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THE WHITE HOUSE
WASHINGTON

17 Oct 79

ATTACHED ARE CABINET SUMMARIES.

ADMINISTRATIVELY CONFIDENTIAL

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THE WHITE HOUSE
WASHINGTON
17 Oct 79

Alfred Kahn

;

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

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON

cc Fred
Q

October 13, 1979

MEMORANDUM FOR THE PRESIDENT

**Electrostatic Copy Made
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FROM: ALFRED E. KAHN *Fred*

SUBJECT: Weekly Activities Summary

Second Year Program

By the end of the day, we will conclude our deliberations on the membership of the pay advisory committee and will send you recommendations. We hope we can announce the members on Monday. We have scheduled the first meeting of the advisory committee for next Wednesday morning, October 17. I know your schedule is crowded on that day, but it would help assure full attendance and more enthusiastic participation, especially on the part of the business community, if we could say that you will meet with the group for five or ten minutes sometime that day.

I have been spending much more time in public explaining the program. I spoke before UPI in Houston, to Congressman McGuire's town meeting in Paramus, New Jersey, and before the House and Senate banking committees this week. I think I did very well, at least considering the fact that I testified in the wake of the Federal Reserve Board's recent actions. (In case you are interested, I have attached a copy of my testimony.) I will appear on "Face the Nation" tomorrow.

Trucking

The confirmation of your three choices for ICC Commissioners and your designation of Darius Gaskins as Chairman is helping us in the legislative process. Your actions have made it increasingly clear to the industry that time is no longer on their side, so the truckers are now starting to press for speedy action. We are now in the happy position of encouraging the ICC and the Congress to move simultaneously, using a threat of veto to ensure that the legislation is in line with our goals.

I believe that movement on our trucking legislation will underscore the Administration's leading role in regulatory reform generally.

COWPS Filings

The Council filed comments with the FCC, supporting the agency's proposals to remove restrictions on the number and kinds of programs that cable TV systems can offer. We also urged EPA to modify its proposed rules on light-duty-truck emissions, and to analyze more carefully the costs involved.

Inflation in the Arts

This weekend Hannah Kahn and Dancers, described in last Sunday's New York Times as "an extraordinarily gifted assemblage of dancers," are performing in Baltimore, fresh from a New York engagement the Times called "rewarding" and "well and imaginatively danced." Mary and I attended her opening last night and, as your Advisor on Inflation, I am pleased to report that the tickets are only three dollars. Ms. Kahn has pledged that the price of tickets for her forthcoming January performances in Washington will comply with the President's guidelines.

*Give her
my thanks,
and my
love -*

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Attachment

TESTIMONY

OF

ALFRED E. KAHN

CHAIRMAN, COUNCIL ON
WAGE AND PRICE STABILITY

BEFORE THE
ECONOMIC STABILIZATION SUBCOMMITTEE
OF THE
HOUSE COMMITTEE ON BANKING FINANCE AND URBAN AFFAIRS

OCTOBER 10, 1979

Mr. Chairman, members of the Committee. Before I begin, I'd like to introduce Bob Russell in his first appearance before you as the new Director of the Council on Wage and Price Stability. As many of you know, Bob was the Deputy Director during the last year and had planned to spend this year at the University of Vancouver recuperating. Since the rest of us had no such prospect, and since we couldn't conceive of anyone else who was so well qualified for the Directorship, we were determined to change his mind. I'm delighted we succeeded.

I approach this accounting to you for my first eleven months in the position of Advisor to the President on Inflation and Chairman of the Council in a mood of discouragement, accompanied, however, by a conviction that the policies we are pursuing are the only possible ones, and a renewed determination to pursue them. And this, I suggest, is the proper attitude for all of us.

The reason for the discouragement is obvious: a year ago inflation was running at a 7.9 rate, and there seemed to be a reasonable prospect of bringing it to 6 or 6 1/2 percent within the year. In the first eight months of 1979, instead, consumer prices have been rising at better than a 13 percent

rate, and the end is not in sight. And the real income of the average American worker, for the first time in five years, has declined. I said, eleven months ago, that inflation was deeply rooted in our society, and it would take a long time to root it out. It is discouraging that the roots seem to have penetrated even more deeply since that time.

But bad as things are, there is no reason to despair, or to question the wisdom of our course. As it has become commonplace to observe, the painful acceleration of inflation that we have experienced during the first year of the President's anti-inflation program has been concentrated almost exclusively in three sectors of the economy: food, energy, and home purchasing. When you take these three sectors out, you find that the rate of price increase drops to 7.3 percent during the program year, 7.5 percent since December. With one important qualification -- the case of home purchasing, about which I will say more presently -- this fact does not make the 13 percent inflation rate any easier for us to bear. But it does have genuine significance in terms of the degree of our failure to date and the ultimate prospects of success.

First of all, only the soaring cost of home purchases reflects the kind of self-justifying spiral of inflationary expectations that makes inflation so intractable a problem. Obviously, as long as people expect the prices of homes to go up, say, 15 percent per year, they will be willing to borrow even at 11 and 12 percent interest rates to finance the purchases, and to keep bidding up the price in this way. We are not sure we know how to break that kind of spiral without inducing a serious crash.

On the other hand, second, the fact is that the overwhelming majority of our home owners or would-be home owners are not buying houses currently, and thereby suffering the effects of spiralling prices and mortgage interest rates; and a very large faction of the people who are in the market currently are at the same time also selling houses, whose prices are likewise increasing. And these facts find no reflection whatever in the Consumer Price Index; or, to put it another way, that index has in recent months grossly exaggerated the true increase in the cost of living for the overwhelming majority of people who today own their homes, purchased them at much lower prices and financed them at much lower interest rates.

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Third, a very large proportion of the prices in these sectors -- the costs of home purchases, of food at the farm level, and of crude oil -- are not susceptible -- or at least it would not be wise to attempt to subject them -- to any kind of wage/price standards, whether voluntary or mandatory. All of them reflect the pressures of growing demand on comparatively fixed or even contracting supplies. A strong case could be made that the same observation applies to the prices of petroleum products as well.

The only sensible approaches to these particular sources of inflation are, first, to restrain aggregate demands and the extension of credit; second, to reconsider such microeconomic policies as apply to these particular sectors and devise new ones to meet their peculiar problems -- the energy problem being the most obvious one, but similar observations apply to health care costs, which have likewise been making a powerful contribution to inflation; and, third, to let the market system operate to encourage conservation and elicit additional supplies.

Finally, the fact that the rate of increase in the Consumer Price Index outside of food, energy and home purchasing has been 7.5 percent -- only about one percentage point higher than the preceding year -- is, I am wholly convinced, a

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testimonial to a high degree of compliance with our price standards. Similarly, average hourly wages plus private fringe benefits increased at an 8.8 percent annual rate during the first nine months of the program; this compares remarkably favorably with the 9.0 percent average during the preceding year. Both of these are, I submit, all the more remarkable when one considers the clear signs of overheating in our economy during the first portion of this program year, and the high rate of increase in the CPI.

Before leaving this quick survey of how prices have behaved during the last 10 or 11 months, I think it would be illuminating to look in slightly more detail at two of these problem sectors, food and energy.

Since December, food prices have gone up at an 11 percent annual rate. From November to March, most of the blame goes to prices at the farm: during those four monthly intervals, they went up at annual rates of 49, 71, 27 and 28 percent respectively. The most dramatic case was that of beef: between December and March the consequence of increasing demand and declining supplies was a 25 percent increase in prices -- in just those three months. Terrible winter weather and a West Coast labor strike disrupted supplies of fruits and vegetables, and those prices went up 14 percent; the soybean crop failed in Brazil and so prices of fats and oils went up 10.5 percent; and poultry rose 15 percent -- in all these cases in just three months.

All through that period, we were pointing out that prices of food at the farm level are essentially competitively determined; that they go up and they go down; and that any attempt to control them would do more harm than good. Our vindication came after March: during the next five months the farm value of the food component of the Consumer Price Index went down at the following annual rates (seasonally adjusted): 25 percent, 27 percent, 31 percent, 21 percent, and 8 percent. Although consumers began to see the benefit of these dramatic reductions at the grocery counter, we were persuaded food processors and distributors were excessively laggard in passing it on: from February to July alone, food processing and distributing margins increased at a 22 percent annual rate.

The President was so concerned about this situation that on August 13 he summoned a number of food industry leaders to the White House to discuss the problem. The Council on Wage and Price Stability issued warning letters or notices of probable noncompliance to 34 food companies, all with sales above \$250 million annually. Almost one fourth of these, I'm happy to report, are now in compliance with our gross margin standards. We're still working with the others and I can assure you that we'll let you -- and the public -- know as soon as we determine where they stand.

The fact remains that, far from aggravating inflation, food has during the last several months been a powerful moderating influence on the CPI. During the last six months (February through August) the food price index has gone up at an annual rate of only 6.1 percent, food at home only 4.1 percent; during the last three months, the latter index has actually been dropping, at a 2 percent rate. The increase in the farm-retail spreads has likewise been slowing down, and in August, at last, it actually declined ever so slightly.

Food, therefore, has as a result fallen far down the list of our inflationary concerns. Prices at the farm have always been highly volatile, being essentially competitively determined, and subject to the fluctuations of demand as they encounter a relatively inelastic supply. They made a powerful contribution to inflation in the latter part of 1978 and the first part of 1979, but they operated in a counterinflationary direction for the most part during the years immediately preceding, and, as I have already observed, they have been doing the same thing during the last several months.

That is not to say that the return of particularly bad weather, or poor crops anywhere in the world, or an upsurge of world demand may not give us trouble in food prices once again; but for the foreseeable future, there seems to be no reason to expect them to be the powerful, independent inflationary influence that they were in the first months of the President's program.

Energy prices are an entirely different and far more depressing story. We predicted food price increases would slow down during the summer -- and they have. But no one predicted -- and I don't believe anyone could have predicted -- the combination of factors that have caused energy prices to explode to a 48 percent annual rate so far for 1979, and, during the three months May to August, 68 percent in the CPI and 97 percent in the PPI.

Virtually all inflation forecasts have had to be re-evaluated upwards because of it. While it is difficult to believe that we can continue to experience the 60 to 75 percent annual rates of inflation in energy prices that we have experienced in the last several months, the continued course of those high costs through the economy and their possible influence on wage settlements during the months ahead are by far our most serious source of concern today.

The effect of energy on our inflationary picture in the months just passed is so striking that it is worth looking at in yet another way. In the first seven months of 1979, rising energy prices directly added more than 3 percentage points to the rate of inflation in the CPI; during the three months, May-July, they added 4 1/2 percentage points. And this does not take into account their powerful indirect effects, as they increase the cost of all the other products and services in the index.

December 1976 to <u>December 1978</u>	1979 to <u>Aug. 1979</u>	Last three months <u>June, July, Aug.</u>
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(percent change; annual rate)

Consumer Price Index

Total	7.9	13.1	12.7
Energy	7.6	47.9	66.6
All other	8.0	10.7	9.2

December 1976 to <u>December 1978</u>	1979 to <u>Sept. 1979</u>	Last three months <u>July, Aug. Sept.</u>
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(percent change; annual rate)

Producer Price Index
(finished goods):

Total	7.8	12.2	15.7
Energy	7.6	68.9	107.5
All other	7.8	8.1	9.1

The direct effect of the energy price explosion on finished goods in the Producer Price Index is even more striking; if only energy is excluded, the average annual rate of increase for 1979 through September drops from 12.2 to 8.1 percent, and for the last three months from 15.7 to 9.1!

I attach (page 8a) a brief table that summarizes these calculations.

We are fortunate that the large price increases in food, housing and energy have not yet spilled over into the other sectors of the economy, as happened so dramatically and with such horrendous results in 1973 and 1974. We certainly cannot let down our guard now, however. If workers try to recapture the income they've lost because of the increases, and if productivity continues to decline, we will very quickly have built double-digit inflation firmly into our cost base, and our hope of holding the monitored sectors even close to the 7 1/2 percent we have achieved to date will be dashed. That's why I think continued compliance with these standards is so terribly important. And that also is why it has seemed to us so important to enlist the active cooperation of organized labor in this effort, and why we are so pleased we have achieved it, as I will more fully describe shortly.

Monetary and Fiscal Policy

I'm sure it is superfluous, at the very end of the first year of the President's anti-inflation program, to reemphasize the fact that it does not consist of the wage and price standards alone, or indeed as its most important component. Important as I believe the standards have been and continue to be -- and as successful as I believe they have been -- the fundamental weapons must continue to be monetary and fiscal restraint, and the systematic effort to restructure markets and government regulation to reduce their inherently inflationary characteristics.

I will not burden this testimony with any extensive account of the ways in which the President has fulfilled his promise of macroeconomic restraint. Just one set of comparisons will suffice to demonstrate the genuine restraint that is embodied in his 1980 budget, and made possible by the extraordinary cooperativeness of Congress in backing him up: for the past 15 years, real Federal spending grew at an average annual rate of 3.5 percent; the budget the President submitted to Congress for fiscal 1980 called for an increase in real spending of about 1 percent.

Regulatory Reform

I think it is worth calling to your attention at somewhat greater length the ways in which the President has lived up to

his promise of regulatory reform, because the efforts here are necessarily dispersed, and far less visible to the general public than the other, more obvious components of our anti-inflationary effort.

I refer, of course, to the President's promise to scrutinize all government regulations that promote and protect special interests, restrict competition, interfere with efficient functioning of markets, and impose excessive costs on the economy.

I hope you will forgive me if I begin with our success last year in achieving the most complete deregulation of a major industry in recent history, as we dragged the airlines, many of them kicking and screaming, into the free market -- and right to the bank.

This year, the President has asked the Congress to apply similar treatment to trucking. Meanwhile, the ICC has been moving on its own, under Chairman O'Neill's leadership, to make entry easier and to remove some of the most onerous restrictions. We estimate trucking deregulation could give us savings on the order of \$5 billion a year.

We have also submitted a proposal for rail deregulation to the Congress. And Trailways, one of the two largest bus companies, petitioned the ICC for an experiment in free market entry this summer, a petition I strongly supported and the ICC, in modified form, approved.

In the field of communications, the FCC has begun to do away with some of the most burdensome restrictions on cable TV operators -- restrictions whose purpose, of course, was to protect over-the-air broadcasters from competition. We are now actively exploring with Congress ways to make competitive entry into the common carrier field freer as well, and to eliminate some of the traditional regulatory boundaries long ago rendered obsolete by the march of technology -- boundaries that deny consumers in a wide range of areas the benefits just as much of what the Bell System is capable of bringing them as from the companies that want to be free to compete with Bell.

Finally, I must mention the President's courageous decision to deregulate the domestic price of crude oil over the next two years. He faced a cruel and difficult choice: there are obvious political drawbacks in letting the domestic price move up to the world level set by a powerful cartel, and its immediate effects are probably inflationary, painfully so. On the other hand, it is clear that deregulation is the most efficient way to deal with our energy, national security, and balance of payments problems.

I readily concede that crude oil deregulation will have some unwanted effects on the distribution of income in this country. We can best resolve these effects, however, not by

holding prices below replacement costs and thereby subsidizing all consumption, but by imposing taxes on the windfall profits and distributing some of the dollars to the needy.

There are some situations in which total removal of economic regulations just isn't feasible -- where allowing the free market to work its will would do more harm than good, at least in the short run. In these cases, it is still necessary to decide whether competition is being needlessly restricted, or whether the purposes of regulation may not be achieved in less anti-competitive ways. The steps we proposed to liberalize Regulation Q -- which sets maximum interest rates that banks can pay depositors -- illustrate this principle. One problem such a reform presents is the squeeze it threatens to impose on thrift institutions, who would be forced to bid higher and higher interest rates to keep their deposits, while at the same time their assets are tied up in long-term mortgages bearing lower interest rates fixed in the past.

The Administration proposed this solution to the dilemma: on the one side we recommended that Regulation Q be relaxed over a period of years, and on the other, we recommended relaxation of the present restrictions on the permissible lending and investing activities of these thrift institutions. The Senate Banking Committee has reported out legislation to this effect introduced by Senators Proxmire and Cranston, and I urge Congress to enact it swiftly.

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But there are other kinds of regulation -- environmental, occupational and product safety -- that are very different in principle from the economic regulations I've discussed. No one in his or her right mind could argue that the competitive market takes care of protecting the environment. On the contrary, we have found that unless the government intervenes, producers and consumers have no incentive to hold down the costs that they can slough off to others. While there are some important differences in the case of occupational and product safety, the fact remains that we as a society are unwilling to leave these to the mercies of the free market.

The fact remains also, however, that these regulations -- necessary as they are -- have increased the money costs of doing business, and therefore contributed to higher prices. The consumer is now being asked to pay in those prices a number of real costs that all of us previously paid for in concealed ways. If all of us try to compensate for those higher prices by demanding and getting equivalently higher money incomes, we will have given an added twist to the inflationary spiral. We can't have cleaner air and cleaner water and safer products and reduced industrial accidents while at the same time having just as much of everything else, except as productivity improves -- and our productivity record in recent years has been abysmal. And if, in those circumstances, we continue to demand, all of us, just as much of all those other things while now demanding additional amounts of environmental and occupational protection, then this does produce inflation.

The benefits of environmental protection and clean-up and improved occupational and consumer product safety are real; so are the costs they impose on the economy. Because they use scarce resources -- capital, labor, raw materials --

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these regulations must be subjected to economic tests -- to a weighing of the costs against the benefits -- if they are to be rational.

I think there is little room for doubt that we have not consistently applied this test in the past. Nor have we consistently attempted to devise regulations that would maximize the incentive of private parties, businessmen and consumers, to minimize the costs, or to find ways of producing the benefits at the lowest possible cost.

The President's program quite properly involves applying such tests.

How well have we delivered on this promise?

The most general effort is the Regulatory Reform Act of 1979, which the President proposed in March, and which would codify many of the reforms he established in Executive Order No. 12044. In addition to provisions to eliminate needless legal formalities and delay, this law would require that when agencies develop major regulations, they list alternative means of accomplishing the objectives, with the costs and benefits of each, and select the least costly way of achieving a given objective or explain their failure to do so.

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One very interesting embodiment of this principle is the bubble policy that the Environmental Protection Agency has established: it is an excellent example of a way of simulating a competitive market, and in this way holding down the costs of regulation. Competition serves the cause of efficiency by distributing production among the lowest-cost suppliers; more specifically, for those of you who have a taste for the jargon, it tends to minimize cost by equalizing costs at the margin from various sources of supply. The bubble policy, which would permit plants to achieve emissions limitations on a plant-wide basis, rather than equally from each of a plant's separate sources of emissions, would do the same thing. It would enable businesses to control emissions stringently where the costs of doing so are low, and less stringently where they are high, and would permit them in this way to achieve the same results with very, very large possible cost-savings.

Observe, also, how well the bubble policy exemplifies another central aspect of regulatory reform by abandoning, to the greatest extent possible, detailed specifications by the regulatory agency of the precise methods of meeting a particular goal, in favor of establishing performance standards, and leaving it to the regulated industries to find the least costly ways of achieving them.

It would make this account of mine excessively long if I were to attempt to describe in any detail the many other instances in which, where regulation is clearly necessary, the Administration has attempted sensibly to balance costs and benefits in framing its regulations. The Regulatory Council -- an organization of the regulatory agencies themselves -- the Regulatory Analysis Review Group, composed of senior White House and Administration officials, and the Council on Wage and Price Stability have been extremely active in attempting to introduce economic rationality into these decisions.

The results of these efforts can be seen, among other places, in the elimination of a large number of nit-picking rules by the Occupational Safety and Health Administration; in the regulations ultimately issued by the Department of Transportation for improving the access of the handicapped to rapid rail transportation; in the surface mining regulations recently issued by the Department of the Interior; and in EPA's ozone regulations and its new source performance standards on sulfur oxide emissions from coal-fired electric generating plants.

Pay and Price Standards

As we neared the end of the first year of the President's anti-inflation program, we asked ourselves whether it was desirable to continue the pay and price standards into the second year. The question was a genuine one. Even voluntary standards, and even ones consciously devised, as these have, to be as flexible as possible, consistently with their general anti-inflationary objectives, ought to be subject to the same kind of sunset evaluations as are all other prescriptive regulations that interfere with the functioning of the market. The proper test, as always, is whether the unregulated market functions badly enough to justify the inescapable inefficiencies inherent in even the loosest kind of wage and price regulation.

I think few disinterested observers would quarrel with our decision to extend the standards. Not only was there our own observation that they have had a substantial effect during the first year in restraining the basic rate of inflation. Even if most members of the general public does not share that conviction when they look at how the prices of what they buy have behaved, there is certainly a widespread belief that the standards have held down the prices of what they sell -- their wages and their prices. In these circumstances dropping the standards would almost certainly reinforce inflationary expectations, with their familiar tendency to be self-justifying.

Finally, I firmly believe socially-imposed restraint is objectively necessary. There is simply no basis for believing that macroeconomic restraint alone in the short-run, let alone regulatory reform in the longer, would suffice to dampen inflation to acceptable limits. The recession into which we seem to be moving will surely help; but our experience of the last ten years provides no basis for believing that any decline in economic activity that we would regard as tolerable would suffice. With demand slackening, the more competitive markets of the country can increasingly be relied upon to take care of themselves; but there is obviously enough resistance to such downward market pressures in wages generally and in prices in the major sectors of the economy -- in other words, there is a sufficient margin of administrative discretion in the level of wages and prices set -- to require some government intervention and the bringing to bear of at least the pressure of public opinion to influence those decisions.

Specifically, we concluded it is imperative to do everything we can to ensure that the increases in energy, home-purchase and food prices in the recent past are not automatically translated into higher wages, and higher prices, then, to cover the higher wages. This will be extremely

difficult to accomplish. The average American worker has suffered a decline in real income -- exaggerated, to be sure, by the CPI's treatment of home ownership costs, but nevertheless clearly real. The desire to keep pace by catch-up increases is certainly understandable; but unfortunately it is not possible, at least for the year to come, for all workers taken together. The loss of tens of billions of dollars a year to OPEC, for example, is simply inescapable. That, along with our disastrously poor current record of productivity increase assures that catch-ups in wages can only mean an acceleration of inflation.

Moreover, the coming year promises to be almost as heavy as 1979 for collective bargaining negotiations, whose outcome can affect the course of inflation for years to come. We begin the 1980 round with the oil, chemical, and atomic workers. This will be followed by communications, aluminum and cans; and construction workers all over the country will be negotiating new contracts throughout 1980.

In these difficult circumstances -- accelerated inflation, a virtual declaration of war on the standards by large segments of organized labor, a widespread public belief, however unjustified, that they had been discredited, incipient recession, and a great danger of even more inflationary catch-up pay increases -- it seemed to the President and to us urgently important to enlist the active cooperation and

participation of organized labor in the essential task of restraining demands, while ensuring the fairest possible distribution of the burdens. The result of that recognition, on the part of organized labor as well as ourselves, was the reaching of the national accord that the President announced at the end of September.

One central article in the accord is the establishment of a 15-member Tripartite Pay Advisory Committee, to be chaired by John Dunlop. We are prepared to give very heavy weight to the Committee's recommendations: that along with our agreement to consult fully with organized labor in the development of economic policy generally is the "price" we paid. What we secured in exchange is labor's participation in the development and implementation of the second year standards, as well as in the entire anti-inflationary effort. I submit it was a good bargain for the American people. Labor's understandable desire to regain lost real income is a major part of our present problem. Just as certainly, its willingness to cooperate with voluntary restraints -- mutually agreed upon -- must be a large part of the solution. A voluntary program depends entirely upon the cooperation of the people it affects; and people are far more likely to cooperate if they are in fact parties to developing the rules they are

being asked to observe, and given a share in seeing to it they are equitably administered.

The language of the accord is necessarily general, since above all else it commits us to openminded consultation and collaboration in the future design of economic policies; it obviously can not guarantee there will not be serious disagreements in the future. Nor can it insure against the possibility that labor will cooperate only so long as it gets its way; or that its demands for what it regards as equity for labor may prove incompatible with winding inflation down.

But consider that it begins by identifying the "clear and present danger" of inflation and declares that "the war against inflation must be the top priority of government and of private individuals and institutions." To deal effectively with this disease, it declares, "requires discipline and restraint. This," it goes on, "will mean a period of austerity for Americans. . . ." It calls specifically for "a disciplined fiscal policy," with "close control over Federal expenditures," a "minimization of budget deficits," insofar as possible, and an avoidance of general tax cuts.

So, of course there can be no guarantee that the venture in cooperation will work. But there was also good reason to doubt that revised, second year standards would work either, without the cooperation, support and understanding of organized labor.

What about the pay and price standards themselves? We were aware, as the first program year proceeded, that they would require some changes. There had developed some inequities and slippages: it was clear we would have to try to redress some of the former, to tighten them in some ways and loosen them in others, on the basis of that experience and of changed circumstances.

As most of you know, the Council therefore released an Issue Paper on August 7 outlining some of the modifications we were considering, and requesting public comments. We received over 600. Interestingly, most of them offered the opinion, however grudgingly, that the standards had been helpful in restraining inflation in the industrial sector of the economy, and that their continuation was necessary. On the basis of the suggestions we received and our own analysis we prepared thorough revisions of the standards for the second year.

One aspect of our accord with labor was an agreement on our part to refrain from issuing the revised pay standards, in order to leave to the Pay Advisory Committee the widest possible range of discretion in the recommendations it cared to make. We agreed instead to extend the first year standard for the transitional period, with the understanding that COWPS would, during that period, redress the most serious inequities brought to its attention on a case-by-case basis.

I will leave it to Bob Russell to give you a detailed explanation of the way in which the Council has been doing this, as well as of the changes we have made in the price standards.

Earlier this year, at another committee hearing, I was asked if we had done any planning against the contingency of our present program not succeeding. I replied that our energies were directed entirely towards making the present program work, and explaining to the American public how vital it was that it do so. It was suggested that it would be wise nevertheless to be prepared.

I agree. Even if inflation had not moved into double-digit levels and proved so painfully resistant to our efforts, it would have been foolish not to have done so -- not to have asked ourselves continuously whether we were doing everything that might reasonably be done to attack this problem.

I'm sorry to have to begin with the trite admonition that there are no simple solutions, and no surprises. But I agree thoroughly that it would be highly desirable for us to outline the major components of what it seems clear is going to have to be a long-range anti-inflation effort

1. The first obligation of the government must be to practice continued monetary and fiscal restraint.

2. Second, we must mount a concerted attack on our terribly distressing declining long-term rate of productivity growth. This is just as fundamental as the policy of restraining demand, and in a sense even more important, because it attempts to remedy the failure on the supply side that has so frustrated our aspirations of improving standards of living, including improvement in our environment, safety in the job, and the expansion of government policies aimed at promoting social welfare. There is no way in which I can set forth an adequate productivity program, even in broad outline, within the limits of this testimony; and I think our understanding of the causes of this historical phenomenon and of what it will take to arrest it is very imperfect. But clearly among the major components of such an effort must be tax incentives to raise our rate of capital formation; various programs to improve the training of our labor force and assist in the absorption of the technologically displaced and structurally unemployed into productive employment; an expanded national research and development effort; and, indeed, the entire program that is summarized under the rubric of regulatory reform.

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3. Energy policy. However great the tensions in the short run between limiting inflation, on the one side, and deregulating the prices of crude oil and petroleum products, on the other, in the longer run a good energy policy is also a good anti-inflationary policy. Anything that reduces our dependence upon the OPEC countries diminishes our subjection to their intolerable exactions, reduces their ability to raise the prices they charge us, and strengthens the foreign exchange of the dollar. While we can go about solving our energy problem in more or less inflationary ways, certainly to the extent that we resolutely pursue by far the most important, promising and economical solution in the short run -- conservation -- we improve the productivity with which we use our limited resources and, by curtailing our demand, contribute directly to the abatement of inflation.

4. Reexamination of governmental microeconomic interventions. There is no substitute for a constant, resolute effort to introduce an anti-inflationary calculus into every government intervention to support prices, restrict output, limit competition, restrict imports, and

impose costs on the private economy. This does not mean that we must abandon interventions to shelter people against intolerable insecurities of totally unregulated markets; but it does argue for a continuous effort to provide these protections and income supports, to the greatest extent possible, in ways that do not artificially raise prices.

5. Intensified antitrust enforcement and consumer counseling and protection. This advice comes so close to a bold declaration of support for motherhood, I almost blush to add it to the list. But their familiarity makes motherhood or fatherhood no less blessed. And I confess I have another reason. While consumer protective regulation must be subjected to the same kind of cost/benefit calculus as all other kinds -- and my staff and I have intervened many times in situations in which we felt proposed consumer protections threatened to be more costly than they were worth -- I am distressed by a tendency I perceive to extend the campaign for deregulation -- whose primary rationale is to substitute effective competition for governmentally imposed cartelization -- to cover antitrust interventions whose purpose is to make competition more effective.

It seems to me also we must try harder to provide consumers with fuller information, to enable them to pursue their own private anti-inflationary campaigns. Energy conservation advice is an obvious case in point. Again, I have seen estimates that consumers are overcharged \$10 billion per year for auto repairs by unscrupulous or incompetent repair shops. It must be possible to do a better job of helping them than we are now doing -- perhaps by more vigorous anti-fraud prosecution, perhaps through publications in which consumers exchange information on their experiences.

6. Expanded and freer international trade. Foreign competition is one of the most effective protectors we have against inflationary domestic wage and price policies. Everyone who truly believes that inflation is our first and most pressing domestic problem must array himself against the spate of actions by which our government has intervened, by one device or another, to discourage imports, whether by the imposition of countervailing duties or merely by their threat, or by application of anti-dumping laws to perishable commodities sold in competitive markets, as is apparently the case with tomatoes and other fresh vegetables from Mexico. This does not mean that we need be totally insensitive to the problems created for industries and workers threatened with displacement by lower-cost imports.

50 18

Many of these industries, however, have themselves been guilty of highly inflationary wage settlements and inefficient practices, which have inflated their costs and literally invited foreign competition. For the government to step in at that point with protections against that competition is in effect for the government to validate and ratify an inflationary wage/price spiral, to the direct disadvantage of savers and consumers everywhere.

* * * *

I have nothing original to say by way of conclusion; and that fact is, I think, reflective of the problem with which we are dealing and the nature of its solution. Inflation is by now deeply rooted in our society; it is going to take patience and perseverance to bring it under control: that is obvious. There are no easy remedies; that too is obvious. There are no new nostrums waiting to be discovered; we know the cure: restraint. Inflation can be controlled if we have the will to practice the necessary restraint. We may perhaps be more ingenious than we have been in finding ways of inducing that restraint, or more resolute in practicing it. But essentially, it will take perseverance along the lines the President has laid down, and that I have tried to summarize in my testimony. This committee has been understanding and supportive. We will continue to need that understanding, support, and advice. In that spirit, I will be happy to try to answer your questions and hear your advice.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

October 13, 1979

C

MEMORANDUM TO THE PRESIDENT

From: Charlie Schultze *CLS*

Subject: Weekly Report

Federal Reserve Action

Much of the week has been spent formulating positions on and explaining the Administration views on the recent action of the Federal Reserve Board. I am preparing for you a short background paper detailing specifically what the changes in Federal Reserve Board policies were and how they are being implemented.

Budget Review

CEA is joining OMB and Treasury in estimating the economic impact of alternative budget and tax scenarios in preparation for later discussions on the fiscal year 1981 budget.

Chrysler

CEA has only recently become involved in this issue. We are now reviewing the economic impact of alternative scenarios as they have been formulated both by the Treasury and by outsiders. In addition, internally at CEA, we are looking at an approach that has not yet surfaced: can Government funds or assistance be used in ways other than aid to Chrysler, as a means of easing the job problems in Detroit and other areas where a Chrysler bankruptcy might cause major dislocations.

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Community WASHINGTON, D.C. 20506
Services Administration



12 OCT 1979

MEMORANDUM TO THE PRESIDENT

Attention: Rick Hutcheson
Staff Secretary

FROM: Graciela (Grace) Olivarez
Director
Community Services Administration

SUBJECT: Weekly Report of Significant Agency
Activities (October 7 - 13, 1979)

Graciela Olivarez

C

Ceta Cutbacks Endanger Solar Installation Training

The program designed to train unemployed persons to install solar equipment on the homes of the poor is being jeopardized by the recent decision of the Department of Labor (DOL) to reduce the program's allotted number of Comprehensive Employment and Training Act (CETA) slots. The program, Solar Utilization/Economic Development and Employment (SUEDE), was started about one (1) year ago with \$3.6 million from DOL, the Department of Energy (DOE), and the Community Services Administration (CSA). About \$2.2 million (DOL money) was to be spent on training, supervision, wage subsidies and allowances; the remaining \$1.4 million (DOE and CSA money) was for materials and equipment. Most of the DOL money came from the State and local CETA prime sponsors themselves. Because of the success of the program, CSA decided to fund five (5) more projects, which resulted in the expenditure of an additional \$1.4 million, insured the training and employment of 87 more CETA workers and insured the retrofitting of solar devices to 237 additional low-income homes. As a result, more than 300 unemployed persons were given training in diverse solar energy installation and solar equipment was installed on more than 900 homes of poor people. Because DOL is the lead agency, the program would suffer disastrous effects if it reduced its CETA efforts at this time. The ~~attached~~ booklet describes the program of the Little Dixie Community Action Agency in Antlers, Oklahoma.

Attachment

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EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20006

October 12, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: Gus Speth *Gus Speth*
Jane Yarn

SUBJECT: Weekly Report

National Agricultural Lands Study. This interagency study, which is jointly directed by us and USDA, is now well underway. The study will hold 17 public meetings across the country in the next two months, beginning in Memphis on October 31 and concluding in Kansas City on December 12. There continues to be widespread interest in the retention of farmland; it was alluded to in remarks by the Pope in Iowa. We are sending the schedule to the Scheduling and Advance Offices, so that one or more of these meetings could be included in your travel plans.

Meetings with Environmental Leaders. Over the last three weeks, I have met individually or in small groups with environmental leaders representing all of the major environmental organizations. A basic purpose of the meetings was to identify opportunities for improving our relationships with the environmental community. The meetings produced a number of ideas, several of which we can act on immediately and others which will require exploration and sifting. I think the possibility exists for significantly improving our relationships with the environmental community over the next few months, and I am discussing proposals with Stu and other Senior Staff.

Antarctic Treaty Convention. In three weeks of meetings ending October 5, the parties to the Antarctic Treaty came one step closer to signing an Antarctic Marine Living Resources Convention. Conclusion of the draft convention, which is based on conservation and ecosystem management principles, is essential for protection of the krill that commercial fishermen are beginning to exploit in the Southern Ocean. A relatively minor jurisdictional question is holding off signing of the treaty, but there is hope all parties can agree on a compromise drafted by the United States at the meeting.

The parties also progressed towards establishing an Antarctic minerals regime. The U.S. delegation strongly represented the importance of protecting the unique environmental and scientific values in Antarctica. The 13 parties will meet next year to consider further the creation of a regime to decide whether mineral activities (principally oil and gas) in Antarctica are acceptable, and if so, where and how the activities may take place. Meanwhile, the parties agreed to continue their present policy of voluntary restraint from all exploration for or exploitation of minerals in Antarctica.

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

October 12, 1979

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MEMORANDUM FOR: The President
Attention: Rick Hutcheson, Staff Secretary

Subject: Weekly Report of Major Departmental Activities

New Cost Containment Measures Announced. At a news briefing today HUD officials are announcing major revisions in the regulations governing the new construction and substantial rehabilitation portions of the Section 8 Rental Housing Subsidy program. The primary thrust of these regulations will be cost containment. The revisions should also bring about improved processing procedures and make the regulations easier to understand.

Secretarial Appearances. In a speech at the National Conference of the National Tenant's Organization in Washington, I told conference participants that National Housing Policy "will not be formulated in a vacuum". I invited the Tenant's Organization to join with HUD in forming a partnership with other sectors of our society in searching for solutions to the Nation's housing and community development problems.

This week I appeared on the MacNeil - Lehrer Report, where I supported the increase in the prime interest rate as an important tool in the battle against inflation and spoke on the progress of the National Urban Policy.

In an October 12 speech to the 60th Convention of the Building and Construction Trades in San Diego, I will discuss major HUD and other Administration accomplishments, with particular emphasis on the strong support given to the Davis-Bacon Act.

South Bronx Tour Anniversary. On the occasion of the second anniversary of your tour of the South Bronx, there have been generally favorable articles on the revitalization effort appearing in the Washington Post, the National Journal and the Associated Press, among others. In a recent statement issued jointly by the Federal Regional Council Chairman and Robert Wagner, Jr., federal and city agencies have endorsed in principle the program proposals of the South Bronx Development Office. The proposals include 75 early action projects, most of them to be in operation or construction by next July. The projects must now be reviewed in detail by city agencies, approved, if necessary, by the City Board of Estimate and put in the form of approvable applications to the appropriate federal agencies.

for 
Moon Landriou



Department of Energy
Washington, D.C. 20585

October 12, 1979

MEMORANDUM FOR: THE PRESIDENT
FROM: CHARLES W. DUNCAN, JR.
SUBJECT: Weekly Activity Report
October 8 - 12, 1979

A handwritten signature in black ink, appearing to read "Charles W. Duncan, Jr.", written over the "FROM:" line of the memorandum.

1. Home heating oil: We will follow up with refiners to be sure that the movement of middle distillate from primary to secondary storage proceeds at a rate equal to or better than the rate achieved last year.
2. Gasoline shortage: There have been a number of press reports during the past week speculating about gasoline shortages either in the next few months or next summer. Gasoline production is down about 5% (which is normal for this time of year), but gasoline demand is down about 8%. Assuming no interruption in the supply in crude, and assuming that demand remains low, there should be no shortage in the next several months. But speculation about shortage tends to be a self-fulfilling prophecy. We will counter the current reports to the full extent supported by hard data. We are also working on a predictive capability so that we will be able to anticipate problems better and improve responses.
3. Energy Coordinating Committee Executive Council: The E.C.C. seems to have become a reasonably effective mechanism for coordinating positions and resolving policy questions. The following items have been brought to the Executive Council during the past two weeks and resolved:
 - o the dollar ceiling on the new conservation initiatives (\$6 billion over 10 years); income limitations on eligibility to participate in new conservation programs
 - o Administration positions on a number of legislative problems with the windfall profits tax, the Energy Security Corporation and the Energy Mobilization Board

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- o the Administration's position on a proposed severance tax. Secretary Miller and I met with Senator Long to inform him of our position
- o the strategy for dealing with the rationing bill on the floor
- o the Administration's position on regional energy corporations
- o the Administration's position on proposed amendments to the DOE authorization bill to re-control heating oil and crude. This position was set out in a letter from me to Speaker O'Neill.

We currently have under consideration policy decisions with respect to the following:

- o the Administration's position with respect to various conservation initiatives being considered in the Congress
- o the Administration's program for conversion of utilities from oil to coal, along with the utility oil backout legislation (not yet sent to the Congress)
- o implementation of the Energy Security Corporation (including DOE interim actions on the Corporation's behalf while it is getting organized)
- o the Administration's position on an amendment to S.932 to take away the President's power to impose import quotas without Congressional approval
- o organizing to respond to the Kemeny Commission report.

4. Meeting with the Secretary of Agriculture: I met with Secretary Bergland today to discuss the general outlook on energy matters for the next year and to consider ways that the Agriculture Department's delivery systems can be used for energy programs run by DOE.

5. Congressional slide show: Shortly after we returned from Atlanta you asked me to put together a slide show on energy technology that could be used with various audiences to emphasize the importance of enacting your program. That slide show is completed and has been reviewed by State, the Domestic Policy Staff, the National Security Council staff, Anne Wexler's staff and Jack Watson's staff.

THE WHITE HOUSE
WASHINGTON
17 Oct 79

Attorney General Civiletti

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

Rick Hutcheson

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

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CONFIDENTIAL
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ACTION
FYI

	VICE PRESIDENT
	JORDAN
	CUTLER
	DONOVAN
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	MCDONALD
	MOORE
	POWELL
	WATSON
	WEDDINGTON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE
	ANDRUS
	ASKEW
	BERGLAND
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	DUNCAN
	GOLDSCHMIDT
	HARRIS
	KREPS
	LANDRIEU
	MARSHALL

	MILLER
	VANCE
	BUTLER
	CAMPBELL
	H. CARTER
	CLOUGH
	CRUIKSHANK
	FIRST LADY
	FRANCIS
	HARDEN
	HERTZBERG
	HUTCHESON
	KAHN
	LINDER
	MARTIN
	MILLER
	MOE
	PETERSON
	PRESS
	SANDERS
	SPETH
	STRAUSS
	TORRES
	VOORDE
	WISE



Office of the Attorney General
Washington, D. C. 20530

October 12, 1979

Principal Activities of the Department of Justice
for the Week of October 8 through October 12, 1979

1. Meetings and Events

The Attorney General met with the Chairman of the Supreme Court of the Soviet Union on Thursday. They discussed, among other things, exchanging information between the United States and the Soviet Union on Nazi war criminals and the high incidence of crime by alcoholics in the Soviet Union. This week the Attorney General also attended the White House reception for Pope John Paul II, the Columbus Day events in New York City and he will address the Rodino Institute of Juvenile Justice in Newark, New Jersey.

2. Judicial Selection

There are currently 103 federal judgeship vacancies (71 under the new law and 32 regular vacancies). The President has signed off on 81 candidates for these vacancies and they are in various stages of the selection and nomination process. This leaves 22 vacancies (8 under the new law and 14 under regular vacancies) not yet presented to the President. Of the 81 candidates, 38 are pending at the Senate (29 under the new law and 9 under regular vacancies), 2 are pending at the White House (1 under the new law and 1 under regular vacancies), with the remainder still under evaluation. The Senate during this Congress has confirmed 93 judicial appointments (81 under the new law and 12 under regular vacancies).

In the future, give me the schedule for filling vacancies

3. Arrests in Bombing Attempt

In Columbus, Ohio two American White Nationalist Party members were arrested for planning to bomb the elementary school attended by the twelve year old child of a federal judge who ordered desegregation of the Columbus schools. The plan was thwarted.

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cc Ben
C

4. Indictment of Arizonian Ranchers Accused of Beating Mexican Aliens

Patrick and Thomas Hanigan, Arizona ranchers who were acquitted in state proceedings of robbing and beating illegal Mexican aliens seeking work in 1976, were indicted Wednesday by a federal grand jury for obstruction of commerce. The acquittal of the ranchers had caused outrage in the Mexican-American community.

5. Sentencing of Polluter in Louisville, Kentucky

On September 14, Donald E. Distler was sentenced to a prison term of two years and a fine of \$50,000 for causing the discharge of toxic wastes into the Louisville, Kentucky sewer system, which resulted in serious illness to workers at the sewage plant. This is the stiffest sentence ever imposed under the pollution control laws.

6. Supreme Court

The Supreme Court has decided to hear arguments in Richmond Newspapers Inc. v. Virginia, a Virginia state case in which the press was excluded from a murder trial. It has not yet been determined whether the United States will participate in the case; the Solicitor General will advise the Attorney General on this matter.

The Supreme Court declined to review the reversal of contempt charges against former Attorney General Bell in the Socialist Workers Party case.

7. Increase in Serious Crime

On Tuesday, the FBI released statistics that indicate that serious crime rose 9 percent in the first six months of 1979 over the comparable 1978 period. The Attorney General announced his concern and the need for law enforcement to persist in its efforts to prevent crime. The law enforcement community generally attributes the increase to a lack of resources and minority youth unemployment.

*Resources are inappropriately
focussed - we need to reassess
this - on a nationwide basis*



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

October 12, 1979

MEMORANDUM FOR THE PRESIDENT

Subject: Highlights of Treasury Activities

1. THE DOLLAR AND THE MARKETS

- . After three of the most turbulent days in recent financial market history, the markets have begun to calm and today's trading was generally stable.
- . The dollar jumped sharply immediately after announcement of the Federal Reserve actions. It then weakened moderately during the middle of the week, but closed firmly against most currencies, including the mark.
- . Gold had another roller coaster week--falling after the Federal Reserve announcement, then moving back to \$400 per ounce before closing the week around \$380.
- . The stock market experienced its heaviest trading in history on Wednesday, when 82 million shares traded. The Dow Jones Index dropped approximately 40 points on Tuesday and Wednesday. It also declined modestly on Thursday and Friday, but trading is now orderly.
- . Interest rates rose dramatically every day through Thursday. The bank prime rate was increased from 13 -1/2% to a historic high of 14-1/2%, and most other short term rates rose by at least one percent. Long term interest rates rose approximately one-half percent. Treasury paid the highest interest rates in its history in its one year bill auction.

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2. WINDFALL PROFITS TAX

- . Senate Finance Committee has tentatively completed the revenue side of the Windfall Profits Bill with a net expected revenue of \$65 billion. It is possible, however, that oil state senators may try to reduce the 75 percent tax on Tier 1 oil to 60 percent and that Senator Chaffee may attempt to increase the tax on Tier 2 oil from 60 to 65 percent.
- . On the expenditure side the Committee next week will consider a Joint Tax Committee Staff recommendation:
 - .. to pare down \$100 billion in tax credits to \$25 billion (compared to our \$14.8 billion),
 - .. to allocate to low income assistance \$25 billion (compared to our request for \$24 billion),
 - .. to allocate to mass transit \$15 billion (compared to our request for \$16 billion).
- . This would leave no money for the Energy Security Corporation. However, in addition to the \$65 billion net revenues from the windfall profits tax, it is estimated that decontrol itself will increase federal receipts by at least \$60 billion over the next eleven years. The staff of the Joint Tax Committee has recommended that revenue from decontrol be available for the Energy Security Corporation.
- . Committee goes back into session Tuesday, October 16. They are likely to conclude action on the bill during the middle of the week.

3. MULTILATERAL DEVELOPMENT BANKS

- . On Tuesday, October 9, the Senate sustained all subcommittee amendments adding funding to the MDB section of the Foreign Aid Appropriations Bill. Attempts to add restrictive amendments were defeated.
- . The bill was completed Friday without any new restrictive amendments or cuts.
- . Yesterday the Senate adopted prohibitions on direct aid to Vietnam, Laos, Cambodia and Angola and reduced the total Appropriations Bill by three percent (\$252 million). 0

- . House action on MDB authorization is not expected until late October at the earliest.

4. CHRYSLER

- . Bill and I have met or talked on at least 20 occasions during the last week with Lee Iacocca and others from Chrysler, but we still have no schedule from them on when they will be able to submit a comprehensive plan that can be analyzed. Congressman Blanchard (Mich.) intends to hold hearings next week at which Chrysler will be asked to testify even though Chrysler has told him it will not be ready to submit a comprehensive plan by then. Senator Proxmire held two days of general hearings this week that produced no real illumination on the issues.
- . Chrysler was forced today by threat of legal action to pay off one of its U.S. creditor banks. This is the first actual breach in the U.S. bank group and may lead to more defections. A group of Japanese banks that extended a \$ 400 million credit to Chrysler has been meeting all week on whether to cancel its credit. No decision yet.
- . We have hired accounting and financial consultants who are working with Chrysler; we have drafted legislation and done our preliminary analysis of the available data. We will be ready to come to you with recommendations whenever Chrysler is ready to go.



Robert Carswell
Acting Secretary



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

OCT 12 1979

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Weekly Report on HEW Activities

● BUDGET. As you know, the Congress has not yet reached a final decision on the 1980 Appropriations Bill. This is causing serious consequences for the Department. For example, although AFDC and child support grants for the first quarter of 1980 have already been issued to all States, no supplemental grants can be made without passage of the Appropriations Bill. Additionally, no Refugee Program payments can be made without the bill's passage. The most immediate and pressing effect of the House and Senate impasse on a Continuing Resolution is that the Department must now issue split pay checks to our employees on October 16, only covering salaries earned the last week of September. We have tried to cushion the near term effects on our employees, and I have ordered that no voluntary deductions, such as charitable and payroll savings deductions, be made from the October 16 pay check. We are working with the Treasury Department in order to issue the remaining portion of the checks as soon as the Appropriations Bill is passed.

● BROOKLYN JEWISH HOSPITAL. Brooklyn Jewish Hospital has been bankrupt since February, 1979 and there have been numerous discussions between HEW and New York State officials since then regarding the financial viability of the hospital. On September 28 we received a telegram from the State indicating that the State could no longer support the hospital and on October 2 we received a letter specifically requesting an immediate \$4 million cash grant and a favorable and expeditious review of a demonstration grant which could result in long term fiscal stability of the institution. I personally spoke to Governor Carey about this issue Wednesday evening and informed Congressman Richmond and State officials Thursday that the Department did not have authority to provide Brooklyn Jewish with an immediate cash grant of \$4 million but that we would expedite our review of their longer term proposal.

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Today, during bankruptcy proceedings, the Committee of Creditors and the Hospital recommended immediate closure of the Hospital. The Judge has adjourned the case until Monday. On Monday, I will inform the Governor and the court of assistance we can provide to effect the closure of Brooklyn Jewish in an orderly manner without disrupting the availability of critical health care services to the surrounding community.

● CHICAGO. I am sending you under separate cover an important memorandum regarding the Department's involvement in the Chicago desegregation case.

● BAKKE GUIDELINES. On October 10, I published in the Federal Register HEW's new policy interpretation setting forth guidelines for the implementation of voluntary affirmative actions plans permissible under the Supreme Court's Bakke decision. My decision to publish these guidelines followed numerous inquiries from the colleges and universities struggling to fashion affirmative action plans that would withstand challenges under Bakke. Among other things, the new guidelines state that the Supreme Court's decision prohibits only the setting aside of a fixed number of positions for which non-minority students may not compete. The new guidelines also make clear that they are applicable only to voluntary affirmative action plans -- not to affirmative action plans imposed to redress the effects of proven past discrimination. The guidelines have been sent to all college and university presidents, and will be made available to civil rights and other interested groups.


Patricia Roberts Harris



THE DEPUTY SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

October 12, 1978

MEMORANDUM FOR THE PRESIDENT

THROUGH: Rick Hutcheson, Staff Secretary
FROM : Linda Heller Kamm *Linda Heller Kamm*
Acting Deputy Secretary
SUBJECT: Significant Issues for the Week of October 8

Century Freeway (I-105) - Secretary Goldschmidt is in California October 10-12 and on October 11 jointly announced with Secretary Landrieu settlement of the long-standing dispute over construction of the Los Angeles Century Freeway. A memorandum of understanding signed by this Department and HUD will aid in implementing the settlement agreement, which includes relocation or construction of 4,200 housing units.

Other scheduled events in San Francisco and California include meetings with local and state officials, transportation and business community leaders, and editorial board writers to discuss your energy program and anti-inflation efforts.

Public Appearances - The Secretary spoke in Houston on October 8 to the UPI National Editors Conference and in Washington, D.C. on October 9 to the Women's National Democratic Club. Both speeches addressed the Administration's energy and anti-inflation program and the broader list of accomplishments of the Administration in domestic areas.

Rock Island Line - The Rock Island is running at seventy percent of normal operations. Commuter service to Chicago is nearly fully restored. The Reorganization Court, as we requested, has granted the Trustee 60 days to develop a plan to reorganize the railroad around a Chicago-Twin Cities-Omaha-Kansas City core. We continue to concentrate our efforts on distributing useful segments of the Rock Island to other railroads and on rapid reorganization.

Milwaukee Railroad - Creditors of the Milwaukee failed at a court hearing October 9 to move up the scheduled November 1 service embargo on the Milwaukee Western lines. The Continuing Resolution for various departments contains a rider postponing the embargo until November 30. Operations will be supported with Emergency Rail Services money. Legislation that would extend the freeze potentially to March, 1980 may get to the House

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floor next week. Similar legislation has been prepared by Senator Magnuson, which could freeze the system to May 10, 1980. A Senate Commerce Committee staff drafted bill is also expected soon. We are working with the committees, but see little hope of keeping freeze legislation from reaching the floors of both Houses. We are also continuing efforts to obtain early reorganization of the Milwaukee into a midwest core system.

Regulatory Reform - Your initiative to reform the government's regulatory process was the subject of hearings this week by the Senate Governmental Affairs Committee. I testified for the Department in support of the Administration's bill, citing specific examples of DOT efforts:

- 7,000 industry and 5,000 agency person days have been saved by reducing paperwork and inspections under one Coast Guard regulation;
- FRA estimates that its review of railroad safety regulations will save industry \$300 to \$400 million annually while maintaining safety standards;
- \$1.1 million annually is expected to be saved without a reduction in safety standards through revision of gas pipeline inspection requirements.

We are continuing to examine methods for reducing the paperwork burden and affecting cost savings in the regulatory process.

ConRail - We expect the United States Railway Association Board at its November 1 meeting to consider providing additional funds for ConRail in Fiscal Year 1981. OMB, Treasury, and this Department are working jointly to oppose additional ConRail funding, consistent with our efforts to push ConRail toward financial stability through greater efficiency of operation.

Model DC-9 Airworthiness Directive - The Federal Aviation Administration has issued an airworthiness directive to require inspections of certain DC-9 pressure bulkheads located in the tail area as a result of the recent Air Canada DC-9 problem. Initial inspections on older aircraft will be required within 100 landings, which equates to about 10 days of operation. An estimate of approximately 600 aircraft worldwide are affected, including just over 200 on the U.S. registry.

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THE SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

October 12, 1979

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Significant Actions, Secretary and Deputy Secretary
of Defense (October 6-12, 1979)

SALT: We are a long way from having the votes yet on SALT, but I think the process is back on track. The strategy of linking SALT II to a strong defense program, and noting how vital its passage is to continued US leadership of the NATO alliance, is beginning to work. We need to handle the issues of verification and SALT III principles as effectively. My reception in Florida was encouraging--there were good turn-outs in both Miami and Jacksonville. The questions that followed my remarks on SALT, defense spending, and the actions you have taken in connection with the Soviet brigade in Cuba indicated a growing understanding of the subject--though not always agreement with our views.

This week's Senate Foreign Relations Committee wrap-up hearing with Cy, Dave Jones, and me went well. As before, the questions by most Committee members evidenced little real opposition to the Treaty on its merits--the contentious questions continued to focus on issues like linkage, or even more extraneous ones like laser beams and high-energy particle weapons.

The Senate Armed Services Committee should begin its wrap-up hearings the week of October 22nd.

Legislative Issues: Congress has still (as of 3 p.m. Friday, Oct 12) failed to pass a continuing resolution in time to meet payrolls to service members and DoD civil servants. As you know, the House and Senate conferees remain deadlocked over the pay raise and abortion issues. Because of the time needed to transmit payroll tapes to banks, as well as time needed for the mail to get through, it is now certain that there will be members in each service who will not be paid on Monday--their normal payday. As soon as legislation is enacted we are prepared to expedite the payroll process--indeed the machinery is primed--but as each day passes, the numbers of people who will not be paid on time increases.

Northeast Asia Trip: As I mentioned to you this morning, I will be out of the country October 16-20 to attend the 12th Annual US-ROK Security Consultative Meeting in Korea, meet with Japanese leaders in Tokyo, and visit Japanese defense installations in Hokkaido. I will try, among other things, to consolidate cooperative defense relationships with key allies in Northeast Asia, note the limited scope and purpose of my planned trip to China, and put in perspective key points of the "swing strategy" recently leaked to the press.

Classified by _____
Declassify on 11Oct85

~~SECRET~~

Jay 8/24/90

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SEC DEF CONTR No. X-_____

Guantanamo Reinforcement Exercise: On Wednesday, three U.S. Navy ships arrived at Morehead City, North Carolina to embark Marines. The ships completed loading yesterday, got underway this morning, and the landing is scheduled to take place at Guantanamo the morning of Wednesday, October 17th. After the off-loading operation is completed, the ships will depart Guantanamo and return to their homeport. The Marines will remain at Guantanamo to conduct field training maneuvers and artillery firing exercises until mid-November.

Exercise Eligible Receiver II: On October 9, 1979, I asked the JCS to conduct a no-notice exercise to test our deployment capability and field condition use of Prepositioned Materiel Configured to Unit Sets (POMCUS) in Europe. An armored battalion from Fort Hood, Texas will deploy to Germany, draw their assigned POMCUS, and conduct a three week field test of equipment. Consistent with peacetime constraints, we expect to use procedures planned for actual reinforcement of Europe.

Fort Dix Realignment: We announced on Wednesday the decision to take no further action to phase out the Army Training Center at Fort Dix until a further review of Army training requirements for the next 18 months is completed. The New Jersey delegation is clearly delighted. Other Congressional delegations are likely to try to use this precedent to reopen other base realignment actions, but I believe that we can hold the line.

Hearings on Defense Petroleum Issues: Graham Claytor testified before the Stratton Subcommittee on Investigations to address defense requirements for, and available supplies of, petroleum on Wednesday and was able to ease subcommittee concerns about procurement and storage of petroleum products for military readiness and training. (I don't mean to suggest that the hearing was a friendly one--Stratton hearings rarely are.) The potential for serious fuel-related crises is of deep concern, but there has been no measurable impact thus far on the readiness of our forces. We are working on several initiatives to minimize the effect of current and projected energy shortfalls.

US-Turkish Defense Cooperation Negotiations: After a promising start, base negotiations with Turkey have bogged down over the issue of multi-year commitment of US assistance. The talks have been recessed until November 5, 1979 but the transitional status decree under which the US facilities operate in Turkey has been extended for three months. I believe there is still reason to expect Turkish military inflexibility can be overcome and that a mutually acceptable base agreement can be reached.

Harold Brown

U.S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY
WASHINGTON, D.C.
20210

OCTOBER 12, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: SECRETARY OF LABOR ^{RLM}

SUBJECT: MAJOR DEPARTMENTAL ACTIVITIES
OCTOBER 9-12

THE MOST SIGNIFICANT EVENT OF THE WEEK WAS YOUR AND THE OTHER CABINET OFFICERS APPEARANCE AT THE BUILDING TRADES CONVENTION IN SAN DIEGO. AS I INDICATED, I THINK THINGS WENT EXTREMELY WELL. ADDITIONAL FOLLOW UP WILL BE REQUIRED WITH SOME OF THE KEY INTERNATIONAL UNION PRESIDENTS AND I WILL PLAN TO DO THIS WITHIN THE NEXT TWO WEEKS.

**Electrostatic Copy Made
for Preservation Purposes**

THE SECRETARY OF COMMERCE
WASHINGTON, D.C. 20230

FYI

C

October 12, 1979

REPORT TO THE PRESIDENT

In a visit that highlighted the Administration's support for local economic development in Miami, Bob Hall, who heads EDA, was in Miami on October 4 at the invitation of Mayor Maurice Ferre. Bob met with a wide range of business and community leaders; attended a luncheon hosted by the Mayor for 200 banking, educational, political, and neighborhood leaders from the city and Dade County; and accompanied the Mayor on a walking tour of Hispanic and Black areas. One of the Cuban neighborhoods visited is the site of a joint \$4 million city of Miami/EDA public works project which the Mayor and Ambassador Torres announced on behalf of the Administration two weeks ago. The Mayor repeatedly expressed his thanks for the considerable assistance provided by this Administration. Press and television coverage, from both the Anglo and Hispanic media, was extensive and positive.

A strong and comprehensive legislative proposal in furtherance of your commitment to promote and accelerate the growth and strengthening of minority business enterprise was submitted to OMB on October 1, as I had promised you last spring. The proposal emphasizes assisting and developing medium-sized minority firms capable of attracting private investment and penetrating new or existing growth markets. Federal resources will therefore be the catalyst to stimulate and direct private and public sector resources toward minority business development.


Juanita M. Kreps

Where

Have



the

Farm Lands

Gone?

“Ten years from now, Americans could be as concerned over the loss of the nation’s prime and important farm lands as they are today over shortages of oil and gasoline”

"Little Dixie"
Community Action Agency, Inc.

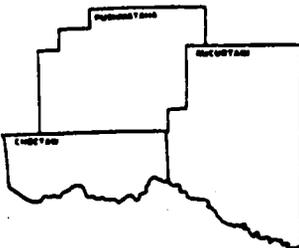
TELEPHONE A/C 405 298-5507

601 S.W. B STREET
ANTLERS, OKLAHOMA 74523

"LITTLE DIXIE'S SUN"

SOLAR

DOMESTIC HOT WATER SYSTEM



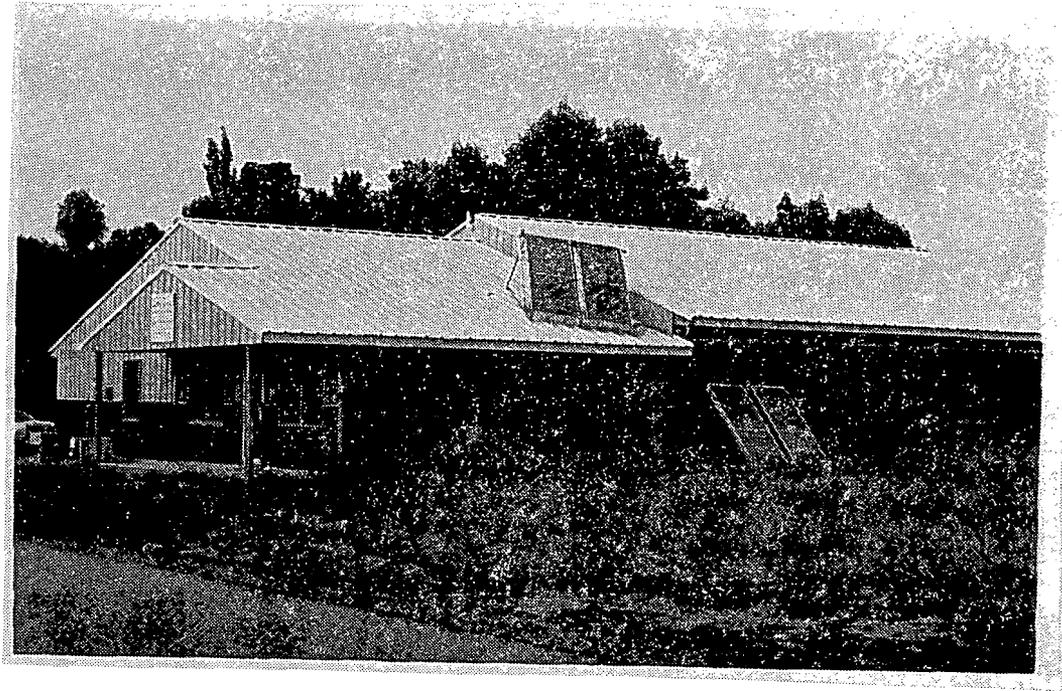
SERVING CHOCTAW, McCURTAIN AND PUSHMATAHA COUNTIES
SELF-HELP HOUSING, SOLAR, AND APPROPRIATE TECHNOLOGY

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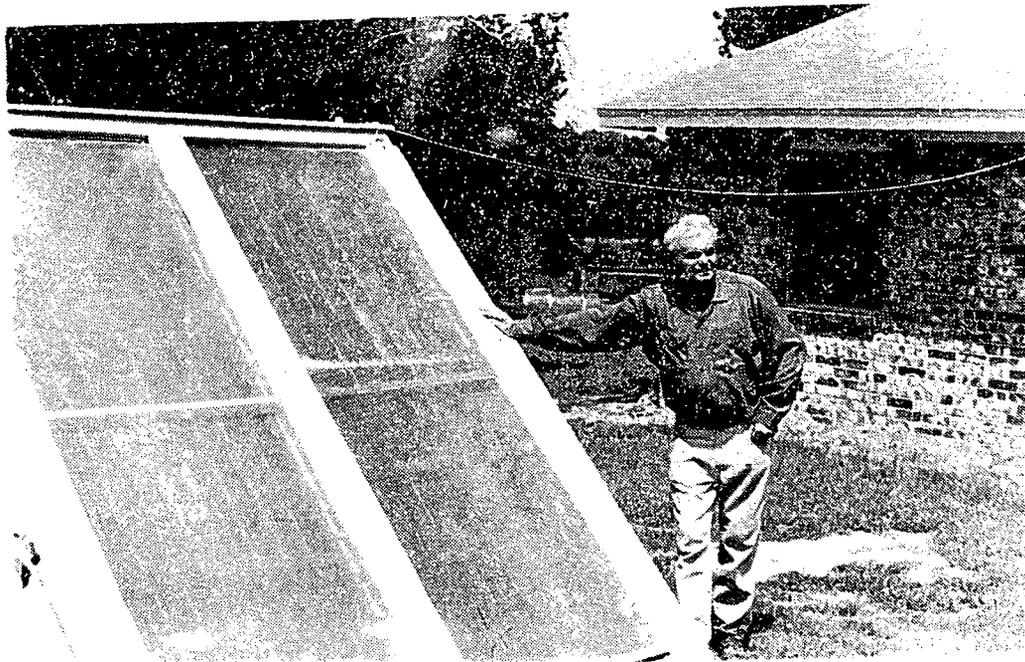
- pp 2 Description of System
- pp 3-6 Solar Manufacturing and Training Facility, Antlers, Ok.
- pp 7-7a Collector Details and Drawing
- pp 8 Drawing of System
- pp 9 Results of Energy Savings Solar vs Electric D.H.W.
- pp 10-11 Grundfos Pump
- pp 12-13 RhoSigma Controller
- pp 14-16 Amtrol, Expansion Tank & Air Vents

The "Little Dixie SUN" solar system is a "closed loop" system, freeze protected with a glycol solution. The system consist of 2 each, 3'x8'x5" collectors, one eighty two gallon, electric assisted, storage tank with external heat exchanger, one Gundfos #2042 pump, one RhoSigma #120s differential controller, expansion tank and air vent by Amtrol. (See description and warranties listed in this brochure).

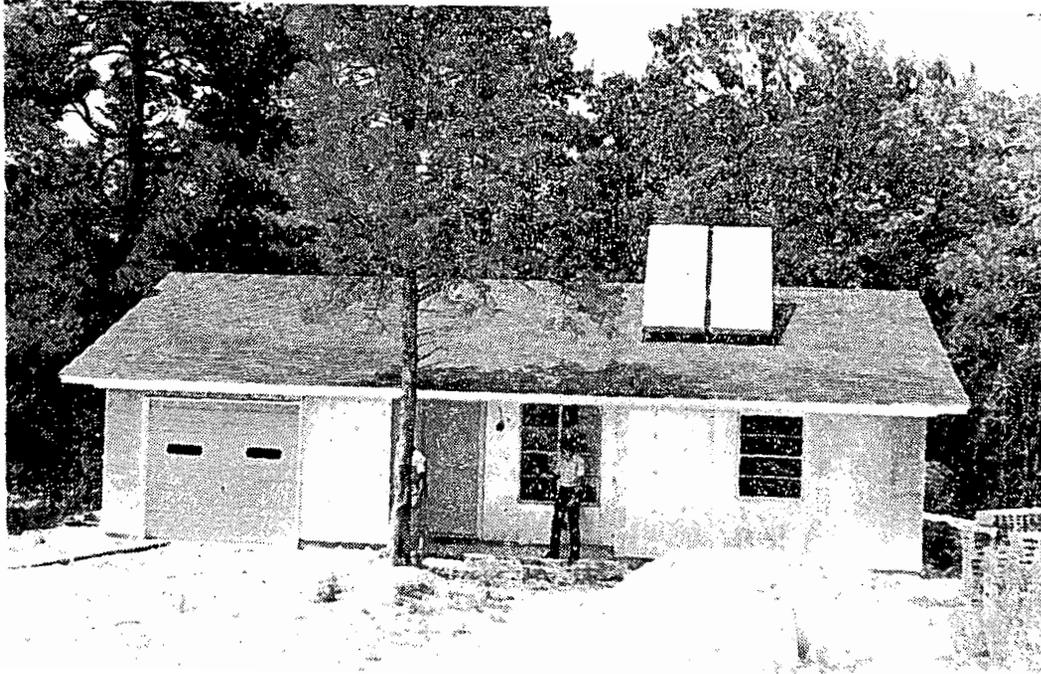
The collectors and heat exchanger, which are manufactured by Little Dixie in Antlers Oklahoma are warranted for five years as to material and workmanship on all parts including glazing. Other components are warranted by their manufactures (see brochure).



The Little Dixie solar training facility (pictured above) measures forty-eight (48) feet by seventy-two (72) feet, which includes 1,152 square feet for classrooms and 2,304 square feet for workshop. Solar collectors on the roof operate a test solar hot water system. Collectors on the ground are being compared for relative efficiency of variations in production techniques and materials. An adobe Trombe wall will be added behind the glazed south wall of the facility to enhance heating and cooling.

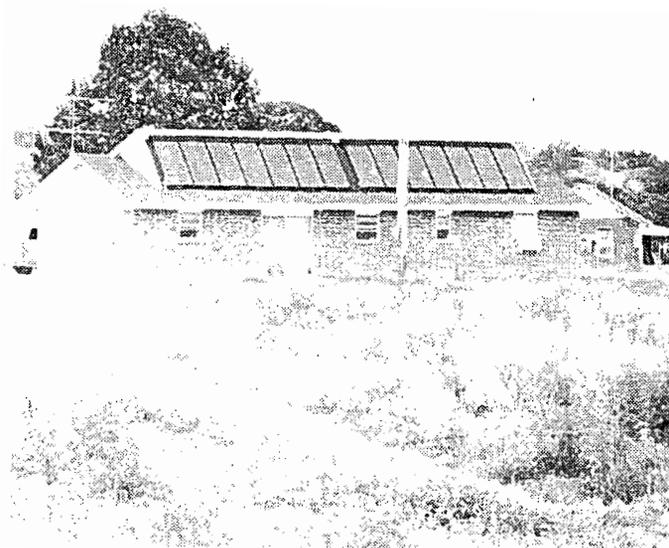


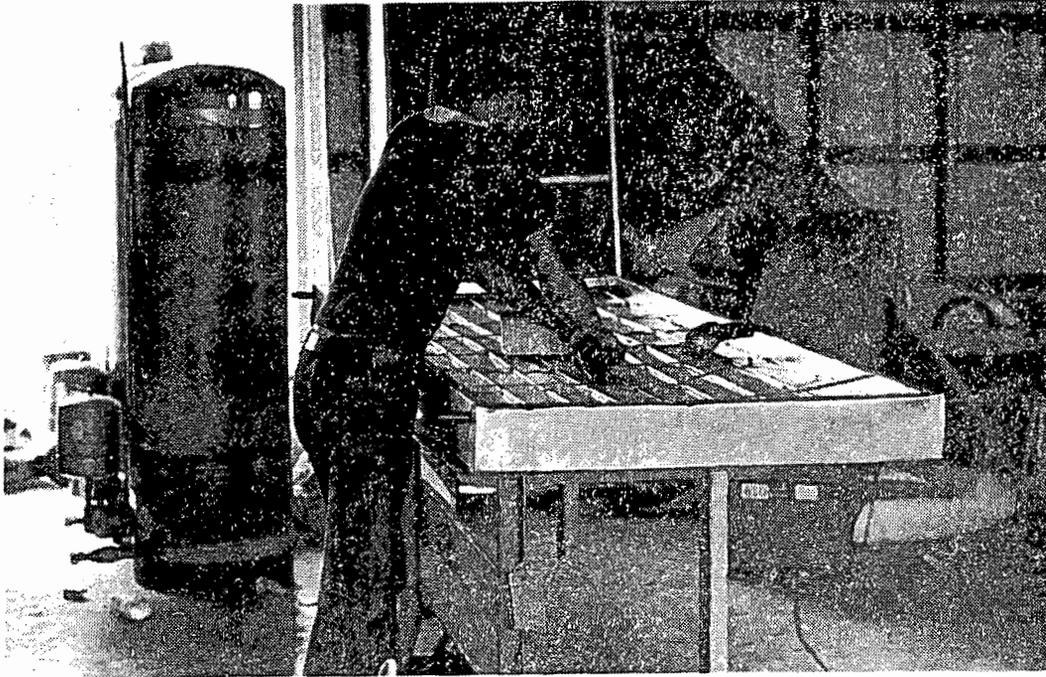
Mr. Willard Reynolds (above) is proud of his solar hot water system, produced by Little Dixie CAA under a grant from N.C.A.T. His 1,000 square-foot Self-Help house is all electric and features not only a solar hot water system but also a wood burning space heater. Mr. Reynolds' highest monthly utility bill last winter was \$32.



(Above) SUEDE solar hot water system on Self-Help house, under construction.

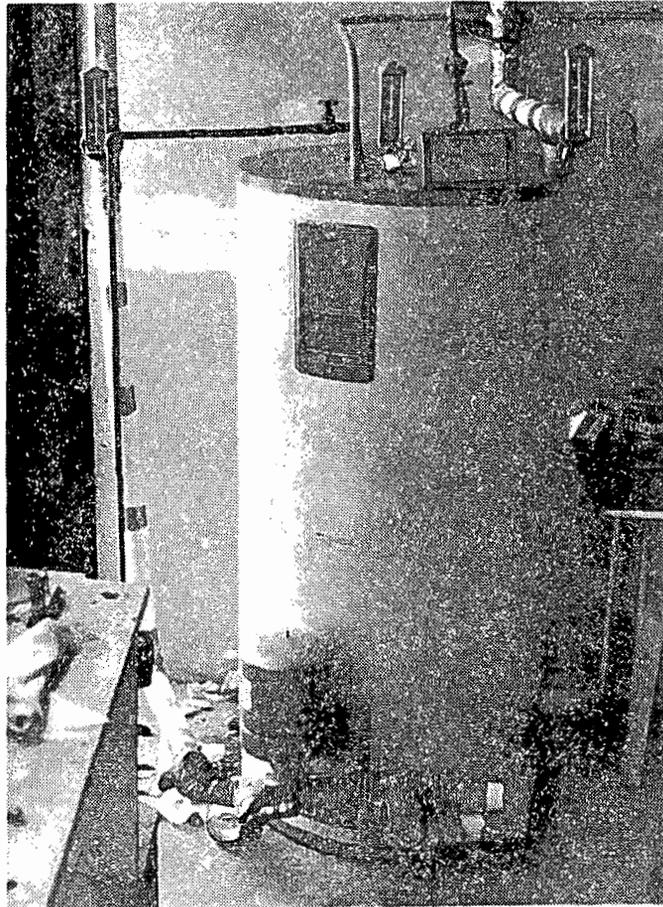
(Right) HUD Cycle-4A total solar heating system on Self-Help house.

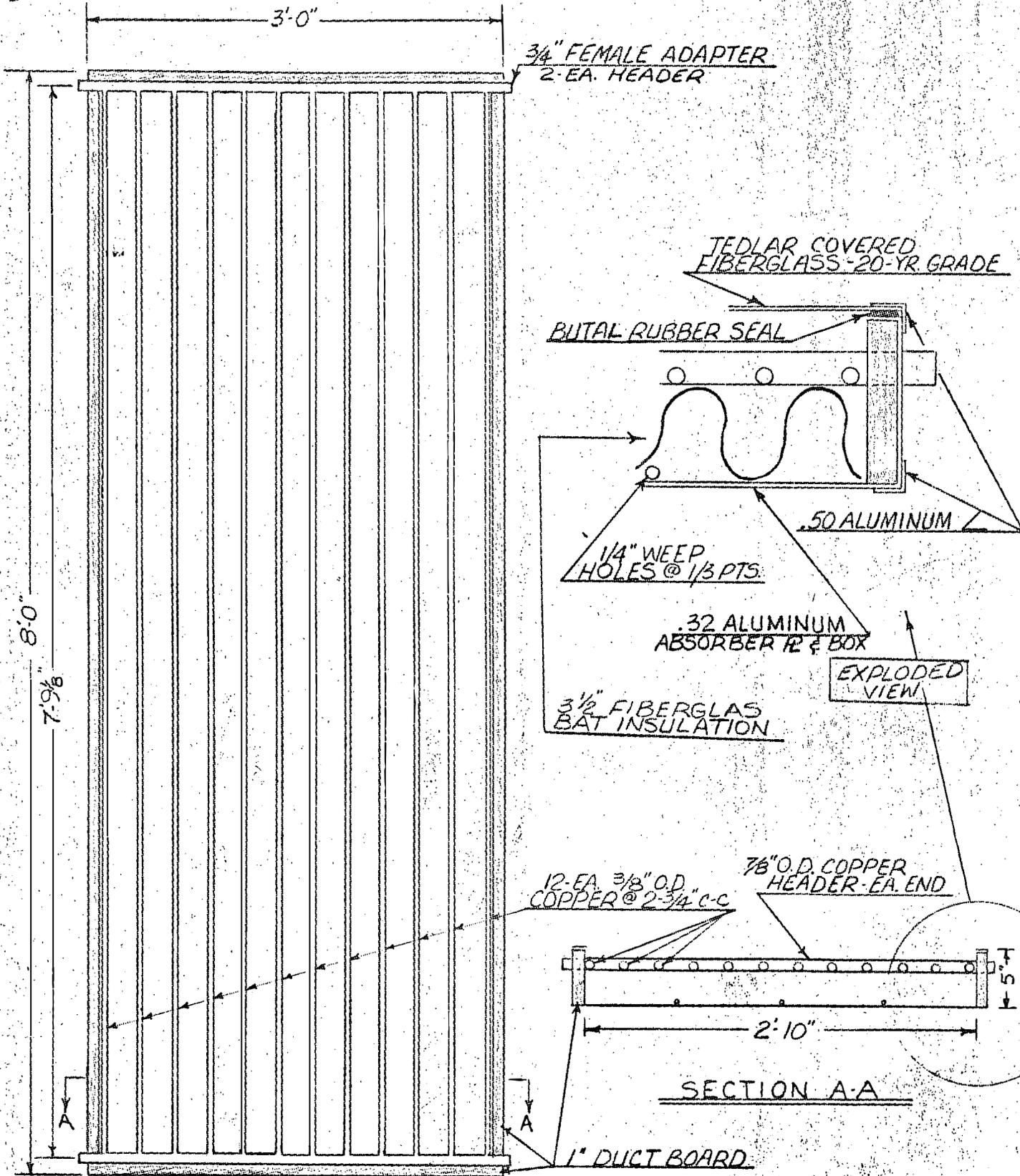




SUEDE trainee (above) constructs a solar panel. Water tank equipped with heat exchanger is in background.

The water heater (right) is solar assisted. A similar system is operated by electricity. Both systems are metered separately and monitored





COLLECTOR DETAILS

COLLECTOR

Tested at the University of Tulsa Solar Laboratory April 1978

Cover:

Single glazed tedlar coated greenhouse grade fiberglass

Collector Box:

One piece .32 aluminum - sides, ends, bottom and lip. Trimmed in 1"x.50 aluminum angle. All aluminum mill finish.

Sealer:

Butal rubber

Absorber:

.32 aluminum stamped to receive flowtubes (therman heat transferring cement, separates copper and aluminum).

Selective coating:

Thermax by Union Carbide

Tube Pattern:

Grid 3/8 OD "M" copper on 2 3/4" center

Tubes:

Chemically bonded to absorber with thermon and mechanically held with aluminum strips and pop rivets

Manifolds:

7/8" OD "M" copper, brazed with silfos to flow tubes - pressure tested to 125 psi working pressure

Insulation:

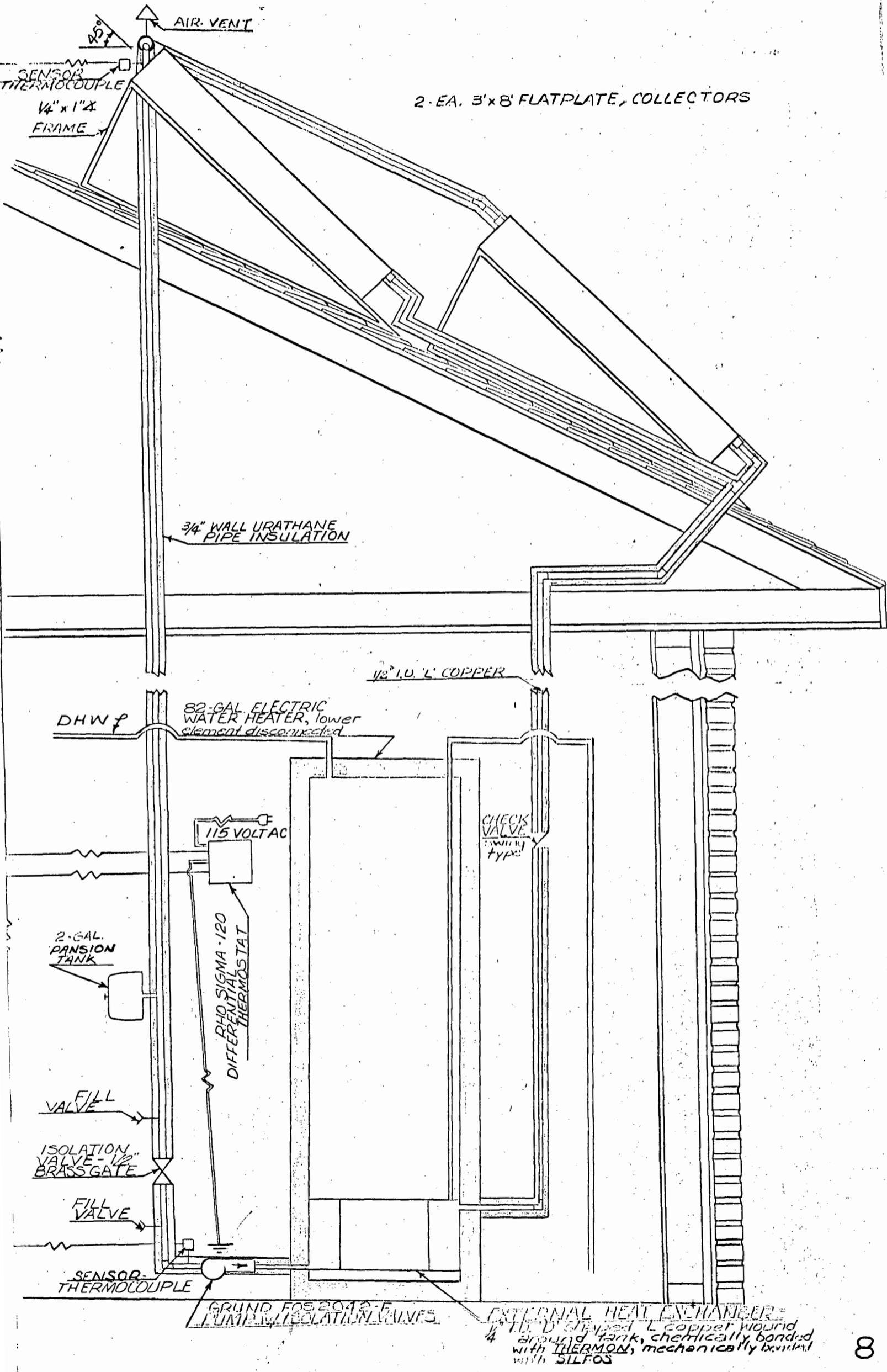
Sides and ends 1" foil backed duct board. 3 1/2" fiberglass behind absorber plate.

Weight:

60 pounds dry

Dimensions:

Box 3'x8'x5"
Absorber Area 21.50F²



2 - EA. 3'x8' FLATPLATE, COLLECTORS

3/4" WALL URATHANE PIPE INSULATION

1/2" I.D. L COPPER

82-GAL. ELECTRIC WATER HEATER, lower element disconnected

CHECK VALVE
swing type

115 VOLT AC

RHO SIGMA-120
DIFFERENTIAL THERMOSTAT

2-GAL. EXPANSION TANK

FILL VALVE

ISOLATION VALVE - 1/2" BRASS GATE

FILL VALVE

SENSOR-THERMOCOUPLE

GROUND FOS 2042-F LUMP W/ ISOLATION VALVES

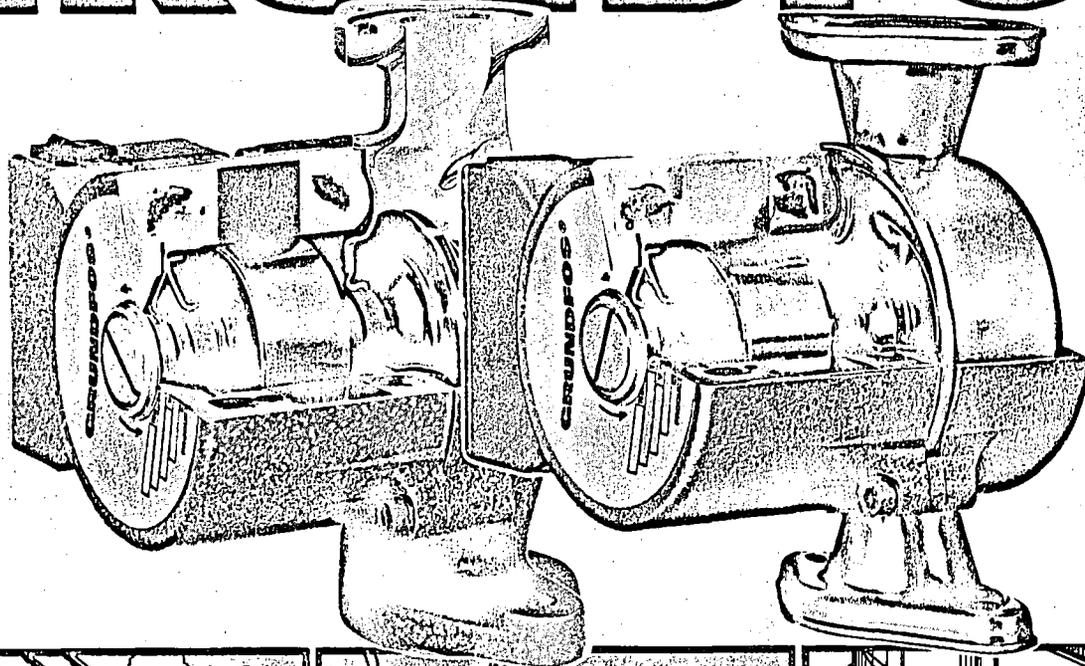
EXTERNAL HEAT EXCHANGER
1/4" I.D. shaped L copper wound around tank, chemically bonded with THERMON, mechanically bonded with SILFOS

Solar - Electric DHW.

Water drawn Mon - Friday 50g. AM., 20g. N., 30g. PM - 80g/DAY

Date	Meter Readings		KW Hours Used		Solar % of Elect	% of Elect For Week	Remarks
	Electric	Solar	Elect	Solar			
8/1/79	22921	00005					Start
8/7/79	22962	00015	41	10	24.3	24.3	
8/14/79	23031	00036	110 T 69 W	31 T 21 W	28.1	30.4	
8/21/79	23115	00070	194 T 84 W	65 T 34 W	38.6	40.4	
8/28/79	23204	00097	283 T 89 W	92 T 27 W	36.0	30.3	
9/4/79	23276	00117	355 T 72 W	112 T 20 W	34.3	27.7	
9/11/79	23336	00141	415 T 60 W	136 T 24 W	35.6	40.0	
9/17/79	23402	00151	481 T 66 W	146 T 10 W	32.7	15.1	
9/24/79	23506	00173	585 T 104 W	168 T 22 W	30.6	21.1	
10/1/79	23580	00182	659 T 74 W	177 T 9 W	28.5	12.1	
Avg & Sept			659 KW	177 KW	26.8	26.8	
10/8/79	23678	00208	757 T 98 W	203 T 26 W	26.8	26.5	

Domestic Circulators from **GRUNDFOS**



**Here's why over 2,000,000 Grundfos
Domestic Circulators were purchased last year alone
by contractors and manufacturers all over the world...**

Stainless Steel Construction...

All vital motor and pump components, including shafts and impellers, are constructed of high-grade stainless steel. Grundfos open system pumps also feature an all stainless steel volute, so that water passing through the pump touches nothing but corrosion-resistant stainless.

18 Month Warranty...

Each Grundfos pump is warranted for continuous circulation of water up to 230°F. We are able to make this guarantee because we test *each and every* pump we make under extreme operating conditions. But, if for some reason one of our pumps should fail, we'll give you a new one to replace it. We don't expect you to spend valuable time and money fixing up our mistake.

Variable-Speed Motors...

You no longer have to stock a wide range of pumps. The Grundfos UPS 20-42 with its variable-speed motor for example, does the job in the majority of residential and light commercial applications.

Fast, Easy Installation...

Grundfos pumps can be easily matched to the individual requirements of most heating and solar systems, and their light weight and small size make them a cinch to install.

Efficient and Quiet...

Our largest selling model—the UPS 20-42—uses less power than it takes to run a 100 watt lightbulb! And due to the Grundfos patented self-lubrication system, and ceramic bearings, Grundfos circulators are the quietest running pumps available today.

Competitively Priced...

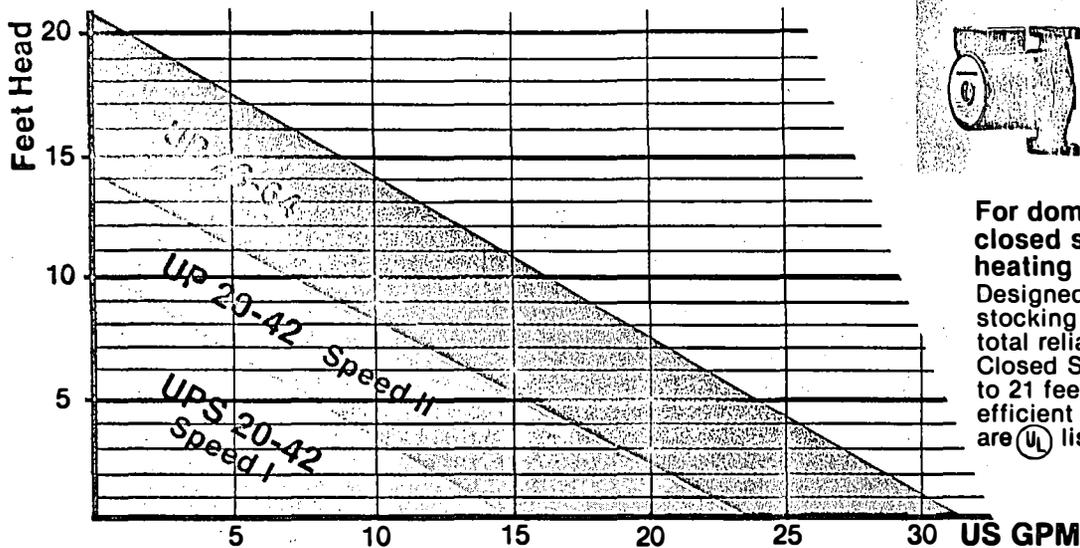
Check with your Distributor or Grundfos Representative today. You'll find it hard to believe that a pump with all these features could cost so little.



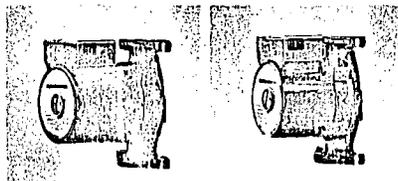
GRUNDFOS

VERSATILE, EFFICIENT AND RELIABLE Grundfos Domestic Circulators

Closed System Circulators



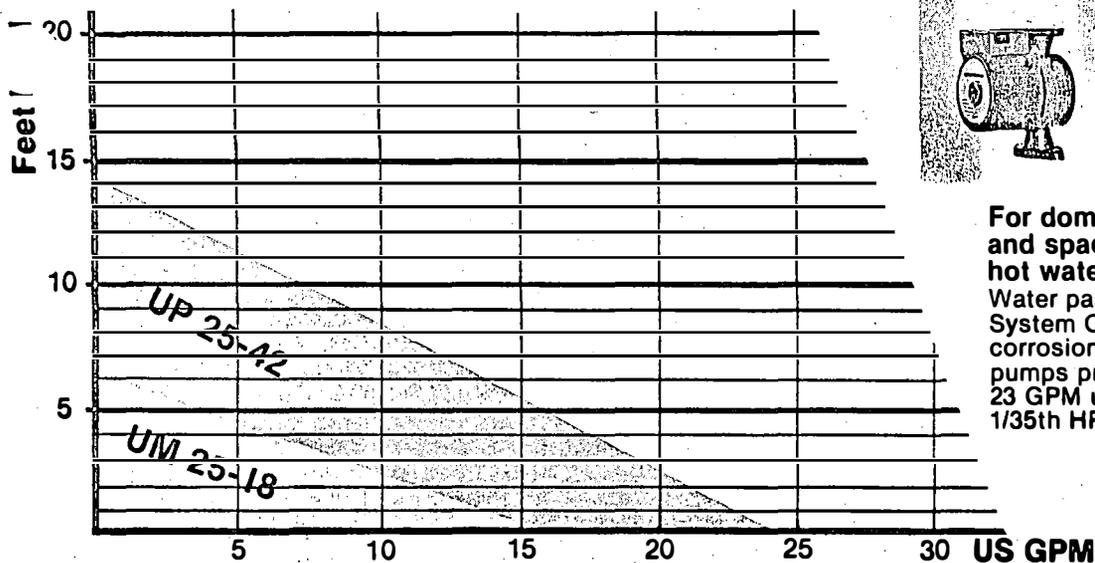
UP 26-64 1/2 HP UPS 20-42 1/2 HP



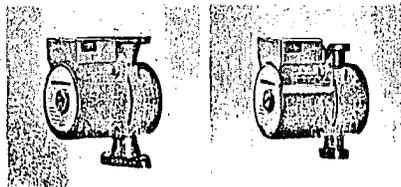
For domestic hydronic heating, and closed system solar water and space heating systems . . .

Designed for easy pump selection, reduced stocking problems, fast installation and total reliability and efficiency, Grundfos Closed System Circulators produce heads to 21 feet or flows to 31 GPM using energy efficient 1/12th or 1/20th HP motors, both are UL listed.

Open System Circulators



UP 25-42 1/2 HP UM 25-18 1/2 HP



For domestic open system solar water and space heating and "Instant Heat" hot water loop systems . . .

Water passing through Grundfos Open System Circulators touches *only* high-grade, corrosion-resistant stainless steel. These pumps produce heads to 14 feet or flows to 23 GPM using energy efficient 1/20th or 1/35th HP motors, both are UL listed.

Manufactured in Clovis, California

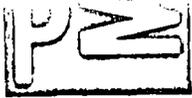
For detailed performance and electrical data, ordering instructions, questions on specific applications for Grundfos Domestic Circulating Pumps, or for information on larger capacity pumps, contact one of the Regional Sales Offices listed below, or see your Grundfos Distributor.



GRUNDFOS

Pumps Corporation
World's largest manufacturer of circulator pumps

Manufacturing Plant
Clovis, California (209) 299-9741
Regional Sales Offices
Clovis, California (209) 299-9741
Tom's River, New Jersey (201) 240-5888
Greensburgh, Pennsylvania (412) 837-2668
Arlington Heights, Illinois (312) 328-1550

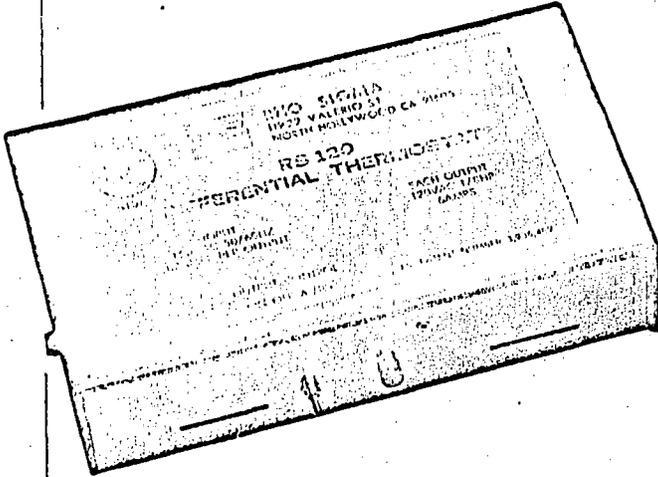


PRODUCT INFORMATION BULLETIN

DIFFERENTIAL THERMOSTAT WITH RELAY OUTPUT

FEATURES

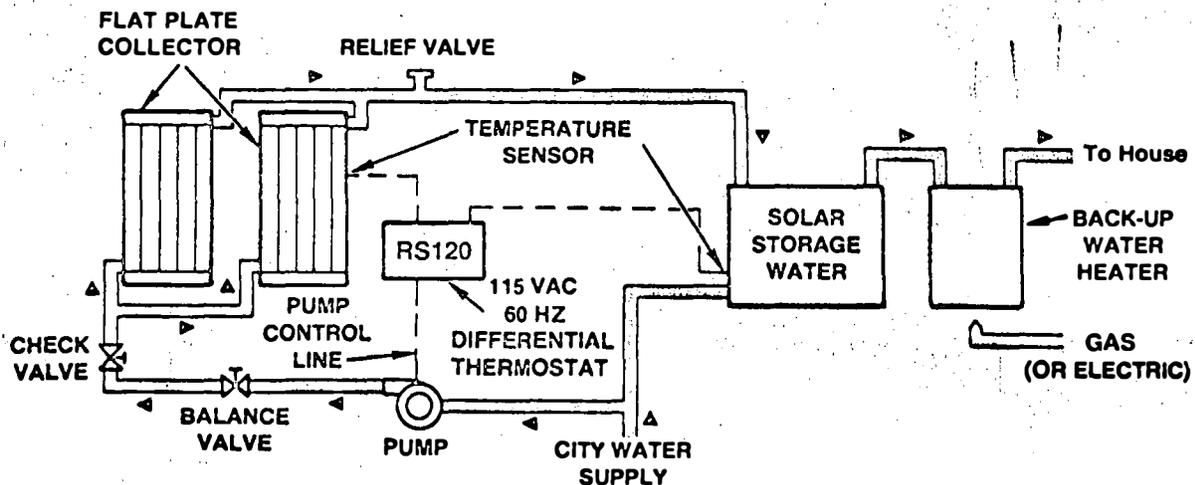
- LINEARIZED CIRCUIT
- UL LISTED
- SINGLE OR DUAL OUTPUT
- ON-OFF-AUTO MODE SELECT SWITCH
- INDICATING LIGHT
- COMPACT ALL STEEL ENCLOSURE
- ALL COMPONENTS MOISTURE-PROOFED
- EASY INSTALLATION
- COMPATIBLE WITH ALL RHO SIGMA SENSORS



The RS120 relay output series is a basic differential thermostat for Full On/Full Off operation of a pump or fan. The minimum requirement of the RS120 is to sense conditions when the temperature difference between the solar collectors and solar storage is sufficient to justify operation (ΔT ON) and to sense conditions where the differential has become insufficient (ΔT OFF). An adequate temperature dead band is incorporated to prevent cycling in the mornings or evenings.

The Electronic Linearization Circuit within the RS120S compensates for the inherent thermistor non-linearity (a condition that causes the turn-on and turn-off differentials of a control to vary) and holds the delta T ON and delta T OFF specification to an accuracy of $\pm 2^\circ F$ absolute over the temperature range normally encountered in solar water heating systems.

TYPICAL APPLICATION OF RHO SIGMA CONTROLS AND SENSORS



SPECIFICATIONS

INPUT: 120 VAC, 50/60 HZ, 2 Watts plus load.

OUTPUT #1: 120 VAC \pm 10%, 50/60 HZ, 6 Amps resistive max or 1/8 HP.

Note:

Power is applied internally: no connection to power line required.

OUTPUT #2: Contact closure; SPST (standard configuration) or SPDT (SK configuration), 24/120/240 VAC \pm 10%.
6 Amps resistive or 1/8 HP.

Note:

Power is not applied: connection to power line is required.

TEMPERATURE DIFFERENTIALS:

Turn-on: Temperature Collector minus Temperature Storage greater than or equal to $20^{\circ}\text{F} \pm 3^{\circ}\text{F}$.

Turn-off: Temperature Collector minus Temperature Storage less than or equal to $3.5^{\circ}\text{F} \pm 1^{\circ}\text{F}$.

ENCLOSURE SIZE: 7.5" \times 4" \times 2" with knockouts.

LINEARIZATION RANGE: 32°F to 210°F .

FULL UL LISTING.

OPTIONAL FUNCTIONS

The RS120 may be ordered with any one of the following options —

H: HIGH TEMPERATURE DETECTION CIRCUIT

This option functions from the storage sensor signal to shut the pump off when sufficient tank temperature is reached. Standard temperature setting is 160°F . (Other settings available on special order.) RS120SH160

L: LOW TEMPERATURE DETECTION CIRCUIT (Recirculating)

This option functions from the collector sensor signal to turn the pump fully ON when the sensor location approaches $40^{\circ}\text{F} \pm 2^{\circ}\text{F}$. This function turns off 5°F above turn on point. The location of the collector sensor is most important for the correct operation of this function. RS120SL40

-2L: LOW TEMPERATURE DETECTION CIRCUIT (Drain-down)

This option functions from the collector sensor to cut power to drain-down valves when the sensor location approaches $40^{\circ}\text{F} \pm 2^{\circ}\text{F}$. Power is returned to the valves when the sensor reaches 5°F above the turn-off point. RS120S-2L40

-2SK: THERMOSTAT SIGNAL SWITCHING

This option functions from the storage sensor input in space heating applications. If the room thermostat calls for heat and the storage sensor is at least $110^{\circ}\text{F} \pm 2^{\circ}\text{F}$, the hydronic/forced air system is activated. When the storage sensor cools to $105^{\circ}\text{F} \pm 2^{\circ}\text{F}$ the hydronic/forced air system is de-activated and the conventional system is then activated. Systems are turned ON or OFF by the room thermostat; this function only determines which system. RS120S-2SK105/110

220 VAC CONFIGURATIONS

All models of the RS120S series are available in a 220 VAC, 50/60 HZ input and output. This is a factory modification which must be specified.

PUMP MOUNT ENCLOSURE

The RS120 may be ordered with a special pump mount enclosure for direct mounting and wiring to Grundfos stainless steel pumps. This option is specified RS120MS, RS120MSH160, RS120MSL40



This product represents the most recent development in providing for the expansion of water in a hydraulic heating system.

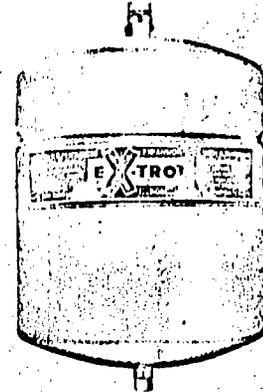
The unique proven design of this tank, incorporating a flexible diaphragm that keeps the system water from contacting the (standard 12-lb.) tank charge, lets this considerably smaller size give more positive, permanent system protection.

HOW IT WORKS

Heated water expands, and in a closed hot water heating system, provision must be made for this expansion. The flexible diaphragm in the EX-TROL® provides for water expansion without permitting absorption of the air cushion by the water.

TO INSTALL

EX-TROL® may be installed into a tee or any other suitable tapping anywhere on a hot water heating system. It may be placed in a vertical or horizontal position. It may also be remotely located and piped to convenient point on the system.



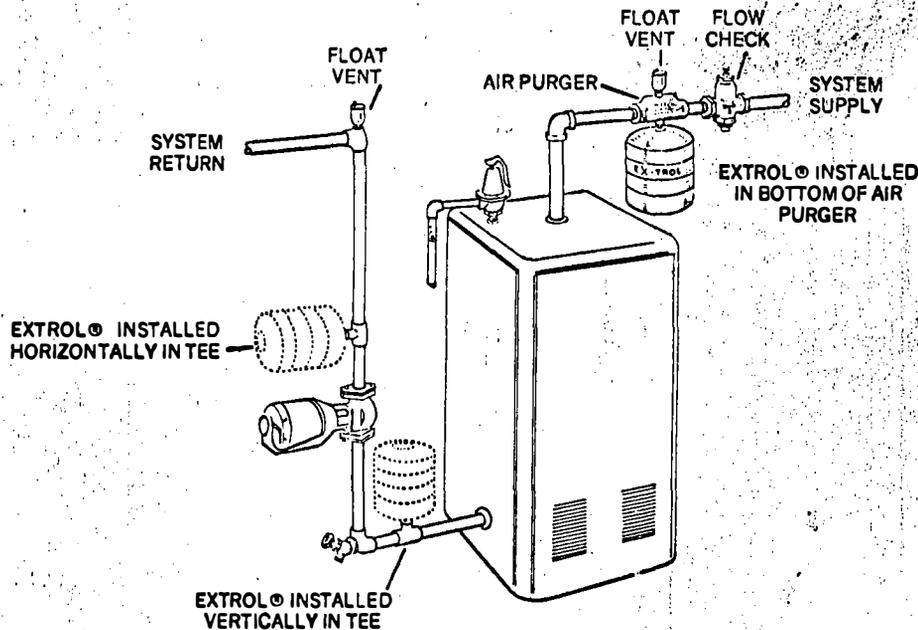
No. 16 EX-TROL®

An ideal EX-TROL® installation is to screw it into the bottom of an American Air Purger located on the main. This combination offers both a mounting tapping and continuous automatic air removal from the system.

After installing EX-TROL® on the system:

1. Fill system.
2. Vent air from system (for purging methods, refer to AMTROL data sheet on Purgers)
3. Bring system up to shut-off temperature.
4. If a smaller EX-TROL® is being used instead of that for which the system is sized, system water must be drawn from the boiler to maintain the proper system pressure. Generally a smaller than normal tank will cause a higher system pressure than is desirable.

Note: Never let air from EX-TROL® tank. Air charge should always equal setting of reducing valve (12-lb. standard).



SYSTEM VENTING AND PURGING

After initial venting and purging of air from the system, more air will be released from the water as it is heated. Therefore, it is recommended that an American Air Purger and #700 Float Vent be installed on the main.



No. 1500 EX-TROL® Pkg.

If the system has multiple loops or zones, the supply water for all loops and zones must pass through the Air Purger for complete and continuous air removal. In case the piping arrangements does not permit the installation of a single Air Purger on the main, Air Purgers and #700 Float Vents should be installed on each loop or zone. In this event, only one EX-TROL® is required for the system.

Even with American Air Purger and Float Vent installed on the main or mains, it is recommended the American #700 Float Vent be installed on each return at the elbow that drops to the circulator.

While seldom required, it is also recommended that manual (key or coin type) air vents be installed at high points on the radiation.

SERVICE HINTS

1. If system is shut down for long periods, or emptied for any reason, it may be necessary to repeat steps 2, 3 and 4 under INSTALLATION.
2. If the system pressure is too high:
 - a.) Check gauge calibration to make certain that the indicator needle has not slipped.
 - b.) Check to see if EX-TROL® has lost its air charge.

Note: To get an accurate reading with any tire gauge when checking EX-TROL® air pressure, either:

- 1.) disconnect the EX-TROL® from the system or,
 - 2.) draw off system water until boiler pressure reads zero.
- c.) Check for faulty fill valve operation. First, close manual shut-off before the fill valve; then, draw system pressure down to 12 PSI (or other pre-set pressure) and observe system for pressure build-up several hours later.
 - d.) Check for service water entering system from any other source of leak, such as tankless heater. Use same procedure as above after shutting off possible water source.
3. If pressure relief valve drips water:
 - a.) first, check system pressure. If too high, follow steps 2. b.), c.) and d.) above.
 - b.) If pressure relief valve continues to drip water, even at reduced pressure, flush relief valve by quickly raising lever several times. If drip continues, it may be necessary to replace relief valve.
 - c.) If multiple EX-TROLS® are installed in the system, check pressure of each for possible air leaks. Be sure red plastic air valve caps are on tight.



AMTROL INC.

1400 DIVISION ROAD • WEST WARWICK, R. I. 02893



MINIMUM ORDER \$25.00

LIMITED WARRANTY

GUARANTEE AND LIABILITY:

AMTROL INC. warrants that its products delivered hereunder are of the kind and quality quoted on and are free from defects in materials and workmanship. AMTROL will repair or replace at its option any product or part thereof without charge in case of a defect, malfunction or failure to conform to this warranty within one (1) year from the date of its manufacture. AMTROL will not, however, accept any claims for labor costs incurred by the consumer in removing or reinstalling a product and/or part thereof. This warranty does not apply if the defect is due to failure to use the product for its intended purpose, the result of accident, abuse, misuse or unauthorized alteration, or because the product was not installed and maintained in accordance with the printed instructions which accompanied it. IN NO EVENT SHALL AMTROL INC. BE LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES. Some states do not allow the exclusion or limitation of incidental or consequential damages, so the above limitation or exclusion may not apply to you.

ANY IMPLIED WARRANTIES WHICH THE CONSUMER MAY HAVE, INCLUDING MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, SHALL NOT EXTEND BEYOND ONE YEAR FROM THE DATE OF THE MANUFACTURE OF THE PRODUCT. Some states do not allow limitations on how long an implied warranty lasts, so the above limitation may not apply to you.

In order to obtain service under this warranty the consumer must promptly notify AMTROL in writing of the defect. This notification must include the consumer's name and address. If so advised by AMTROL the consumer must promptly deliver the defective product or part thereof to AMTROL INC., 1400 Division Road, West Warwick, Rhode Island 02893, postage and/or shipping costs prepaid. Defective products will be replaced or repaired at the factory, and returned to the consumer by AMTROL, postage and/or shipping costs prepaid. In replacing or repairing parts or products, AMTROL reserves the right to make such changes in details of design construction, arrangement or materials as shall in its judgment constitute an improvement over former practice.

This warranty gives you specific legal rights, and you may also have other rights which vary from state to state.

OTTE: This guarantee will be voided if product failure is due to petroleum-base additives in a system.

TERMS: 2% 10th Prox.

FREIGHT TERMS:

F.O.B. - Our responsibility ceases upon delivery to the transportation company at that point. For your protection please examine shipment at its arrival to ascertain if in good order. If any shortage or damage, have a full description made by transportation agent on express bill before signing. All weights approximate. All order F.O.B. West Warwick, R.I. On stock items, freight allowed, but not prepaid, at lowest applicable rate on 200 lbs. or more, up to a maximum of \$3.00 per Cwt. No freight allowed on shipments of less than 200 lbs.

TAXES:

To the prices and terms quoted, add any manufacturers, sales, use or occupational taxes payable under any effective statute.

RETURNED GOODS:

MATERIAL RETURNED SHOULD BE SHIPPED TO AMTROL INC., 1400 DIVISION ROAD, WEST WARWICK, R.I., BUT ONLY AFTER OBTAINING WRITTEN PERMISSION. When so returned, goods will be subject to a deduction of fifteen percent (15%) for rehandling. All transportation charges must be prepaid by shipper. Material made on special order or obsolete products not subject to return.