

It will take hard work to change the confusion, bickering, and sabotaging - the Navy experience indicates that we will continue to be complications in the field as long as we hate, fear, avoid, or smother the alcoholic. The most effective way to change that is through experiential training where we finally get at our own attitudes by getting close to alcoholic patients. This is extremely important even for those who work in the field but don't work directly with patients, e.g. researchers, managers and decision makers.

Our experience shows that if money and personnel are vaguely assigned to an umbrella such as mental health, human resources or the quality of life department, then those resources usually go to areas other than alcoholism if the decision makers are still uncomfortable about the alcoholic.

Dr. Gitlow, LeClaire Bissell and others say that every person in this field should go to at least two dozen AA meetings because that is

where most of it still takes place; where we can best observe the process and find out if we really enjoy seeing alcoholics get better, or if we're just working in the field. I agree with Dr. Gitlow and Dr. Bissell.

In the final analysis - we need to be effective in what we do. What actually makes the difference?

What actually changes the alcoholic patient and his family

What actually changes the alcoholic patient and his family is our attitude of firm kindness, honesty and love; and our belief that there are no hopeless alcoholics, only alcoholics without hope.

The real healing power comes from the acceptance, hope, and love of the alcoholic's fellow human beings. Alcoholic rehabilitation is a typically American enterprise because it employs the noblest form of charity - to give a person a chance to pull his life together again, or finally.

How do we know if we are doing the right thing? By looking at the results.

The product of that community enterprise is the recovering alcoholic, the person who is no longer chemically dependent. You will recognize him by his solid step, friendly smile, firm handshake, good eye contact, and an almost palpable inner peace that is seldom seen elsewhere in the land. And that makes it all worthwhile.

If your clinic, your center has these kinds of alumni coming back to visit periodically, then, you've obviously been doing the right things.

We can help more and more people become weller than well if we all pull together.

May God bless all of our work.

1:15 p.m.

THE WHITE HOUSE

WASHINGTON

April 27, 1979

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MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
SUBJECT: Windfall Profits Tax

In light of the meeting on your schedule with out-of-town editors, it is important that you reinforce the balanced nature of the windfall profits tax. It is designed to have a significant "bite" (despite the misleading article by Art Pine in The Washington Post) while at the same time leaving sufficient revenues to encourage new oil production. It is important to note the following facts.

1. The amount of revenue from the tax shown in the fact sheet we put out yesterday is almost identical to the revenues we estimated in the fact sheet issued after your April 5 speech. In fact, we now estimate \$100 million more revenues *per year* in both FY 1980 and 1981.

2. As demonstrated by the almost identical revenues, there has been no significant modification or weakening of the tax from its original proposal. The exemptions from the lower tier part of the tax which are provided (e.g. production marginal wells or production to encourage use of tertiary recovery) are designed to encourage production. Oil exempted from the lower tier part of the tax will still be subject to the upper tier or OPEC tier parts of the tax, as appropriate. All domestically produced crude oil (with the minor exemption of Alaska North Slope oil) is subject to tax either at the upper tier oil or at the permanent OPEC tier.

3. The windfall tax will generate \$1.8 billion in fiscal year 1981 and \$3 billion in 1982 in additional revenues. Since this tax is an excise tax it is deducted from corporate income tax but this is unavoidable.

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4. Over the coming three-year period (1979-1981) the oil industry received a gross amount of \$15.4 billion due to decontrol. They do not get to keep all of this however. The \$15.4 billion would be distributed as follows: \$3.3 billion over the next three calendar years (1979, 1980, 1981) goes for the windfall profits tax; \$5.1 billion goes for federal income tax; \$1 billion for state tax; \$6 billion is left for the oil industry. The attached chart shows the disposition of these revenues.

Thus, the Federal government gets \$8.4 billion through the income and windfall taxes or 55% of the \$15.4 billion increase in gross revenues.

5. As the attached chart shows, with the operation of the windfall tax producers get only between 20-29¢ out of every extra dollar of income due to decontrol. (This range depends on the type of oil a particular producer has.)

6. In the interagency group, we have agreed on a position which I would recommend that you take if you are asked about toughening the tax. It is as follows:

"We believe our tax strikes a proper balance between providing the new oil production incentives and preventing excess windfalls. The tax generates sufficient funds to assist low-income households, increase mass transit, and undertakes new energy research and development. However, if the Congress seeks to change the tax, it should occur only in the direction of toughening, not weakening it. We would want to carefully examine any amendment to strengthen the tax to determine its impact on energy production."

ESTIMATED EFFECT OF TAXES AND ROYALTY PAYMENTS ON
REVENUE INCREASES TO PRODUCERS

Without Windfall Tax

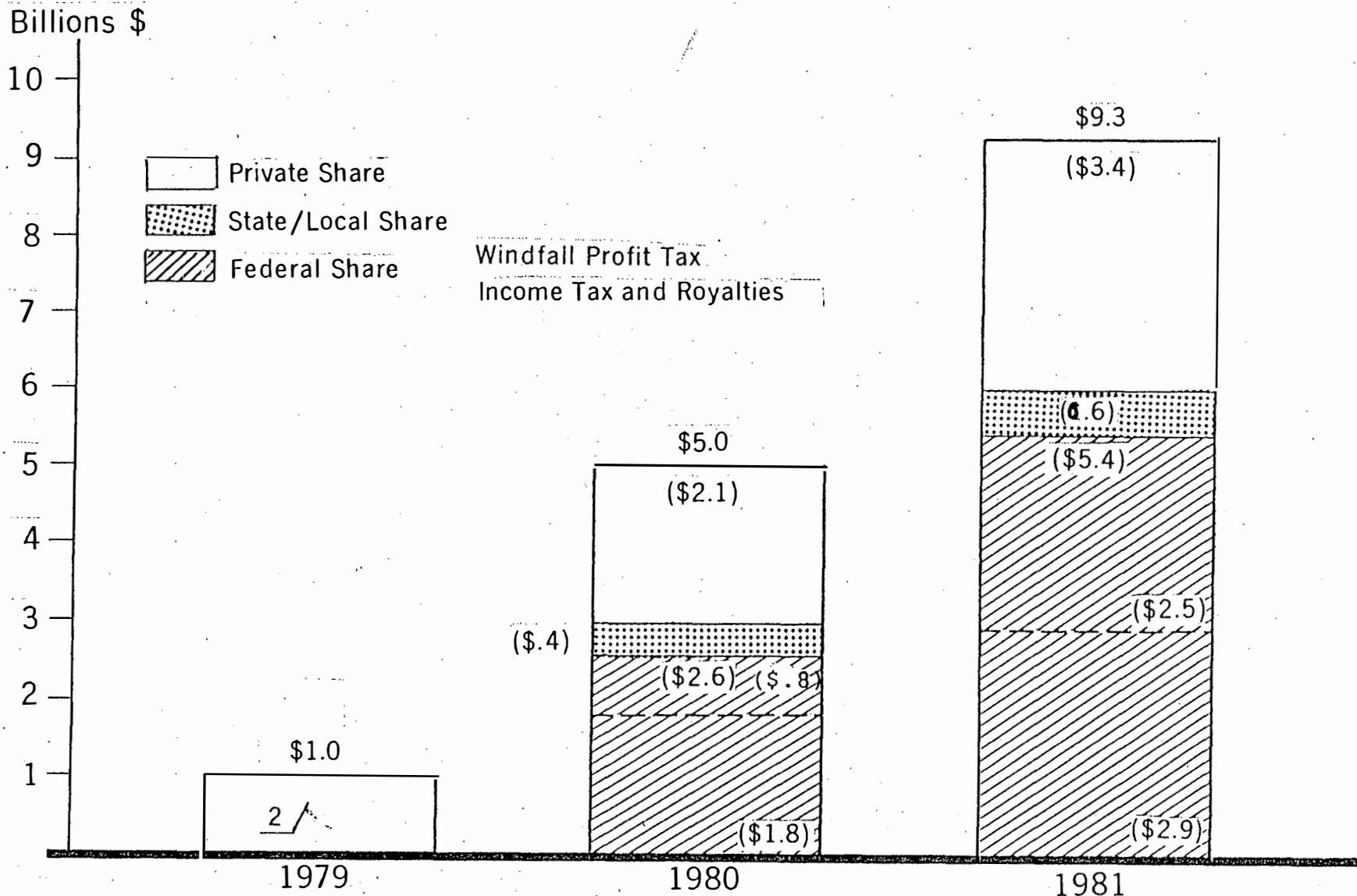
\$1.00	
<u>-.14</u>	Royalty
.86	
<u>-.05</u>	Severance Tax
.81	
<u>-.03</u>	4% State Income Taxes
.78	
<u>-.35</u>	45% Federal Income Tax *
.43	Net to Producers

With Windfall Tax

\$1.00	
<u>-.14</u>	Royalty
.86	
<u>-.43</u>	50% Windfall Tax
.43	
<u>-.05</u>	Severance Tax
.38	
<u>-.02</u>	4% State Income Taxes
.36	
<u>-.16</u>	45% Federal Income Tax *
.20	Net to Producers
<u>+.09</u>	Adjustment to reflect revenues from released lower tier oil not subject to the lower tier tax
<u>.29</u>	Overall net to producers through October 1, 1981.

* A 45% marginal federal income tax rate is used here because it is applied to taxable rather than gross income.

PHASED DECONTROL OF DOMESTIC CRUDE OIL ^{1/}



^{1/} Assumes constant real world oil prices.

^{2/} Shares are: Private \$.5, State/Local \$.1, Federal \$.4 (Windfall Profits \$.0, Income Tax and Royalties \$.4).

NOTE: Detail may not add due to rounding.

THE WHITE HOUSE
WASHINGTON

4/27/79

Mr. President --

In addition to your reviewing attached prior to 1:15... Stu has also told Phil he needs to talk with you about the memo prior to editors meeting.

--SSC

Q1 1979 1980 1981 (1982)

AFTER TAX INCOME
w/OUT WINDFALL

520 2595
~~437~~ 4886 5664

w/ WINDFALL

520 2116 3357 3922

Δ

- 479 1529 1742

% Reduction
in after-tax
income due
to w'fall tax

→ 18.4 31.3 30.8

High Case

951
356
595

3378
1277
2101

4654
1774
3464

w/out windfall

520 2532 5001 6344

w windfall

520 1937 2900 3464

Δ

- 595 2101 2880

% Reduction
in after-tax
income

23.5% 42.0 45.4

THE WHITE HOUSE
WASHINGTON

27 Apr 79

Jody Powell

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

Rick Hutcheson

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

cc Jody
J

April 26, 1979

MEMORANDUM FOR THE PRESIDENT
THE VICE PRESIDENT
CHARLIE SCHULTZE
JOE CALIFANO
PAT HARRIS
ANDY YOUNG
HAMILTON JORDAN
STU EIZENSTAT
LOUIS MARTIN
LONDON BUTLER

FROM: RAY MARSHALL *Ray*

I thought you might be interested in the attached statistics which provide dramatic evidence of the impact of our policies on black employment and unemployment.

Attachment

**Electrostatic Copy Made
for Preservation Purposes**



INFORMATION

April 24, 1979

MEMORANDUM FOR THE SECRETARY

FROM: DON NICHOLS *last for now*

SUBJECT: Black Employment Situation

The following summarizes (1) changes in the employment situation of blacks over the past two years and (2) recent statistics on black employment.

All data are seasonally adjusted and figures for blacks apply to blacks only (not black and other races).

Improvement during the past two years

The turnaround in the course of the employment situation of blacks relative to that of whites is shown in Table 1 below. Over the five years between March 1972 and March 1977, total employment of blacks rose only 7.2% while employment of whites rose 10.0%. Between March 1977 and March 1979, on the other hand, employment of blacks increased 10.2% compared to a 7.6% rise in employment of whites. The most striking improvement is shown in employment of black teenagers.

Measured unemployment rates hide the degree of improvement in employment because of changes in labor force participation rates. At least partly because of improved prospects of finding work, the black labor force grew 8.2% between March of 1977 and March of 1979, much faster than the 4.5% growth in the black civilian noninstitutional population. The

Table 1. Percentage Changes in Employment

	<u>March 1972-</u> <u>March 1977</u>	<u>March 1977-</u> <u>March 1979</u>
Males, 16 to 19:		
Black	-14.2	34.0
White	12.7	5.1
Females, 16 to 19:		
Black	0.5	33.0
White	18.6	9.3
Males, 20 & older:		
Black	4.9	5.7
White	5.3	5.7
Females, 20 & older:		
Black	12.5	12.4
White	16.8	10.8

participation rate for all black persons was 61.5% last month, up from the 59.4% to which it had fallen two years ago. Table 2 shows participation rates and unemployment rates for the various groups.

Table 2. Participation and Unemployment Rates (Percentages)

	Participation Rate			Unemployment Rate		
	<u>Mar.</u> <u>1972</u>	<u>Mar.</u> <u>1977</u>	<u>Mar.</u> <u>1979</u>	<u>Mar.</u> <u>1972</u>	<u>Mar.</u> <u>1977</u>	<u>Mar.</u> <u>1979</u>
Males, 16 to 19:						
Black	44.0	39.8	47.5	30.6	40.7	33.8
White	59.7	63.7	65.6	15.8	15.9	14.0
Females, 16 to 19:						
Black	33.5	29.9	34.9	40.1	40.8	32.8
White	47.7	54.9	58.2	14.4	16.9	13.1
Males, 20 & older:						
Black	78.9	76.4	76.2	6.7	10.4	9.6
White	82.1	80.1	80.5	3.8	4.9	3.4
Females, 20 & older:						
Black	51.2	52.8	55.3	9.3	12.6	10.9
White	42.7	47.2	49.8	4.9	6.6	5.0

Recent data

Total black employment has risen slowly in recent months; the December-March gain was only 0.6% compared to 1.0% for whites. In keeping with its habit of following employment growth closely, the black labor force also grew slowly; thus the total black unemployment rate was 12.2% last month, the same as it was in December.

The unemployment rate for black teenagers did drop from 37% to 33% between December and March. This reflected a small decline in the teenage male unemployment rate as the result of a large increase in teenage male employment, but mostly a large decline in the teenage female unemployment rate as the result of a substantial decline in the teenage female labor force.

2:00 PM

THE WHITE HOUSE

WASHINGTON

MEETING WITH VON GRAVLEE AND OTHER REPRESENTATIVES

OF THE NATIONAL ASSOCIATION OF HOMEBUILDERS

Friday, April 27, 1979

2:00 P.M. (10 Minutes)

The Cabinet Room

From: Stu Eizenstat



I. PURPOSE

To discuss the concerns of the housing industry: inflation, and the impact of high energy costs and government regulation.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

- A. Background: The NAHB has been extremely supportive of the Administration on both a substantive and political basis. It was the first trade association to endorse your anti-inflation program, and has supported the Administration on the Regulatory Reform Act, oil and gas decontrol, Rare II lands, and the Civil Service Reform Act.

The Association represents 115,000 members, who construct 70% of the nation's housing. Their primary concern is the affordability of housing. They argue that only 25% of families which do not own a home can afford to buy one. Their other concern is 1979 housing starts, which they predict will fall to 1.625 million.

They are expected to make the following points:

- Rising interest rates have cost homebuyers \$3 billion over the past year, thus monetary policy should be less restrictive.
- To make housing more affordable, the Administration should support the "Housing Opportunity Act" proposed by the NAHB and introduced by Senator Williams. The bill involves reducing downpayment requirements and providing broader eligibility for federally-insured graduated payment mortgages--i.e., mortgages where payments are lower in the early years and then rise in later years to match the presumed increase in family income. The plan would

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be "costless" to the Federal government so long as housing prices and family incomes continue to rise, but would involve enormous Federal budget exposure if the housing market entered a decline.

- They will request limitations of future set-asides of productive timber lands as wilderness areas. Your decision on RARE II involved the release of 36 million acres of forest land and has been generally well-received within the timber industry. The 15.4 million acres recommended for wilderness should have a minimal impact on timber harvesting potential.
- They will urge a review of implementation and timing of the Building Energy Performance Standards (BEPS), which require that all new buildings meet certain energy specifications. They will request that standards not be written so tightly as to impose substantial additional costs on the industry.
- They will urge reform of the Davis-Bacon Act.
- They will urge support for the retention of Regulation Q ceilings on the interest rates that can be paid by depository institutions, as well as support for the $\frac{1}{4}$ percentage point differential which savings and loan associations can pay to attract deposits.
- They will request a steady and predictable level of funding for HUD's multifamily housing programs.

B. Participants:

Vondal S. Gravlee, President, Helena, AL
Ernest A. Becker, Sr., Immediate Past President,
Las Vegas, NE
David Stahl, Executive Vice President, Falls Church, VA
Merrill Butler, Jr., Newport Beach, CA
Herman J. Smith, Hurst, TX
Frederick J. Napolitano, Virginia Beach, VA
Robert D. Bannister, Takoma Park, MD

C. Press Plan: White House Photo

III. TALKING POINTS

1. I appreciate the support which the NAHB and its leadership have given the Administration on a broad range of matters, including key policy areas such as inflation, regulatory reform, and gas and oil decontrol. (You might urge support for the windfall profits tax, on which they have not yet taken a position.)

2. I am deeply concerned by the inability of an increasing percentage of Americans to afford a new home. We have an historic national commitment to decent and affordable housing for all Americans as a matter of right. We will carefully review the NAHB's Home Ownership Opportunity Act.
3. I am proud the Administration created the six-month money market certificate last June. The consensus is that without this instrument, which enables savings and loan associations to attract "rate sensitive" deposits, housing starts would have already fallen to an annual level of about 1.3 million. We are carefully monitoring the data on starts and expect that April and May will be relatively strong. We recognize the impact of falling to the NAHB's predicted 1.625 million level: this could reduce GNP by \$31 billion and cost \$2 billion in lost Federal revenues. We are keenly aware of the fact that housing accounts for 4.4% of GNP and generates over 3 million jobs.
4. On set-asides of timber lands, it is my hopes that the completion of RARE II will help create an improved climate for investment within the forest products industry and will reduce the uncertainty that has existed for the past few years. In this era of rapidly rising stumpage prices, this is critically needed.

While the BLM wilderness inventory has a much smaller impact on potential timber production than the RARE II study, I am happy to report that it is also on schedule.

5. As I have stated before, I do not believe there is a need to repeal the Davis-Bacon Act. However, an interagency group is reviewing the implementation of the Act to insure that it is working effectively and in a non-inflationary manner. That group will make recommendations to me shortly.
6. Residential and commercial buildings offer one of the most promising areas for increasing energy and thereby saving on oil imports. I will look to your industry for leadership and creativity in making sure that our new buildings are as energy efficient as possible. At the same time, I understand your concerns that the mandatory building energy performance standards not be so tightly drawn as to unnecessarily restrict

your flexibility as builders or to impose unwarranted costs. While I had earlier directed that these standards be promulgated 6 months earlier than the statutory deadline, I have decided that, due largely to the transfer of responsibilities from HUD to DOE, that the full statutory time is required to ensure that the final standards reflect the best that your industry can produce without imposing unnecessary cost burdens.

7. I expect to receive recommendations within the next two weeks from our Regulation Q task force. I am concerned that small savers not be subject to discrimination. However, I recognize that savings and loan associations make over half of all mortgages, and whatever recommendations the Administration makes will reflect the need for a steady and adequate flow of mortgage credit from these institutions.
8. On subsidized housing, we have asked for 300,000 units for 1980, and we are fighting to avert Congressional cuts below our recommended level. We need your help on the Hill in this effort. We recognize the importance of predictability in this area, that the stop-and-go policies of the past have inflated costs, and I have no intention of ever imposing a moratorium on this program.

"When they told me there was treatment but no cure at this time, I dropped to my knees," she said. "Two things from out of my past, when I went to church as a child, came back to me. Number one, 'Where can I go but to the Lord?' and number two, 'I am weak but He is strong.'"

The third feeling I had was, 'When life comes down to basics, really how little control we all have over our own lives.' And it also came to me how, even if we live to be 100, how really short life here is. And therefore, it's important to enjoy it and not rush so fast and take time to smell the roses . . ."

Marvella Bayh



MEMORIAL SERVICE

for

MARVELLA BAYH

1933 - 1979

Friday, 27 April 1979 at eleven

WASHINGTON CATHEDRAL

MOUNT SAINT ALBAN

WASHINGTON, DC 20016

ORDER OF SERVICE

At the hour of eleven, the clergy and participants enter. All stand and sing.

Page numbers refer to the 1928 Book of Common Prayer

HYMN 91 "Victory"

OPENING SENTENCES *remain standing*

All are seated while boys of the choir sing the Psalms.

PSALM 23 *page 368* Chant: *H. Walford Davies*

PSALM 121 *page 502* Chant: *J. T. Harris*

LESSONS I Corinthians 13 and St. John 14
remain seated

HYMN 289 *all stand and sing* "St. Anne"

THREE HOMILIES

Abigail Phillips

La Salle Leffalle, M.D.

Father Francis MacNutt

APOSTLES' CREED *page 29* *stand*

THE LORD'S PRAYER AND COLLECTS *page 334* *kneel or sit*

HYMN: Amazing Grace *all stand* Appalachian Hymn

a solo voice(s)

Amazing grace how sweet the sound
That saved a wretch like me.
I once was lost but now am found,
Was blind but now I see.

all the people

'Twas grace that taught my heart to fear,
And grace my fears relieved.
How precious did that grace appear,
The hour I first believed.

the choir

Yes, when this flesh and heart shall fail,
And mortal life shall cease,
I shall possess, within the veil,
A life of joy and peace.

a solo voice(s)

The earth shall soon dissolve like snow,
The sun forbear to shine;
But God, who called me here below,
Will be for ever mine.

All the people repeat the first verse.

THE BLESSING

The clergy, participants and family recess as the organ plays "A Mighty Fortress is Our God."

"When they told me there was treatment but no cure at this time, I dropped to my knees," she said. "Two things from out of my past, when I went to church as a child, came back to me. Number one, 'Where can I go but to the Lord?' and number two, 'I am weak but He is strong.'"

The third feeling I had was, 'When life comes down to basics, really how little control we all have over our own lives.' And it also came to me how, even if we live to be 100, how really short life here is. And therefore, it's important to enjoy it and not rush so fast and take time to smell the roses . . ."

Marvella Bayh

10:45

THE PRESIDENT'S ATTENDANCE AT
MEMORIAL SERVICES FOR MARVELLA BAYH

Washington Cathedral
Friday, April 27, 1979

10:45 am The President boards motorcade on South Grounds.

 MOTORCADE DEPARTS South Grounds en route
 Washington Cathedral.

(Driving time: 10 minutes)

10:50 am Vice President and Mrs. Mondale arrive
 Washington Cathedral.

10:55 am MOTORCADE ARRIVES Washington Cathedral.
 (North Entrance)
 PRESS POOL COVERAGE
 CLOSED ARRIVAL

The President will be met by:

The Reverend Canon Charles Martin,
Representative of the Bishop of Washington
Mr. John Kraus, Verger

The President proceeds inside Washington Cathedral
and takes his seat.

11:00 am Service begins.

11:45 am Service concludes.

The President proceeds to motorcade for boarding,
bidding farewell to Senator Bayh at the North Entrance.

11:50 am MOTORCADE DEPARTS Washington Cathedral en
route South Grounds.

(Driving time: 10 minutes)

12:00 noon MOTORCADE ARRIVES South Grounds.

THE WHITE HOUSE
WASHINGTON

4/27/79

Tim Kraft

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

Rick Hutcheson

2:30

THE WHITE HOUSE

WASHINGTON

April 26, 1979

*Done -
No Commitment -
He will see Jim
J*

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT *TK*

SUBJECT: Graham Claytor Meeting

BACKGROUND

When we showed Jim Schlesinger our list of 12 candidates for the number two position at DOE he was enthusiastic about Graham Claytor. This surprised and pleased us because Graham was our initial first choice.

Jim emphasized, in the meeting, that he wanted someone who could:

- Move into the job quickly.
- Deal effectively with the Hill and other aspects of the Washington scene.

Graham has these qualities, as well as the following:

- He has an outstanding record as a line manager, both in private industry and the Navy. (The most crying need at DOE is line management ability).
- He is, we believe, capable of running the Department if, for any reason, Jim should leave.
- He is a Democrat who has demonstrated strong loyalty to you and to your policies.

TALKING POINTS

When we were seeking potential candidates for DOE, we talked briefly with Graham. He said he was happy at Navy and knew that the problems at DOE were demanding. He said he would go to DOE only if the President urged him strongly to do so.

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Graham Claytor Meeting

Page Two

We believe that you should tell Graham that:

1. Energy is the most important and difficult problem facing the Nation today.
2. The greatest contribution he could make to his country now would be to take the number two post at DOE.
3. Jim agrees that the number two man would have clear authority to manage the Department and would also participate in choosing the successor to Dale Myers at the number three position.

Thurs 2:15 pm

THE WHITE HOUSE
WASHINGTON

4/27/79

Mr. President:

Do you want to see
Amb. Chai of China for a
30 - 45 minute meeting soon?
Sec. Krepps leaves for China
this coming friday.

yes no

Phil

*as arranged by
Cy & Zbig
J*

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THE WHITE HOUSE
WASHINGTON

Mr. President:

Frank has asked that you see Prince Franz Josef II of Lichtenstein for a 2 minute photo today. He is a long time friend of Sen. Pell and this is very important to the senator. Zbig feels it is a waste of time but does not object to it.

approve disapprove

Phil

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3:15 May 2

THE WHITE HOUSE
WASHINGTON

4/28/79

Mr. President:

Hamilton has requested
a meeting with you and Vance
this coming week to discuss
ambassadors. Do you want
this scheduled?

yes no

Phil

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THE WHITE HOUSE
WASHINGTON

4/27/79

Mr. President:

Stu said you wanted to see him about a memo he sent you this week. I suggest saturday morning if it needs to be soon.

Phil

Phil 10:00 am

*ole
J*

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4-27-79

NAT ASSO HOME BLDRS

TH. Int. ^{Civ Serv} reg. decon (w/ Fed?)

Review. Home Ownship Offer Act

6 mo Money Mkt Certificate

Not repair, but assess ^{DWIS} _{Con}

Energy savings

Subsidized housing 300,000

14 b. 1 bid fact

AAA NB

national association of
home builders/senior
officers 4/27/79

Apr → now + \$100m/yr

Fed ~ 55% O/Cos ~ 25%

— 43% cut w/ Fed = 20% E

Econ stable

Bal of Trade

\$

Budget

Inflation

— SALT

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4-27-79

For All Breakfast

Prisoners Xch

MFN - today

"Necessarily" = case by case

SALT - sites

Star - verify SALT

Rhodesia - UN - abstain

China - Chai

Juanita - 5/6-7

claims assets - textiles

Bill Scowton

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meeting with editors/upi board 4/27/79

THE WHITE HOUSE
WASHINGTON

~~See~~ UPI 4-27-79

Mexico - gas

Rhodesia - Step -

Topping

Campaign -

6 year term

disparity, will decrease
energy - NEng vs

W & Price guidelines

3 mile

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THE WHITE HOUSE
WASHINGTON

4/27/79

Stu Eizenstat

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
X	EIZENSTAT <i>x 09. (7)</i>
	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

C

April 26, 1979

Mr. President --

Attached are statements by you, the
Vice President, and Secretary Bergland
regarding meat imports.

Stu
Stu

Stu - I did not
promise to hold 1.57 bil
pounds in '79 & did not
authorize Bob to do so.
However, apparently he
said it - Tell him
I will honor his
statement this time
J

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covering 80 percent of all imports from low-cost suppliers. And we are negotiating more.

—We have improved our monitoring of imports and implementation of restraints, through steps such as the new legislative initiatives I have approved.

—We have, despite the proposed small reduction in tariffs, the highest textile and apparel tariffs in the developed world.

—We have begun discussions with exporting countries not now under restraint to seek appropriate levels for their shipments.

—We have established a pilot program to improve productivity in the men's tailored clothing industry, and we have begun an export promotion program for the entire textile and apparel complex.

—And we have begun a review of existing and proposed Federal regulations affecting this industry to assess their impact.

This, however, is not enough. I pledge that we will do more:

—We will intensify our review of existing bilateral restraint agreements to be sure they really work, and if there are harmful surges we will work promptly to remedy them.

—We will not allow the effectiveness of our restraint agreements to be undermined by significant increases in shipments from uncontrolled suppliers, and we will maintain a world-wide evaluation of the imports of textile and apparel into the U.S. and seek appropriate action, country-by-country, where warranted.

—We will be prepared to expand the pilot project underway in the men's tailored clothing industry so that other sectors may benefit from that experience, and we will speed proposals for a similar program in the ladies apparel industry.

—We will negotiate strenuously for removal of non-tariff barriers to U.S. textile and apparel exports, including restrictive "rules of origin."

—The Office of the Special Representative for Trade Negotiations will begin a new policy review and report to me quarterly on developments in the domestic textile and apparel industry, with special emphasis on imports and exports, so that appropriate actions can be taken more promptly.

These steps, like those of the past year, will not be the limit of our assistance to this vital industry. But each step that we take must be directed toward the long-term health of this industry and the United States economy as a whole—unlike H.R. 9937 which on balance is detrimental to the textile industry, to its two million workers, and to the Nation as a whole.

JIMMY CARTER

The White House,

November 10, 1978.

NOTE: The text of the memorandum of disapproval was released on November 11.

Veto of Meat Import Bill

*Memorandum of Disapproval of H.R. 11545.
November 10, 1978*

MEMORANDUM OF DISAPPROVAL

I have withheld my approval of H.R. 11545, the Meat Import Act of 1978.

I do so because the bill would severely restrict Presidential authority to increase meat imports and would place a floor or minimum access level for meat imports that I believe is too low. It deprives a President of the only anti-inflationary tool available in this area.

Current law allows the President substantial flexibility to increase meat imports when, in his judgment, domestic supplies are inadequate to meet demand at reasonable prices. I am convinced that this flexibility must be preserved as a weapon against inflation.

Under this bill, however, authority to increase meat imports would be tied to declaration of a national emergency or natural disaster, or to a restrictive price formula. Under this formula, the farm price of cattle would have to increase faster than the retail meat price by more than ten percent during the first two calendar quarters of a year. Under this formula, quotas could have been relaxed only once in the last ten years.

I also believe that the United States must avoid imposing excessive restrictions on our trading partners who supply us with meat. H.R. 11545 would impose those restrictions by stipulating a minimum access level for meat imports of 1.2 billion pounds, instead of the 1.3 billion my Administration recommended. I am concerned that the bill's lower level could harm our trade relations with the meat exporting countries and thus impair their long-term reliability as sources of additional meat supplies when our own production is low, particularly at a time when we are negotiating for greater access to foreign markets for both our industrial and agricultural products.

If the Congress had enacted H.R. 11545 without these objectionable provisions, I would have been pleased to sign it, as my advisers make clear repeatedly. The bill would have amended the Meat Import Act of 1964 to provide a new formula for determining meat import quotas. The new formula would have adjusted meat import quotas up when domestic production of meats subject to the quota went down. Under the 1964 meat import law, quotas are adjusted in the opposite way, so that as domestic production declines, the limits on meat imports are tightened, at exactly the wrong time. This defect has often compelled Presidents to increase or suspend the meat import quota, in order to ensure supplies of meat

at reasonable prices. The new counter-cyclical formula would, in most years, automatically make the necessary adjustment in the meat import quotas, without involving the President in the normal operation of the meat trade.

This Administration supports such counter-cyclical management of meat imports; in fact, the Department of Agriculture was instrumental in developing the formula which the Congress approved. But for all the advantages of the new formula, it is still an untested mechanical formula which may not respond ideally to all future situations. This is why I find the restrictions on the President's discretion to increase meat imports so objectionable and why my Administration's support for H.R. 11545 was so clearly conditioned upon removal of those restrictions and on increasing the minimum access level for meat imports to 1.3 billion pounds annually.

I am prepared to work with the Congress next year to pass a counter-cyclical meat import bill which will provide the stability and certainty the cattle industry requires, while preserving the President's existing discretionary authority and setting an acceptable minimum access level for imports.

JIMMY CARTER

The White House,
November 10, 1978.

NOTE: The text of the memorandum of disapproval was released on November 11.

Anti-Inflation Program

Statement on Administration Measures To Implement the Program. November 11, 1978

I have taken four actions which underscore my commitment to restraining inflation and to implementing an anti-inflation program which is fair but tough.

President Jimmy Carter
Midcontinent Farmer's Association
Columbia, Missouri
Monday, August 14, 1978, 11:00 a.m.

file - Mo, Trip
distributed on A.F. #1
8/14/78

I feel at home with you today. Both your state and mine produced Presidents who were raised on the farm.

✓ | We Presidents have another similarity too. We both have kept the same sign in the Oval Office -- the famous sign that reads, "The Buck Stops Here." It is a constant reminder of the responsibilities of the President of the United States.

✓ | Although President Truman followed a career that took him away from farming, his attachment remained strong to the land and to the people who work it. So has mine.

When I took office about a year-and-a-half ago, the farm economy was in bad shape and apparently headed for a serious depression. It was one of the greatest problems we had to face.

✓ | The American farmer has a right to expect two things that he was not getting then: a secure income and access to adequate credit at reasonable interest rates.

And all Americans on or off the farm have a right to expect one big thing that nobody is getting: a dollar that will still be worth as much tomorrow as it is today.

Not long ago some of your neighbors -- maybe even some of you here today -- came to visit us in Washington. On tractors. Some of you may even have visited Bob Bergland's office, although I understand he was out at the time.

We could understand clearly the purpose of your visit, but things changed for the better since then. The new programs are beginning to take effect.

Beef prices should be strong and relatively stable for the last half of this year, and Glenn Grimes of the University of Missouri has said that the general price of cattle will be very strong for the next three to four years.

Stable prices, sustained herd size, and adequate domestic meat production is important for farmers and for consumers. Our decisions have been sound and well-considered.

I will not permit any more expansion in beef imports this year. I will not permit unrestricted beef imports next year, and I am strongly and permanently opposed to any price controls on meat.

Net farm income in 1978 will be up about 25 percent over last year -- an increase of more than \$5 billion.

OFFICE OF THE VICE PRESIDENT'S PRESS SECRETARY

FOR RELEASE FRI., JULY 14 AT 2:00 PM CDT (3:00 PM EDT) JULY 14, 1978

TOPEKA, Kan., July 14 -- The following is the text of a statement released here today by Vice President Walter F. Mondale.

"A strong and prosperous American agriculture is and will always remain a major objective of our Administration.

"To ensure that we meet this objective, American farmers and ranchers must be able to earn fair profits. But they must also be able to produce food at prices consumers can afford.

"Our country, and especially our livestock producers, cannot afford renewed consumer boycotts, price freezes, or long-term depressed prices from which cattlemen are only now recovering.

"To prevent such disruption, the President has asked me to make clear that he is not considering and has no intention of considering the imposition of price controls on meat.

"In addition, we recognize that American farmers must be protected from major market uncertainties to permit stability of production. Therefore, we have rejected a policy, such as that pursued in 1972, 1973 and 1974, of totally open-ended beef imports.

"Our policies are designed to promote a profitable cattle industry and stable retail prices. These two objectives are not only consistent; they can only be achieved if they are pursued hand in hand. And last month's action on meat imports -- adding only one half of one percent to our meat consumption -- was taken with both goals in mind.

"Livestock markets have over-reacted to that announcement and to a report showing slightly higher than expected numbers of cattle on feed.

"Livestock prices are now recovering. The market is adjusting to reflect more accurately the actual supply/demand outlook. That outlook is strong. The cattle inventory is down sharply from 1975's record level. Prices received by farmers are now 30 percent above last year. Forecasts show that both cow-calf operators and feeders can look forward to favorable returns over the next several years.

"For this year alone, we are projecting a 25 percent increase in total net farm income compared with last year -- a \$5.5 billion increase. A large part of this increase will be shared by cattlemen.

"We welcome this recovery and believe that it will contribute to a healthy and stable industry with prices at a level that will permit producers to pay off debts that have accumulated over the past 4-5 years, supply our consumer markets, and have the chance to earn a fair and decent profit.

"This policy of sustained recovery is the best policy for our consumers as well as our livestock-farmers. Only when producers have the opportunity to earn reasonable profits, can they make the long term investments that are needed to provide adequate supplies of meat for our consumers.

"Finally, we are exploring ways to overcome a problem that cannot be measured in dollars and cents but is no less important to the future of our livestock industry -- the legacy of distrust toward government that grew out of the price freeze and the removal of all control on beef imports during the early 1970's.

"Several days ago, the President, Secretary Bergland and I met with Senator Clark of Iowa, who discussed with us at great length the major problems facing beef producers. In accordance with Senator Clark's commendation, the President will soon be meeting with livestock producers to hear their concerns and to discuss ways that we can work more closely together to achieve our mutual goal: a healthy, profitable and stable livestock industry."

Beef Business Bulletin

A news service published weekly (except for the last week in December) by the National Cattlemen's Association, 1001 Lincoln Street, Denver, Colorado, for its members \$5 per year. Second class postage paid at Denver, Colorado.

Vol. 1 No. 47

July 28, 1978

Washington Wire

MOSTLY POSITIVE RESPONSES WERE RECEIVED FROM PRES. CARTER when NCA officials, other cattlemen met with Pres. this week. At meeting requested by NCA (following action on imports) and initially arranged through NCA, Carter: (1) Declared flatly he would not seek or use price control authority on meat, even if prices rise substantially more. (2) Assured cattlemen he would not increase imports further this year; does not anticipate "opening up" imports in 1979, but, in any event, will counsel with cattlemen before deciding on restraint level. Also said: (3) Does not oppose counter-cyclical approach in proposed Meat Import Act amendments, but there's "need to retain some flexibility" in Presidential decisions on imports. (NCA is asking limit on authority to suspend quotas.) (4) Supports more market access for U.S. beef overseas. (5) Favors idea of industry program to moderate cycles; offered USDA help in NCA effort. (6) Admires cattlemen's belief in free market system, which is "compatible with my own philosophy." (7) There's need for inputs from NCA on import, other matters (said his non-farm advisors have advocated wide open imports). (8) Recognizes importance of profits and price incentives to rebuild herds. (Cattlemen had cited devastating psychological effect on market of import action; emphasized need for assurances of non-intervention in market, need to reestablish confidence among cattlemen, bankers.) Carter did not back down from his recent action on imports; claimed it thwarted possible consumer boycott, would help keep consumers eating beef.

Representing industry were NCA Pres. McDougal (chief spokesman); 1st V.P. Lauren Carlson; Exec. V.P. George Spencer; Govt. Affairs V.P. Bill McMillan; Cattle-Fax Pres. Curtis Avery, Georgia. Also invited by White House were Bill Schermer, Ia. Cattlemen's Assn. pres. and NCA Region III v.p.; Glenn Gregg, Iowa; Jim Cushman, Georgia; Joe Lee Davidson, Mo. Cattlemen's Assn. pres.; Ralph Cellon, Jr., Florida (all NCA members); Roy Wheeler, Texas; Kermit Pearson, S. D. Officials with Carter at meeting were V.P. Walter Mondale; Ag Secy. Bergland; Howard Hjort, James Webster, Cliff Ouse of USDA; Stuart Eizenstat, Lynn Daft of White House policy staff.

LEGISLATION AMENDING BEEF RESEARCH & INFORMATION ACT is on way to President, who is expected to sign it soon. Credit bill containing amendment was passed July 20 by Senate, just one day after House action. (BBB, 7/21) Action sets stage for another beef referendum, which now could be approved by simple majority rather than 2/3 majority. Assuming bill is signed into law, next step is development of new order, followed by referendum. No timetable has yet been established. . . Credit bill to which BRIA amendment was attached liberalizes credit through Farmers Home Administration and extends emergency livestock credit program.

USDA OFFICE OF INSPECTOR GENERAL is looking into Angelotti-Silverstein "affair." (BBB, 7/14) At recent hearing Congressmen questioned propriety of FSQS Administrator Angelotti's going incognito to meat plants in company of Herb Silverstein, consultant to meat industry. After getting USDA report, House Ag subcomm. will determine whether further investigation or hearings needed. News reports indicated Silverstein, who is personal friend of Angelotti, also has had contacts with consumer activist groups.

PRESIDENT SIGNED GRAZING FEE MORATORIUM BILL (HR 9757), which places moratorium on 1978 grazing fees. However, in so doing, he strongly suggested possible veto of Public

Press Conference with Secretary Bob Bergland and Fred Kahn, March 21, 1979 -- held at the Department of Agriculture, 3:30 p.m. to clarify government program options for 1979

Direct Quote of Secretary Bergland

"The Soviets have not been in the market for some time. Should they decide to enter, what reserves there may be in Australia, even though they are modest, could be sold overnight. That would have an impact on our own policy. And so we are always looking at the restraints and the tonnage coming from various countries. But the total imported beef tonnage will not exceed 1.57 billion pounds."

Community Nutrition Institute (CNI) Wire Story

"Secretary Bergland said the U.S. may be hard pressed to find enough beef on world markets to fill the 1979 beef import quota allocation of 1.57 billion pounds. He also repeated his pledge that the U.S. would not raise the 1979 beef import quota."

Telegram to Richard McDougal, President of the National Cattlemen's Association -- From Secretary Bob Bergland
Dated January 23, 1979 (Read before Annual Meeting of the Association)

"I recognize the need for a stable and healthy cattle industry. In order to provide the economic climate for the expansion the industry needs, I want to assure you that the President is not considering controls on meat. Further, he has no plans to increase the 1979 imports of fresh, chilled, and frozen beef, mutton and goat meat above the levels announced December 29th. Please pass this information and my best wishes for a successful 1979 convention on to your membership."

Washington AP story which appeared in the Baltimore Sun on Saturday, March 10th, Page 11A, following Secretary Bob Bergland before a Senate Budget Committee Hearing made on Friday, March 9th.

"Washington AP - Agriculture Secretary Bob Bergland said yesterday the Administration has no plans this year either to open U.S. ports to more beef than is now allowed or to permit farmers to plant soybeans on the acres they are taking out of grain production at government request.... Even if Mr. Carter changed his decision to hold meat imports at the level of 1.57 billion pounds, he announced on December 29th -- 'and he won't,' Mr. Bergland said, other countries have shortages too, and would not be able to ship any more here."

4/25 EIZENSTADT MEMO

THE WHITE HOUSE
WASHINGTON
April 25, 1979

*Stu -
Give me copy
of my statements
on the subject*
J
C

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
LYNN DAFT *lyn*
SUBJECT: Meat Import Quotas

Last December you decided to suspend the meat import quota for 1979 -- a quota that would have restricted imports to 1,132 million pounds -- and instead negotiated voluntary restraint agreements totalling 1,570 million pounds. In choosing this level, you selected the middle option of three that ranged from 1,500 to 1,640 million pounds, the latter being USDA's estimate at that time of the maximum quantity that could be imported in the absence of any restraint. When we announced this decision, we emphasized that it was being made once for the entire year and that, if at all possible, we would not change it as we had done last year. Earlier, you had taken the position that we would not allow unrestrained imports of meat this year. Given the need to assure livestock and poultry producers that the Government would not take actions that would undercut the profitability of their markets (as many of them feel our action to increase imports last summer did), we felt this emphasis was particularly important.

Since announcing our meat import program for the current year, meat prices have continued to rise. In the three months ending in February, beef prices increased at an annual rate of 72 percent, accounting for about 40 percent of the increase in the food CPI and for over one-tenth of the rise in the overall CPI. Also, the USDA has recently slightly increased its estimate of the maximum quantity of meat that could be imported if a quota were not in effect -- from 1,640 to 1,685 million pounds. In light of these events, Charlie Schultze and Fred Kahn believe you should reconsider your earlier decision and raise the import quota by an additional 70 million pounds -- 35 million pounds now and 35 million pounds later in the year. This memorandum discusses the overall livestock situation and the arguments, pro and con, for raising the import quota.

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Meat and Livestock Situation and Outlook

The situation and outlook for meat and livestock is described in some detail in the attached memorandum from Secretary Bergland. The key elements are these:

- o Last year was the fourth consecutive year of U.S. cattle herd liquidation. Cattle and calf slaughter, exceeded the calf crop in each of the last three years. This last occurred 30 years ago, in 1947. This year we expect that relationship to reverse and the rebuilding of the U.S. herd to begin. Present indications are that herd rebuilding is occurring.
- o Higher prices have stimulated increased production of both pork and poultry. In comparison with the same period last year, pork production was up by about 5 percent in the first quarter of 1979, and will accelerate to as much as 20 percent toward the end of the year. For the year, pork production should be up about 13 percent and poultry up 8 to 10 percent in comparison with year earlier levels.
- o The increased supply of pork and poultry will just about exactly offset the reduced beef supplies during the second quarter of 1979 and more than offset the reduction during the last two quarters of the year. Per capita meat consumption will exceed year earlier levels in both the third and fourth quarters of this year.
- o Hog prices, which averaged \$52 per hundredweight during the first quarter of 1979, have since fallen to the mid-\$40's where they are expected to remain through the summer, perhaps moving lower in the fall. Slaughter steer prices are strong and will likely remain so until late in the year. The USDA believes it unlikely that fed steer prices will rise much above \$75, but this remains to be seen. Fed cattle sold for \$77 last week and the April futures contract sold for \$80.
- o The USDA expects the average retail price for all meat to be up by 14 to 16 percent for the year. If this is the case, most of this increase has already taken place, although the March and April CPI's are expected to show continued increases in beef prices. Both beef and poultry prices will rise slightly through the third quarter while pork prices will fall sharply in the second quarter and more gradually through the remainder of the year.

- o The demand for beef remains very strong. In part, this is due to increased consumer purchasing power, resulting from wage increases which have kept pace with beef prices over the past several years. Another reason why demand remains so strong is the growing popularity of fast food outlets and the importance of beef in their sales mix.
- o In addition to the more abundant supplies of pork and poultry, larger supplies of fresh fruits and vegetables and dairy products may help reduce the rate of food price inflation in the second quarter. USDA now estimates that the annual rate of increase in the food CPI will fall from 19.0 percent during the first quarter to a rate less than half this during the second quarter. If those predictions are accurate, the period of tightest food supply is behind us.

Impact of Increasing Meat Imports

CEA and COWPS recommend that the meat import quota be increased by 70 million pounds, to 1,640 million pounds. It is proposed that 35 million pounds be added now and the additional 35 million held for a later time, should it be necessary. An increase of this magnitude should have very little effect, based on economic considerations alone. An increase in imports of 70 million pounds would expand beef supplies by about 0.4 percent and the supply of all meat by about 0.2 percent. Although it is difficult to estimate the price effect of such a small change, the USDA estimates that it would restrain beef and veal prices about 0.6 percent below what they would otherwise be for the remainder of the year. They estimate that the impact on cattle prices would be no more than \$0.30 per hundredweight.

The principle arguments for and against a 70 million pound increase in the meat import quota are as follows:

PRO

- o If the Administration's anti-inflation program is to have credibility with the public, Administration efforts must be more aggressive and more visible. And, as noted above, rapidly rising beef prices have been the single most important cause of food price inflation over the past few months.

- o A decision to increase import quotas, and a moderation of the rise in beef prices, would enable the Administration to argue more forcefully for moderate labor settlements.
- o Although the price effect of such an action would not be large, it will provide some inflationary relief. We estimate that it could lower consumer food costs by as much as \$175 million over the remaining months of this year. At this critical time for the anti-inflation program, some relief on food prices is needed to offset the expected increases in the nonfood sector.
- o Since meat prices, particularly pork prices, are expected to moderate soon, any action now would allow the Administration to take maximum credit for this improvement. Consumers perceived that meat prices leveled off last summer following the increase in the meat import quota.
- o Fred Kahn is concerned that our recent actions to divert Federal procurement away from high priced foods will appear to be little more than token unless we also allow for this small increase in quotas. He feels that this action would complete a modest but reasonable anti-inflation package that would assure consumers we are doing everything that can reasonably be done.
- o Fred Kahn also feels that the expected adverse reaction of cattlemen can be mitigated if the announcement reassures the cattle industry that the Administration supports their efforts to rebuild herds, recognizes that the present high prices are a normal functioning of the market, and promises that we will not impose controls on the price of meat.

CON

- o An increase in meat import quotas, even a very small increase, will be interpreted by cattle producers (and the farm community at-large) as a hostile act aimed at undercutting recovery of the industry. From the standpoint of farm politics, it would be very damaging. This issue has acquired major symbolic importance among farmers, far more so than the actual effects would suggest it should.

- o While such an action would greatly upset cattle producers, it does not appear likely that we will earn much credit from consumer groups. When we increased the meat import quota last June, one of the largest consumer groups criticized our action for playing into the hands of the fast food chains. Although some consumer groups would support an increase in the quota, it would not be the sort of enthusiastic support required to counter the adverse reaction from farmers.
- o We assured cattle producers when we announced the 1979 meat import levels in late December that we did not intend to make further changes in this policy during the year, as we had done last summer. To amend this decision less than 5 months after it was made will erode the confidence we have begun to build with livestock producers over the past few months.
- o The only real solution to the current problem of meat price inflation rests with domestic livestock producers and the speed with which they invest in new capacity and rebuild herds. There is evidence that this is now beginning to happen; cattlemen appear to be holding a substantial number of heifers to rebuild their herds and cow slaughter is down almost a third from a year ago. Still, a slight increase in this slaughter could prolong the recovery.
- o Although the Foreign Agriculture Service of the USDA estimates that as much as an additional 115 million pounds of meat could be imported this year, some observers argue that this is overly optimistic and that we might even have trouble filling the present quota. Several exporting countries, including Canada and Mexico, have significantly reduced their shipments. The State Department has been monitoring the situation closely and has already reallocated over 31 million pounds of the quota.
- o It is also argued that any further increase in imports this year could come at the expense of imports we would otherwise receive next year. Absent our demand for additional imports, USDA expects fewer cattle would be slaughtered in Australia, permitting a bigger carryover to next year when the herd rebuilding phase in Australia is expected to begin. And, any additional imports we might receive would be diverted from sales to customers in lower income countries (e.g. Taiwan, Phillipines, Hong Kong, and Singapore), countries that cannot afford to pay premium prices although their dietary standards are below those in the U.S.

- o We are already taking what few steps are available to provide partial relief, including: changes in Federal procurement, reallocation of the import quota, and monthly announcements alerting consumers to good food buys. These actions have been well received, even by producer interests.
- o It appears that we will again be faced with legislative proposals to amend the Meat Import Act of 1964, similar to the bill you vetoed last year. An increase in meat imports this year will provide the supporters of this change with a strong argument to use against us.

Agency Recommendations

An increase in meat import quotas is recommended by CEA, Treasury, and COWPS. OMB concurs in this view so long as the action is part of an "anti-inflation package" and not announced by itself. Fred Kahn notes that:

"While Secretary Bergland's thoughtfully balanced memorandum of April 19 on this subject comes down, finally, in opposition, it also can fairly be summarized as predicting that the relaxation we propose would 'almost certainly result in a short-term unevenness in...supplies' and a drop in meat prices 'certainly at the farm level, the importance (of which)... should not be underestimated,' at the expense of a somewhat less certain decrease in future supplies: 'A decision to allow additional meat imports would not be expected to stop this rebuilding (of herds). It might be expected, however, to cause some producers...to send to slaughter now animals which would otherwise have been...retained in the herd for expansion,' resulting in a much greater reduction in future supplies.

The Department of Labor indicates that they are reluctant to make a recommendation since they have not participated in the analysis and are therefore not in a good position to judge the effect this action might have on the cattle cycle nor can they judge the availability of meat for import. However, they have registered their strong feeling that labor is being asked to share a substantial burden in the fight against inflation and that it is very important that this burden be shared equitably among all sectors of the economy.

USDA, State, STR, Esther Peterson, and DPS feel that this change is ill-advised. They feel that it would alienate the farm community without having any significant effect on near-term inflation and possibly worsening it in 1980. Instead they recommend that we retain the present quota and take special care to see that any further shortfalls are promptly reallocated. If you adopt this option, you might want to defer any public mention of it until your visit to Iowa next week, where it would be received with some enthusiasm.

DECISION

- _____ Approve 70 million pound increase in meat import quota (CEA, COWPS, Treasury, OMB*)
- _____ ✓ Retain the present import quota but instruct the State Department to continue to seek early declaration and reallocation of shortfalls (USDA, State, STR, Esther Peterson, DPS, the Vice President)

J

* If announced as part of an anti-inflation package.

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ID 791545

THE WHITE HOUSE

WASHINGTON

DATE: 20 APR 79

FOR ACTION: STU EIZENSTAT

4-23
DAFT
preparing
notes - prob this week
- Wed mid day

HAMILTON JORDAN

TIM KRAFT

FRANK MOORE (LES FRANCIS)

JIM MCINTYRE *concur (attached)*

CHARLES SCHULTZE *will be by Kraft memo*

ESTHER PETERSON *nc*

ALFRED KAHN *nc*

INFO ONLY: THE VICE PRESIDENT

JODY POWELL

JACK WATSON

ANNE WEXLER

JERRY RAFSHOON

SUBJECT: BERGLAND MEMO RE MEAT IMPORTS

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM MONDAY 23 APR 79 +
+++++

ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

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ACTION
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<input checked="" type="checkbox"/>	SCHULTZE

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DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

April 19, 1979

MEMORANDUM TO THE PRESIDENT

SUBJECT: Meat Imports

Last December you directed that meat imports under the 1964 Meat Import Act be limited to 1,570 million pounds, a quantity 438 million pounds (38.7 percent) above the quota, but less than the initial estimate of meat which would enter the country in the absence of any restraints, 1,640 million pounds. This decision was consistent with your stated position that you would not allow unrestrained imports of meat in 1979.

At the end of March, in compliance with the 1964 Act, the Department of Agriculture published a revised quarterly estimate of meat which would enter the country in the absence of restraints: 1,685 million pounds. Based on this increase, some of your advisors have suggested that you should increase the 1,570 million pound limit by 70 million pounds.

The rise of beef prices over the last several months has been persistent and highly visible, and has been a major source of recent food price inflation. From the time the anti-inflation program was announced at the end of October through the end of February, the CPI for food had risen at about a 17.3 percent annual rate (seasonally adjusted), while that for all items other than food had risen at a 10.3 percent rate. Beef prices have increased at a 76 percent seasonally adjusted annual rate, and were alone responsible for about one-third of the increase in the food CPI and one-tenth the increase in the total CPI for the period November 1978-February 1979.

An additional 70 million pounds of imported meat would raise the expected supply of beef by about 0.4 percent, and the supply of total meat by less than 0.2 percent. Taken by itself, a change of this magnitude in the supply of meat would have little effect on prices, less than 0.6 percent in the Consumer Price Index. But, of course, the psychological reaction to an announcement by the government of increased meat imports, although certain, is difficult to measure in advance.

As you know, we have been attempting to assure producers of the market stability they need to allow them to make long-term plans and investments. Shortly after the initial decision on 1979 meat imports I sent a telegram to the President of the National Cattlemen's Association at their annual convention in which I assured him that "(the President) has no plans to increase the 1979 imports...above the levels announced December 29." In subsequent statements we have attempted to reassure producers that they could rely on the government to refrain from actions, specifically price

controls or increases in imports, which would disrupt the stability required to encourage herd rebuilding.

The consequence of this policy, of course, is that current production is sacrificed to rebuilding future production. Presently, cattlemen are apparently holding a substantial number of heifers to rebuild their herds and this is reducing the current slaughter volume. Furthermore, cow slaughter is down almost a third from a year ago. A decision to allow additional meat imports would not be expected to stop this rebuilding. It might be expected, however, to cause some producers to reconsider their plans for expansion and to send to slaughter now animals which would otherwise have been placed on feed or retained in the herd for expansion. A mere 1 percent increase in cow and heifer slaughter could increase beef supplies for this year by more than the proposed change in imports. But for the longer-term (1980 and beyond) beef supplies would be reduced by much more than this.

We believe that we have most of the increase in meat prices behind us. Of course we cannot be sure of this, but we do know that higher beef prices have stimulated increased production of other meats. Pork production in the second quarter of 1979 will be 10 percent over second quarter last year, third quarter will be almost 18 percent over last year, and based on producers' farrowing intentions, fourth quarter production could be about 20 percent over last year. A similar response to higher beef prices is evident in the poultry sector. A comparison of quarterly projections of total meat production and per capita consumption for 1979 with quarterly figures for last year shows the gap closing, so that total meat production and per capita consumption in the last half of 1979 will both be above the last half of 1978.

Finally, it is important to be aware of the uncertainty with respect to whether actual meat imports this year will reach even the current 1,570 million pound limit. We have already had indications from some of the supplying countries that they may not be able to fulfill their shares of the present limit. In this situation, additional importance is placed on the ability of the two major suppliers, Australia and New Zealand, to increase their commitments. Supplies in both countries are very tight, and although Australian government sources have offered assurances, it is not unlikely that political pressure at home will prevent both countries from increasing their meat exports at a time when domestic prices are quite high.

In summary, an increase in meat imports would almost certainly result in a short-term increase in lean beef supplies, both the imports themselves and increased domestic production as some producers reconsider plans for herd expansion and send animals to slaughter which they otherwise would have retained to rebuild their herds. It is also certain that meat prices would drop, certainly at the farm level although not necessarily at the retail level. This action could be pointed to as a tangible demonstration of the Administration's commitment to fighting inflation, and of the effectiveness of our anti-inflation program in a highly visible area. The importance of such an example now should not be underestimated.

However, the benefits of this proposed action must be kept in perspective. We would almost certainly be trading an increase in lean beef supplies this summer for a greater decrease in supplies in the fall and in 1980. And we would lose entirely our credibility with producers of beef and other meats, and their allied interests.

Attached is a memorandum to me which discusses the proposed action in greater detail. This memorandum was reviewed by staff of the Council of Economic Advisors, Council on Wage and Price Stability, Office of Management and Budget, and your Special Assistant for Consumer Affairs.

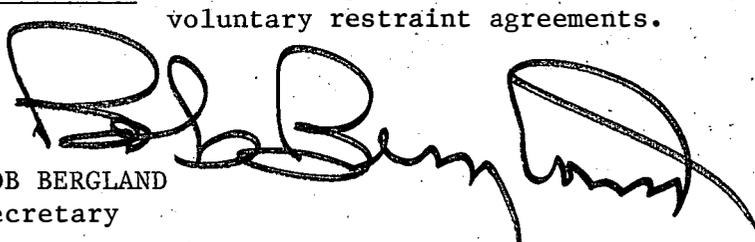
It is my understanding that CEA, CWPS, and OMB recommend that meat imports be increased to 1,640 million pounds. OMB stipulates that its recommendation is conditioned upon the announcement of this action being combined with announcements of other anti-inflationary actions.

Esther Peterson and I recommend that the present limit be retained, and that an early effort be made to renegotiate with the meat exporting countries their shares of the limit, so that countries which are able to compensate for the shortfall of others can begin early to ship at a higher rate.

Options

_____ Increase the limit on meat imports for 1979 to 1,640 million pounds.

_____ Retain the present limit, seek early renegotiation of the voluntary restraint agreements.


BOB BERGLAND
Secretary

Attachment



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

19 APR 1979

SUBJECT: 1979 Meat Import Program

TO: The Secretary

You will recall that in a meeting on April 2 it was suggested by Charles Schultze that we consider an increase of 70 million pounds in meat imports for 1979, with 35 million pounds to be made available immediately and with the remainder to be held in reserve until the effect on prices of the first 35 million pounds can be reviewed.

This memorandum has been reviewed by the Working Group staff from the Council of Economic Advisors, the Council on Wage and Price Stability, the Office of Management and Budget, and the Office of the Special Assistant to the President for Consumer Affairs. It has not been reviewed by the Departments of State or Treasury, or the Office of the Special Trade Representative. Recommendations of the agencies which reviewed this memorandum are presented in the last section.

It now appears, based on the most recent quarterly estimate, which the 1964 Act requires you to publish, that the quantity of meat which would enter the United States in the absence of restraints may be as high as 1,685 million pounds, 45 million pounds over the initial estimate for 1979. This higher estimate is the result of U.S. prices for beef and veal which are somewhat higher than expected during the first quarter, owing largely to weather-reduced slaughter and continued strong demand despite higher prices. Although these higher prices have come down somewhat during the last two weeks, their affect could be to divert some meat to the U.S. from other markets.

The proposal to increase the current 1979 limit on meat imports is based on this higher estimate of meat which might enter the United States in the absence of restraints. In evaluating this proposal, it is important to be aware of the outlook for meat supply and consumption, and of the price prospects for both producers and consumers of meat.

Meat and Livestock Situation and Outlook

Supply

As you know, 1978 was the fourth consecutive year of U.S. cattle herd liquidation. Cattle and calf slaughter exceeded the calf crop in 1976 for the first time since 1947, and this same phenomenon occurred in 1977 and 1978. In 1979 we are expecting this trend to reverse and that rebuilding of the U.S. herd will begin. The January 1980 cattle inventory is expected to be near the inventory for January 1979. This shortage of beef cattle is accentuated by retention of heifers for rebuilding the herd. During the next few years as the herd is rebuilt, beef production, particularly lean beef, will be at a relatively low level.

Higher beef prices, however, have stimulated increased production of other meats. Although first quarter pork production was up less than 5 percent over first quarter 1978, second quarter pork production this year will be up by 10 percent over last year and third quarter production will be up by almost 18 percent. Based on producers' March-May farrowing intentions, pork production this fall could be about 20 percent over last fall. For the year, pork production will be about 13 percent over a year earlier.

A similar response to higher beef prices is evident in the poultry sector. First quarter slaughter will be 10 percent above year-earlier, and 1979 output is expected to continue 8-10 percent above year-earlier.

The higher supply of pork and poultry is expected to approximately offset reduced beef supplies, so that a quarterly comparison between 1979 and 1978 shows the gap in total meat production being closed by the second quarter and 1979 production surpassing that of 1978 by ever-widening margins in the third and fourth quarters.

Meat Production (millions of pounds)

Item	I	II	III	IV	Total
<u>1978</u>					
Beef	6,187	5,973	5,958	6,124	24,242
Pork	3,307	3,293	3,188	3,605	13,393
Poultry	2,816	3,203	3,500	3,386	12,905
Other ^{1/}	266	232	220	223	941
Total	12,576	12,701	12,866	13,338	51,481
<u>1979</u>					
Beef	5,620	5,430	5,455	5,570	22,075
Pork	3,477	3,633	3,758	4,327	15,195
Poultry	3,070	3,475	3,730	3,580	13,855
Other ^{1/}	198	172	172	178	720
Total	12,365	12,710	13,115	13,655	51,845

^{1/} Veal, lamb, and mutton.

In this regard, it is important to note that production increases are also expected in non-meat sources of protein. Egg production was up 3.5 percent in 1978, the first significant increase since 1971, and a further increase of about 2 percent is expected in 1979. Similarly, production and consumption (both total and per capita) of cheese, which have been increasing steadily over the last decade, will increase again in 1979.

Consumption

Meat consumption in 1979, both total and per capita, will be up somewhat over 1978. However, the mix of meats consumed will be different. Consumption of beef will be down by about 7 percent in total and down by about 7.5 percent on a per capita basis. Consumption of pork, poultry,

and other meats (excluding fish) will rise by about 9 percent, and by 8.5 percent on a per capita basis. Total and quarterly per capita consumption are summarized in Table 1.

Per capita total meat consumption in first quarter 1979 was the lowest since second quarter 1976, however, a quarterly comparison of 1979 with 1978 shows the gap closing by the summer quarter:

Per Capita Meat Consumption (Pounds)

Item	I	II	III	IV	Total
<u>1978</u>					
Beef	30.5	29.8	29.7	30.0	120.0
Pork	15.3	15.1	15.0	16.0	61.4
Poultry	12.7	14.1	14.4	15.8	57.0
Other <u>1/</u>	1.3	1.1	1.1	1.1	4.6
Total	59.8	60.1	60.2	62.9	243.0
<u>1979</u>					
Beef	28.5	27.1	27.8	27.7	111.1
Pork	15.9	16.6	17.4	19.5	69.4
Poultry	13.6	14.8	15.2	16.6	60.2
Other <u>1/</u>	1.0	.9	.9	.7	3.5
Total	59.0	59.4	61.3	64.5	244.2

1/ Veal, lamb, and mutton.

As this table shows, the quarterly gap between 1978 and 1979 total meat consumption closes from -0.8 pounds per capita in the first quarter to -0.7 pounds in the second, with a 1.1 pound increase in the third quarter, and a 1.6 pound increase in the fourth quarter.

The point of these quarterly comparisons of production and consumption between 1978 and 1979 is that the tightest period for production and consumption has probably been reached and passed.

Prices

(1) Producer Prices

Cattle prices continued to increase during the early parts of this year. Choice yearling feeder steers surpassed the \$90 mark early in March, while choice slaughter steer prices during March rose above \$70 per hundredweight for the first time in history and have been above \$75 both last month and this month. It is doubtful that these feeder steer prices can be maintained throughout the remainder of the year. They are at \$88-89 now.

This spring, slaughter steer prices may rise slightly above the \$75 level, but late in the year they will probably weaken as supplies

of competing meats increase. A choice slaughter steer average in the upper-\$60 range seems likely for 1979. Prices for non-fed cattle, which have been at record high levels, are expected to decline.

The major uncertainty with respect to beef production is the disequilibrium between prices for feeder calves and the futures prices for fed cattle. There is now a supply of feeder calves that would justify more animals moving into feedlots than are actually being placed. The current price of feeder calves is too high, relative to the August-October futures, to encourage feedlot operators to buy feeder calves to place on feed, even though feeder calf prices have declined somewhat from their early March peak. In order for placements on feed to increase, either the price of feeder calves will have to decline further, or the price of fed cattle will have to rise. If this disequilibrium is broken by a rise in fed cattle prices, there would be a definite adverse effect on the Consumer Price Index (CPI). However, choice steer prices will not likely rise much above \$75 through this summer, so that it is more likely that the disequilibrium will be broken by a further decline in prices of feeder calves.

Hog prices averaged \$52 per hundredweight in the first quarter, about \$5 above a year earlier, but weakened to \$43 in late March as production rose. Prices will hold in the mid \$40's as pork production declines seasonally this summer, but would drop to lower levels this fall, if producers fulfill their March-May farrowing intentions. Poultry prices in the first quarter averaged 6 cents per pound above a year earlier and will increase seasonally during the spring, but then decline in late summer and fall.

The major uncertainty with respect to pork and poultry production is the extent to which pork producers will fulfill their farrowing intentions. Recent forecasts of large increases in pork production and lower hog prices could convince pork producers to cut back on their expansion, resulting in somewhat lower pork production in the fourth quarter and in early 1980.

(2) Consumer Prices

The average retail price for beef and veal in 1979 will be 24-26 percent above a year earlier as shown in Table 1. Because of the larger supplies of pork and poultry coming to market this year, the average retail price for total meat in 1979 will be up by a lesser proportion, 14-16 percent above 1978. However, this increase has largely already taken place. The pattern of stable or declining producer prices is expected to be reflected in retail prices for the remainder of the year, as shown in the table below:

1967 = 100

<u>1979</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>Total</u>
Retail Index								
Beef & veal	227.7	243.4	250.0	240.0	250.0	260.0	257.0	250-254
Pork	226.7	232.3	233.7	230.0	218.0	215.0	212.0	217-221
Poultry	181.2	185.8	186.0	185.0	187.0	188.0	180.0	183-187

It should be noted that consumer demand for all meat remains quite strong. To a great degree, this results from the fact that, although consumers have increased per capita consumption fairly steadily over the last thirty years, the percent of disposable income spent on meat has remained quite stable, as shown in Table 2. It is interesting to note that although meat prices, at the producer and retail levels, have risen sharply in the last fifteen months, the percent of disposable income spent on all meat and beef in the first quarter of this year is up only slightly from the level of the previous two years, and is well below the level of 1973, the year of the beef boycott.

Impact of Increasing Imports by 70 Million Pounds

From the time the anti-inflation program was announced at the end of October through the end of February, the CPI for food had risen at about a 17.3 percent annual rate (seasonally adjusted), while that for all items other than food had risen at a 10.3 percent rate. Beef prices have increased at a 76 percent seasonally adjusted annual rate, and were alone responsible for about one-third of the increase in the food CPI and one-tenth the increase in the total CPI for the period November 1978-February 1979. The March CPI to be announced later this month will show some improvement but will essentially continue this pattern.

An additional 70 million pounds (94 million pounds carcass weight) of imported meat would raise the expected level of beef by about 0.4 percent and total meats by less than 0.2 percent. It is difficult to estimate precisely the impact a change of this magnitude in supply would have on either producer or consumer prices. Taken alone, a change in supply of this magnitude might be expected to change the Consumer Price Index (CPI) for beef and veal by not more than 1.5 points, 0.6 percent. At the farm level the impact on prices would be no more than \$0.30 per hundredweight. Price changes of this magnitude would not ordinarily cause the level of domestic production to change from the present forecast, as shown in Table 1.

However, the psychological reaction to this move, which cannot be accurately measured in advance, could be significant among both producers and consumers. From the producers' viewpoint, this could be construed as only a first step to "bring down" cattle prices and the producer confidence required to rebuild the herd could falter. Up to this point we have pursued a policy of attempting to assure producers of the stability required to allow them to make long-term plans. Shortly after the initial decision on 1979 meat imports you sent a telegram to the President of the National Cattlemen's Association at their annual convention in which you assured him that "(the President) has no plans to increase the 1979 imports...above

the levels announced December 29." In subsequent statements we have attempted to reassure producers that they could rely on the government to refrain from actions, specifically price controls or increases in imports, which would disrupt the market stability required to encourage herd rebuilding.

The consequence of this policy, of course, is that current production is sacrificed to rebuilding future production. Presently, cattlemen are apparently holding a substantial number of heifers to rebuild their herds and this is reducing the current slaughter volume. Furthermore, cow slaughter is down almost a third from a year ago. A decision to allow additional meat imports would not be expected to stop this rebuilding. It might be expected, however, to cause some producers to reconsider their plans for expansion and to send to slaughter now animals which would otherwise have been placed on feed or retained in the herd for expansion. A mere 1 percent increase in cow and heifer slaughter could increase beef supplies for this year by more than the proposed change in imports. But for the longer-term (1980 and beyond) beef supplies would be reduced by much more than this.

This situation would be compounded by the effect on fed cattle prices. As noted earlier, the gap between feeder prices and fed cattle prices is currently too great to encourage placement of cattle on feed. Either fed cattle prices will have to rise or feeder cattle prices will have to fall in order to break this stalemate and cause feeders to move into feedlots. An increase in fed cattle prices would aggravate inflation, and therefore, an argument can be made for increasing imports in the expectation that feeder prices would be knocked down. However, it is more likely that fed cattle prices would also be knocked down by the psychological reaction to increased imports, so that the price at which feedlot operators could purchase feeder calves with reasonable expectation of profit would have to be still lower. Cattle which might otherwise move into feedlots and come out at higher weights in the fourth quarter would likely go directly to slaughter off grass, at lighter weights. There would be an increase over current expectations in second and third quarter lean beef production, but a greater decline in fed beef production in the fourth quarter and early 1980.

From the consumers standpoint a false sense of changes in prices might result. The increased production of pork and poultry will more than offset the decline in beef production as the year progresses. Prices for pork and poultry will be somewhat lower and a shift from beef to pork and poultry is desirable, from the standpoint of moderating food price inflation. However, if consumers believe that the Government is continually going to take steps to reduce beef prices then they may be more reluctant to make the shift away from beef, resulting in even higher prices for beef because of the continued higher demand.

Adding to the problems involved in inducing consumers to switch from beef to pork and poultry is the fact that even with higher beef and other meat prices consumers are spending a smaller percentage of their income on beef and on meat than they have in past years except 1977-78 (Table 2). For several years prior to 1977, consumers spent 2.6 to 2.7 percent of their income for beef. Last year they spent only 2.4 percent, and

even with the high beef prices of the first 3 months of this year they spent only 2.55 percent of their income on beef during that period.

Impacts on consumers in other beef importing countries could possibly be much greater than those on U.S. consumers. One of the factors behind your recommendation last December that we not set meat import limits at the estimated level of unrestrained imports was concern that we would price the additional meat out of other meat importing countries, and meat exporting countries, where per capita meat consumption and dietary standards are in many cases already below U.S. levels.

Finally, it is important to note that certain factors could intervene which would make it difficult for actual meat imports this year to reach even the present 1,570 million pound limit. We have already had indications from the governments of Canada and Mexico that they may not be able to fulfill their shares of the present limit. Although Central American suppliers should be able to fulfill their shares, and perhaps help make up the shortfall of Canada and Mexico, it is doubtful they could help to supply an increased import level. In this situation, additional importance is placed on the supply potential of Australia and New Zealand. Supplies in both countries are very tight, as indicated by high prices, reduced estimates of consumption, and reduced and even curtailed production in some Australian packing plants. Although Australian government sources have offered assurances that they can fulfill their share of the current limit, and perhaps make up the shortfall of others, it should be recalled that in a similar situation in 1973, Australian longshoremen and other laborers involved in handling meat for export engaged in a work stoppage which forced a reduction in meat exports. In short, because it is not altogether certain that actual meat imports this year will reach the currently established limit, there would appear to be even less reason to increase that limit further.

The possibility that several countries will be declaring substantial shortfalls raises a third option: to retain the overall quota at the present level and to renegotiate the voluntary restraint agreements with Canada, Mexico, Panama, and others which are not likely to reach their quotas. An early declaration of shortfalls from these countries would enable us to reassign the quotas to countries which have the meat.

Demand for beef is the highest during the summer months. The greatest price dampening impact of a given quantity of increased imports would probably occur if concentrated in the June-August period. Countries like Australia, New Zealand, and Nicaragua, which are expected to be prepared to fill shortfalls would be reluctant to load their quotas into the summer months unless we could reallocate shortfalls early. Otherwise, summer loading could result in these countries being effectively shut out of our market from the end of summer until shortfalls are normally declared in December.

This approach has the added advantage of avoiding adverse reaction from cattlemen. Its primary disadvantage is that consumers will be unaware or less able, to comprehend the anti-inflation impact of such an action vis a vis an announced increase in imports.

The Options

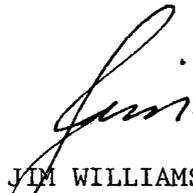
As noted earlier, the options are (1) to retain the current meat import level with, perhaps, early renegotiations of the voluntary restraint agreements, or (2) to announce an increase of 70 million pounds. In the event the higher level is chosen, it is planned to renegotiate the voluntary restraint agreements with meat exporting to allow initially an increase of only 35 million pounds. The remaining 35 million pounds would be held in reserve to be used later at the best opportunity.

Agency Positions

The Council of Economic Advisors, the Council on Wage and Price Stability, and the Office of Management and Budget recommend an increase to 1,640 million pounds. OMB stipulates that its recommendation is conditioned upon the announcement of this action being combined with announcements of other anti-inflation actions.

Esther Peterson recommends that the current limit be retained, but that negotiations be commenced before this summer to reallocate shares of the current level.

Attached for your review is a brief draft memorandum for you to send to the President.



JIM WILLIAMS
Deputy Secretary

Attachment

Table 1--Meat production, consumption, and prices

Item	1975	1976	1977	1978	1979	
					Present levels ^{1/}	Increased imports ^{2/}
---Million pounds---						
<u>Production</u>						
Beef ^{3/}	23,976	25,969	25,279	24,242	22,075	22,075
Pork ^{3/}	11,779	12,688	13,247	13,393	15,195	15,195
Poultry	10,627	11,810	12,143	12,905	13,855	13,855
Other meats ^{3/}	1,283	1,224	1,185	941	720	720
Total	47,665	51,691	51,854	51,481	51,845	51,845
Beef and veal imports ^{3/4/}	1,782	2,095	1,963	2,322	2,440	2,534
<u>Total consumption</u>						
Beef ^{3/}	25,398	27,549	27,038	25,999	24,240	24,334
Pork ^{3/}	11,852	12,668	13,200	13,293	15,138	15,138
Poultry	10,384	11,188	11,620	12,326	13,137	13,137
Other meats ^{3/}	1,306	1,250	1,207	988	752	752
Total	48,940	52,655	53,065	52,606	53,267	53,361
<u>Per capita consumption</u>						
---Pounds---						
Total beef ^{3/}	120.1	129.3	125.9	120.0	111.1	111.5
Imported beef ^{3/}	8.3	9.7	9.0	10.6	11.1	11.5
All meats	231.6	247.2	247.1	243.0	244.2	244.6
<u>Producer prices</u>						
---Dollars/cwt.---						
Farm price cattle	32.30	33.70	34.40	48.23	68.0-70.0	67.7-69.7
Choice 900-1100 lb. steers, Omaha	44.61	39.11	40.38	52.25	68.0-70.0	67.7-69.7
Barrows & gilts, 7-Markets	48.32	43.11	41.07	48.49	45.0-47.0	5/
Broilers, 9-City avg.	45.10	40.20	40.80	44.50	45.0-47.0	5/
<u>Retail prices</u>						
Retail beef and veal price index (1967=100)	170.0	164.5	163.6	201.0	250.0-254.0	248.5-252.5
Retail meat price index (1967=100)	177.9	178.2	174.2	206.8	236.0-240.0	235.3-239.3
<u>Impact of change on:</u>						
Producer income (mil. dollars)	---	---	---	---	---	-112
Consumer expenditure for beef (mil. dollars)	---	---	---	---	---	-114
Consumer price index (points)	---	---	---	---	---	-0.03

^{1/} Present forecast with quota imports at 1.57 billion pounds (product weight).
^{2/} With an additional 70 million pounds (product weight) of imports. ^{3/} Carcass weight basis. ^{4/} Quota and nonquota imports. ^{5/} Minor impact. ^{6/} Increased imports compared with present forecast.

Table 2--Percent of disposable income spent on meat

Year	Beef	Red meat	Poultry	Fish	Total
	---Percent---				
1965	2.5	4.2	.69	.35	5.2
66	2.5	4.4	.72	.35	5.5
67	2.4	4.2	.65	.32	5.1
68	2.4	4.1	.61	.32	5.0
69	2.6	4.2	.64	.32	5.1
1970	2.5	4.1	.62	.35	5.1
71	2.5	4.0	.58	.35	4.9
72	2.7	4.1	.58	.39	5.1
73	2.7	4.2	.70	.41	5.4
74	2.7	4.3	.63	.41	5.3
1975	2.7	4.2	.62	.40	5.2
76	2.6	4.1	.59	.45	5.1
77	2.3	3.6	.56	.45	4.6
78	2.4	3.8	.59	.43	4.8
79 ^{1/}	2.5	4.0	.60	.43	5.1

^{1/} Current forecast.

Note: Numbers may not add to total owing to rounding.

Table 3--Meat production, consumption, and prices,
by quarters and total for 1979

Item	Quarters				Year
	I	II	III	IV	
	---Million pounds---				
<u>Production</u>					
Beef	5,620	5,430	5,455	5,570	22,075
Pork	3,477	3,633	3,758	4,327	15,195
Poultry	3,070	3,475	3,730	3,580	13,855
Other meats 1/	198	172	172	178	720
Total	12,365	12,710	13,115	13,655	51,845
<u>Beef and veal imports</u>	585	580	690	585	2,440
<u>Total consumption</u>					
Beef	6,190	5,915	6,075	6,060	24,240
Pork	3,448	3,623	3,793	4,274	15,138
Poultry	2,960	3,225	3,320	3,632	13,137
Other meats 1/	210	180	178	184	752
Total	12,808	12,943	13,366	14,150	53,267
	---Pounds---				
<u>Per capita consumption</u>					
Beef	28.5	27.1	27.8	27.7	111.1
Pork	15.9	16.6	17.4	19.5	69.4
Poultry	13.6	14.8	15.2	16.6	60.2
Other meats 1/	1.0	.9	.9	.7	3.5
Total	59.0	59.4	61.3	64.5	244.2
	---Dollars/cwt. or cents/lb.---				
<u>Meat animal prices</u>					
Choice steers	65.42	70.00	71.00	69.00	68.90
Hogs (7 markets)	51.98	46.00	44.00	41.00	45.75
Broilers (9-city)	47.50	49.00	48.00	41.00	46.20
	---1967 = 100---				
<u>Retail prices</u>					
Beef and veal price index	240.0	250.0	260.0	257.0	250-254
Meat price index	234.3	236.1	240.2	237.5	235-239

1/ Veal, lamb, and mutton.

Table 4--Per capita meat consumption by quarter,
1975-1979

Item	I	II	III	IV	Total
<u>1975</u>					
Beef	30.3	28.4	30.2	31.2	120.1
Pork	15.5	14.4	12.5	13.7	56.1
Poultry	10.7	11.8	12.5	14.2	49.2
Other 1/	1.4	1.4	1.7	1.7	6.2
Total	57.9	56.0	56.9	60.8	231.6
<u>1976</u>					
Beef	32.8	31.2	33.5	31.8	129.3
Pork	14.4	13.5	14.4	17.2	59.5
Poultry	11.8	12.6	13.3	14.8	52.5
Other 1/	1.5	1.3	1.5	1.6	5.9
Total	60.5	58.6	62.7	65.4	247.2
<u>1977</u>					
Beef	31.7	30.9	32.0	31.3	125.9
Pork	15.6	14.9	14.7	16.3	61.5
Poultry	12.0	13.0	13.9	15.2	54.1
Other 1/	1.5	1.3	1.4	1.4	5.6
Total	60.8	60.1	62.0	64.2	247.1
<u>1978</u>					
Beef	30.5	29.8	29.7	30.0	120.0
Pork	15.3	15.1	15.0	16.0	61.4
Poultry	12.7	14.1	14.4	15.8	57.0
Other 1/	1.3	1.1	1.1	1.1	4.6
Total	59.8	60.1	60.2	62.9	243.0
<u>1979</u>					
Beef	28.5	27.1	27.8	27.7	111.1
Pork	15.9	16.6	17.4	19.5	69.4
Poultry	13.6	14.8	15.2	16.6	60.2
Other 1/	1.0	.9	.9	.7	3.5
Total	59.0	59.4	61.3	64.5	244.2

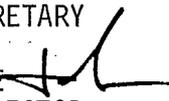
1/ Veal, lamb, and mutton.



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

APR 24 1979

MEMORANDUM FOR: RICK HUTCHESON
STAFF SECRETARY

FROM: JOHN WHITE 
DEPUTY DIRECTOR

SUBJECT: Bergland memo re meat imports

As noted in the attached, OMB joins with CEA and COWPS in recommending that the import limit be increased by 70 million pounds.

Since the anti-inflation benefits of this action are not highly significant, we believe that the announcement should be part of a broader anti-inflation package.

Attachment

ID 791545

THE WHITE HOUSE

WASHINGTON

DATE: 20 APR 79

FOR ACTION: STU EIZENSTAT

HAMILTON JORDAN

~~TIM KRAFT~~

FRANK MOORE (LES FRANCIS)

JIM MCINTYRE

CHARLES SCHULTZE

ESTHER PETERSON

ALFRED KAHN

INFO ONLY: THE VICE PRESIDENT

JODY POWELL

JACK WATSON

ANNE WEXLER

JERRY RAFSHOON

SUBJECT: BERGLAND MEMO RE MEAT IMPORTS

20 APR 1979

+++++

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

+ BY: 1200 PM MONDAY 23 APR 79 +

+++++

ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

April 19, 1979

MEMORANDUM TO THE PRESIDENT

SUBJECT: Meat Imports

Last December you directed that meat imports under the 1964 Meat Import Act be limited to 1,570 million pounds, a quantity 438 million pounds (38.7 percent) above the quota, but less than the initial estimate of meat which would enter the country in the absence of any restraints, 1,640 million pounds. This decision was consistent with your stated position that you would not allow unrestrained imports of meat in 1979.

At the end of March, in compliance with the 1964 Act, the Department of Agriculture published a revised quarterly estimate of meat which would enter the country in the absence of restraints: 1,685 million pounds. Based on this increase, some of your advisors have suggested that you should increase the 1,570 million pound limit by 70 million pounds.

The rise of beef prices over the last several months has been persistent and highly visible, and has been a major source of recent food price inflation. From the time the anti-inflation program was announced at the end of October through the end of February, the CPI for food had risen at about a 17.3 percent annual rate (seasonally adjusted), while that for all items other than food had risen at a 10.3 percent rate. Beef prices have increased at a 76 percent seasonally adjusted annual rate, and were alone responsible for about one-third of the increase in the food CPI and one-tenth the increase in the total CPI for the period November 1978-February 1979.

An additional 70 million pounds of imported meat would raise the expected supply of beef by about 0.4 percent, and the supply of total meat by less than 0.2 percent. Taken by itself, a change of this magnitude in the supply of meat would have little effect on prices, less than 0.6 percent in the Consumer Price Index. But, of course, the psychological reaction to an announcement by the government of increased meat imports, although certain, is difficult to measure in advance.

As you know, we have been attempting to assure producers of the market stability they need to allow them to make long-term plans and investments. Shortly after the initial decision on 1979 meat imports I sent a telegram to the President of the National Cattlemen's Association at their annual convention in which I assured him that "(the President) has no plans to increase the 1979 imports...above the levels announced December 29." In subsequent statements we have attempted to reassure producers that they could rely on the government to refrain from actions, specifically price

controls or increases in imports, which would disrupt the stability required to encourage herd rebuilding.

The consequence of this policy, of course, is that current production is sacrificed to rebuilding future production. Presently, cattlemen are apparently holding a substantial number of heifers to rebuild their herds and this is reducing the current slaughter volume. Furthermore, cow slaughter is down almost a third from a year ago. A decision to allow additional meat imports would not be expected to stop this rebuilding. It might be expected, however, to cause some producers to reconsider their plans for expansion and to send to slaughter now animals which would otherwise have been placed on feed or retained in the herd for expansion. A mere 1 percent increase in cow and heifer slaughter could increase beef supplies for this year by more than the proposed change in imports. But for the longer-term (1980 and beyond) beef supplies would be reduced by much more than this.

We believe that we have most of the increase in meat prices behind us. Of course we cannot be sure of this, but we do know that higher beef prices have stimulated increased production of other meats. Pork production in the second quarter of 1979 will be 10 percent over second quarter last year, third quarter will be almost 18 percent over last year, and based on producers' farrowing intentions, fourth quarter production could be about 20 percent over last year. A similar response to higher beef prices is evident in the poultry sector. A comparison of quarterly projections of total meat production and per capita consumption for 1979 with quarterly figures for last year shows the gap closing, so that total meat production and per capita consumption in the last half of 1979 will both be above the last half of 1978.

Finally, it is important to be aware of the uncertainty with respect to whether actual meat imports this year will reach even the current 1,570 million pound limit. We have already had indications from some of the supplying countries that they may not be able to fulfill their shares of the present limit. In this situation, additional importance is placed on the ability of the two major suppliers, Australia and New Zealand, to increase their commitments. Supplies in both countries are very tight, and although Australian government sources have offered assurances, it is not unlikely that political pressure at home will prevent both countries from increasing their meat exports at a time when domestic prices are quite high.

In summary, an increase in meat imports would almost certainly result in a short-term increase in lean beef supplies, both the imports themselves and increased domestic production as some producers reconsider plans for herd expansion and send animals to slaughter which they otherwise would have retained to rebuild their herds. It is also certain that meat prices would drop, certainly at the farm level although not necessarily at the retail level. This action could be pointed to as a tangible demonstration of the Administration's commitment to fighting inflation, and of the effectiveness of our anti-inflation program in a highly visible area. The importance of such an example now should not be underestimated.

However, the benefits of this proposed action must be kept in perspective. We would almost certainly be trading an increase in lean beef supplies this summer for a greater decrease in supplies in the fall and in 1980. And we would lose entirely our credibility with producers of beef and other meats, and their allied interests.

Attached is a memorandum to me which discusses the proposed action in greater detail. This memorandum was reviewed by staff of the Council of Economic Advisors, Council on Wage and Price Stability, Office of Management and Budget, and your Special Assistant for Consumer Affairs.

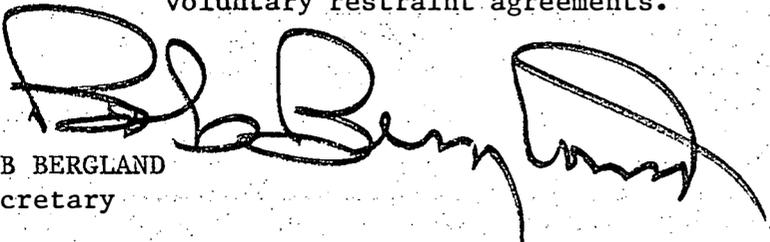
It is my understanding that CEA, CWPS, and OMB recommend that meat imports be increased to 1,640 million pounds. OMB stipulates that its recommendation is conditioned upon the announcement of this action being combined with announcements of other anti-inflationary actions.

Esther Peterson and I recommend that the present limit be retained, and that an early effort be made to renegotiate with the meat exporting countries their shares of the limit, so that countries which are able to compensate for the shortfall of others can begin early to ship at a higher rate.

Options

_____ Increase the limit on meat imports for 1979 to 1,640 million pounds.

_____ Retain the present limit, seek early renegotiation of the voluntary restraint agreements.


BOB BERGLAND
Secretary

Attachment

THE WHITE HOUSE

WASHINGTON

Dear Mr. Chairman:

I am transmitting to the Congress an amendment to my fiscal year 1980 budget that will provide for a Foreign Military Sales financing program of \$15,000,000 for Oman, and a \$40,000,000 Security Supporting Assistance program and a \$10,000,000 increase in the Foreign Military Sales financing program for Sudan.

These programs will reinforce the moderate, constructive roles being played by Sudan and Oman in regional and bilateral affairs, and will also demonstrate to Saudi Arabia and other Arab moderates that we are willing to apply U.S. resources to the task of stabilizing and supporting moderate regimes in the Middle East. The Sudanese and Omani decisions to endorse the Egyptian-Israeli treaty and not to support Arab sanctions against Egypt increase the need for demonstrable U.S. support for those countries.

Oman

A \$15 million Foreign Military Sales financing program will support the security of this strategically important Persian Gulf state. We anticipate that Oman would use the financing to purchase defensive military equipment, such as anti-armor missiles.

In recent years, Oman has resisted a South Yemen-supported Dhofar rebellion in southern Oman. The threat to Oman of a renewed attack from the PDRY remains alive. Past Iranian military assistance, which helped Oman to suppress the insurrection, is no longer available. Oman has sought a direct expression of U.S. interest in its security.

Sudan

In recent years, Sudan has found itself in an adverse balance of payments position because of sharp increases in petroleum prices, a decline in balance of payments support from other countries, failure to meet export goals, and an overly ambitious development program. Although U.S. development assistance levels are projected to rise sharply in fiscal year 1980, Sudan still will have a continuing requirement for balance of payments assistance as it works with the IMF to reform its financial management.

The inflation rate of 30-40 percent per year and a balance of payments gap of as high as \$850 million have created a very serious situation. Expected support from other donors, some of which is contingent on an IMF agreement, will help, but will not resolve it.

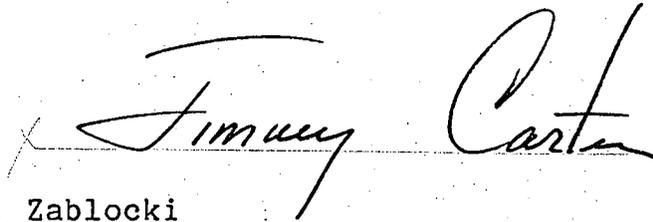
Additional increases in U.S. project assistance beyond that proposed to the Congress would exacerbate the problems since such projects entail recurrent domestic costs and some additional imports. The \$40 million in Security Supporting Assistance would help alleviate the pressure on foreign exchange by financing essential commodity imports and spare parts for the vital transportation sector.

The increase of \$10 million in Foreign Military Sales financing would permit Sudan to acquire much-needed field engineering equipment. In addition, Sudan would be able to purchase other items, such as artillery, armored personnel carriers, and mobile medical units.

I have requested that the Committee on Foreign Relations of the Senate take the necessary action to provide authority to carry out these programs as part of its consideration of the Administration's proposed fiscal year 1980 foreign assistance authorization legislation.

I strongly urge that the Committee on Foreign Affairs support my request for these important programs.

Sincerely,

A handwritten signature in cursive script that reads "Jimmy Carter". The signature is written in dark ink and is positioned above a horizontal line.

The Honorable Clement J. Zablocki
Chairman
Committee on Foreign Affairs
U.S. House of Representatives
Washington, D.C. 20515

THE WHITE HOUSE

WASHINGTON

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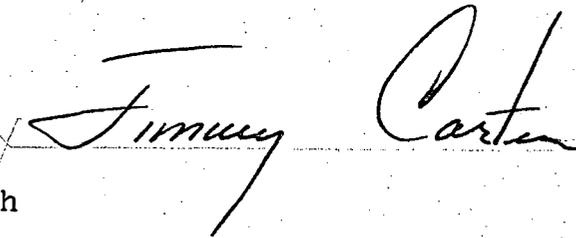
The increase of \$10 million in Foreign Military Sales financing would permit Sudan to acquire much-needed field engineering equipment. In addition, Sudan would be able to purchase other items, such as artillery, armored personnel carriers, and mobile medical units.

In order to assist the Committee in taking action on these important programs, I enclose revisions to the appropriate provisions of the Administration's proposed fiscal year 1980 security assistance authorization legislation, introduced in the Senate by request as S. 584. The revision to section 7 of the bill would amend section 532 of the Foreign Assistance Act of 1961 to increase by \$40,000,000 the fiscal year 1980 authorization of appropriations for carrying out security supporting assistance programs. The revisions to section 12 of the bill would amend

section 31 of the Arms Export Control Act to increase the authorization of fiscal year 1980 appropriations for foreign military sales programs by \$2,500,000 and the fiscal year 1980 overall foreign military sales financing program ceiling by a corresponding \$25,000,000.

I strongly urge the Committee to support this request so that these important programs may be carried out.

Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter", written over a horizontal dashed line.

The Honorable Frank Church
Chairman
Committee on Foreign Relations
United States Senate
Washington, D.C. 20510

SECURITY SUPPORTING ASSISTANCE

SEC. 7.(a) Chapter 6 of part II of the Foreign Assistance Act of 1961 is repealed.

(b) Chapter 4 of part II of the Foreign Assistance Act of 1961 is amended to read as follows:

"Chapter 4 -- Security Supporting Assistance

"Sec. 531 * * *
 * * *
 * * *
 * * *

"Sec. 532. Authorization. -- (a) In addition to amounts otherwise available for the purpose, there are authorized to be appropriated to the President to carry out the purposes of this chapter for the fiscal year 1980 \$2,035,100,000.

"(b) Amounts appropriated to carry out the provisions of this chapter are authorized to remain available until expended."

(c) * * *.

FOREIGN MILITARY SALES

AUTHORIZATION AND AGGREGATE CEILING

SEC. 12. Section 31 of the Arms Export Control Act is amended --

(a) in subsection (a), by striking out "\$682,000,000 for the fiscal year 1978 and \$674,300,000 for the fiscal year 1979" and inserting in lieu thereof "\$658,800,000 for the fiscal year 1980";

(b) in subsection (b), by striking out "\$2,152,350,000 for the fiscal year 1978 and \$2,085,500,000 for the fiscal year 1979, of which amount for each such year" and inserting in lieu thereof "\$2,088,000,000 for the fiscal year 1980, of which";

(c) * * * * *;

(d) * * * * *.