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THE WHITE HOUSE
WASHINGTON

06 May 80

The Vice President
Hamilton Jordan
Jody Powell
Al McDonald
Stu Eizenstat
Sarah Weddington
Anne Wexler
Lloyd Cutler
Frank Moore
Hedley Donovan
Jack Watson
Jim McIntyre
Charlie Schultze
Alfred Kahn

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

Rick Hutcheson

EYES ONLY

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

May 2, 1980

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

Subject: Weekly Report of Major Departmental Activities

Good News on Interest Rates Finally Comes. Effective Monday, April 28, the FHA interest rate on single family mortgages was decreased to 13 percent. The decrease, which is the first in nearly four years, was decided upon because of encouraging signs that the Administration's efforts to cool down the economy are working. It follows several interest rate increases announced over a period of a few weeks.

Public/Private Partnerships Stressed in Testimony. Yesterday I testified before the Senate Appropriations Committee's Subcommittee on HUD-Independent Agencies regarding HUD's FY 1981 budget request. In my remarks I urged support of full funding for programs designed by HUD to promote effective public/private partnerships in the rebuilding of American cities. Two programs in particular -- Section 8 subsidized housing and Urban Development Action Grants -- were cited as ideal tools for bringing about effective partnerships.

Grants to Areawide Planning Organizations Announced. Seventeen areawide planning organizations and the communities they serve will receive more than \$45 million from HUD to help lower income families expand their choice of housing within their jurisdictions. As many as 7,000 low income families may be assisted through this program.

Three Additional Consumer Forums Sponsored. Los Angeles, Hartford and Arlington, Texas were the locations for consumer forums sponsored by the Department on April 18-23. The forums sought the views of the public on options for expanding housing opportunities and assuring freedom of choice in assisted housing programs. Media coverage at these events was extensive.

Work of Council on Development Choices for the '80s Proceeds. The Council on Development Choices for the '80s, headed by Arizona Governor Bruce Babbitt and Chicago developer Harold Jensen, has scheduled forums in New York, Columbus, Ohio, Atlanta and San Francisco during the month of May. The purpose of these forums will be to secure regional perspectives on the trends that will shape the built environment in the coming decade and beyond.

Moon

Moon Landrieu

P.S. We don't have a \$7 B slush fund! Sorry!
WJ



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

May 2, 1980

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MEMORANDUM FOR THE PRESIDENT

SUBJECT: Highlights of Treasury Activities

1. THE DOLLAR AND THE MARKETS

- . The dollar was firm this week in quiet markets. A significant reduction in the March foreign trade deficit, down to \$3.2 billion from February's record \$5.6 billion, as well as evidence of economic slow-down contributed to confidence in the dollar.
- . Stocks posted moderate net gains this week. The Dow Jones closed at 810.92, up 7.34 over last Friday's 803.58 close. The encouraging signs of slowing inflation were partially moderated by concern over the magnitude of the recession.
- . Yields in the credit markets declined sharply this week due to lower Federal funds rates and large foreign purchases of Treasury bills.
- . Gold in London fell \$29 over the week, closing today at \$517.
- . Largely as a nervous reaction to this week's Congressional hearings on the March 27 silver futures crisis, the May silver contract lost .25 over the week, closing today at \$13.65.
- . All major banks are now posting an 18-1/2 percent prime rate. This is a one percent decline over the week for the majority of banks.

2. IMF MEETINGS IN HAMBURG

- . The meetings of the Ministerial-level IMF Interim Committee and IMF/IBRD Development Committee in Hamburg last week focused heavily on world economic and balance of payments financing problems arising from last year's oil price increases. Attention has shifted increasingly to the "recycling" of OPEC surpluses and the process of adjustment to major economic dislocations. The

Committees endorsed related programs by the IBRD and IMF which will help enable the institutions to deal with these problems, and authorized the IMF to explore the possibility of borrowing from (mainly OPEC) surplus countries in case the need for additional balance of payments financing arises.

- . The meetings also discussed, but did not resolve, key questions in the possible establishment of an IMF "Substitution Account" -- which I prefer to call the "International Monetary Reserve Account." One key issue is assuring the financial viability of the Account and how that responsibility would be shared; the Europeans want us to take a major share in doing so. With the reemergence of large-scale deficits, the earlier interest of many countries (especially Germany and Japan) in depositing dollars in such an Account -- and participating in its backing -- appears to have receded, at least for the time being. Moreover, Germany (and perhaps a few others) now seek more active international use of their own currencies and thus may view the Account as a potential competition. We have indicated our willingness to participate in, and help backstop, such an Account, and the project remains a possibility for longer term evolution of the international monetary system. But it was not ready for a decision at this meeting, and has been referred back to the IMF Executive Board for further work.

3. CHRYSLER

- . Chrysler formally requested that the Loan Guarantee Board issue a \$500 million guarantee commitment. The Board held two meetings this week, and another is scheduled for next Monday. Action is expected next week, but is dependent upon continued negotiations on unguaranteed financing between Chrysler and its constituents. Those negotiations are progressing, but open issues remain with the Canadian Government, Chrysler's banks, and others. The Canadian financing package raises troublesome issues since it could involve guarantees of continued employment in Canada.
- . Short-term cash flow pressures have eased. Thursday, Chrysler obtained \$150 million in a loan from the State of Michigan. It also sold for \$56 million its ownership of Chrysler Australia to Mitsubishi.

- . Several Senators have expressed their intention to withhold appropriations for guaranteed loans, on the ground that the proposed financing package does not meet the spirit of the Act. This could produce an additional interest cost for Chrysler, but need not frustrate the assistance package.

4. OIL IMPORT FEE

- . Despite increasing difficulties on the Hill, we are moving forward on the oil import fee. Both Secretary Duncan and I have met with Congressman Shannon, Trade Subcommittee of the House Ways and Means Committee. Hopefully, working with DOE we can contain the debate over entitlements operation and enforcement in the Subcommittee.

5. MULTILATERAL DEVELOPMENT BANKS (MDBs)

- . We are making every effort to find a workable solution with respect to the MDB Conference Report. I will be discussing the matter with Henry Reuss and will most likely need to involve you directly at some point.

6. WITHHOLDING ON INTEREST AND DIVIDENDS

- . I testified on Wednesday, April 30, before the House Ways and Means Committee. As we count votes now, there is a reasonable chance that with concerted Administration pressure the Committee will report out a bill. We will be facing a stiff lobbying campaign by savings and loans, mutual savings and dividend paying corporations to kill the bill in Committee.



G. William Miller



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WASHINGTON, D.C. 20460

May 2, 1980

THE ADMINISTRATOR

REPORT TO THE PRESIDENT

FROM: Douglas M. Costle

The prospects for passage of the superfund legislation that you proposed last June have dramatically improved during the last few weeks. The legislation, as you know, expands our authority to clean up discharges of oil and other hazardous chemicals and creates a \$1.6 billion fund to pay the costs.

On Tuesday, we unexpectedly won a vote in Jim Florio's subcommittee to report a bill to the House Commerce Committee, where markup is expected shortly. Stu, Frank Moore and Bob Maher were instrumental in our victory. Florio's bill deals only with abandoned dumpsites. However, two weeks ago we convinced Ray Roberts' Public Works subcommittee to report a bill covering hazardous spills and we expect it to be adopted by the full committee next week. If these bills are joined on the floor, the result will be very close to your original proposal.

In the Senate, a comprehensive bill imposing broader liability on industry than your proposal is pending before subcommittees chaired by Ed Muskie and John Culver. Ed, who is holding out for a stronger bill, has been a roadblock. Ironically, by nominating him to be Secretary of State, you have helped clear the way for legislation. We expect a bill could be moved to full committee next week.

The need for superfund legislation is more apparent than ever. During the last six months, we have been notified of over 800 discharges of hazardous chemicals, including last week's disaster at Elizabeth, New Jersey, where 30,000 drums of chemical wastes exploded. We are responding as best we can, but we have neither sufficient money nor authority to do an adequate job.

A handwritten signature in dark ink, appearing to read "Doug", written in a cursive style.



CABINET ECONOMIC POLICY GROUP

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

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MEMORANDUM FOR THE PRESIDENT

FROM: G. WILLIAM MILLER *fill*
CHAIRMAN, ECONOMIC POLICY GROUP

SUBJECT: EPG Activities

I. Meeting of Friday, May 2, 1980

A. Agriculture

Report by Bob Bergland on the outlook for livestock production.

B. Wage price program

1. Oil, Chemical, and Atomic Workers contract

- (a) CWPS to discuss tentative decision of non-compliance with Pay Advisory Committee.
- (b) CWPS to develop options if contract to be determined out of compliance.

2. Non-compliance by Hyatt Hotels

- (a) CWPS to develop program to encourage Hyatt Hotels to cooperate with the program.
- (b) Your personal involvement may be required.

3. Membership on the Council on Wage and Price Stability

- (a) Fred Kahn to update membership to provide greater participation by members of the Cabinet.

4. Underlying rate of inflation

- (a) Discussion led by Charlie Schultze on the underlying rate of inflation.
- (b) Subject of communication and the importance of speaking with one voice to be discussed at an upcoming EPG meeting.

C. Economic outlook

Brief presentation by Charlie Schultze.

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

May 2, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: Gus Speth
Jane Yarn
Bob Harris

Am Speth

SUBJECT: Weekly Report

Nuclear Non-Proliferation Policy Shift. As you know, a decision memorandum is being prepared for you concerning possible major changes in your 1977 nuclear non-proliferation policy as it relates to foreign reprocessing and plutonium. The changes under discussion could greatly strengthen the hand of those in the nuclear industry and in Congress who want to go ahead now with reprocessing in the U.S. and to reopen the NRC review of plutonium recycle, which it suspended in response to your 1977 policy statement. The proposed relaxation in our efforts to lead other countries toward more proliferation resistant fuel cycles was recently characterized in Science as suggesting "a major retreat in one of the distinctive foreign policy initiatives of the Carter Administration." That, at least, is a sample of the type of press we are likely to get. You will receive a full discussion in the decision memorandum but should be aware of my doubts about the wisdom of having a national debate on this controversial issue at this time.

Coal Export Policy. The proposed Interagency Coal Export Task Force should be set up in a way that recognizes the costs as well as the benefits in sharply increasing U.S. coal exports. Until the economic, environmental, security and political considerations on both sides of the issue are developed, we would caution against broad commitments. In particular we believe that the Task Force should objectively examine the costs and benefits of alternative levels of coal exports before any characterization of the size of our commitment in this area is given.

I-84 Referral. A proposal for Interstate 84 from Hartford, Connecticut to Providence, Rhode Island (preferred by R.I. Governor Garrahy and the state highway department) would go through the Scituate Reservoir and watershed, which is the sole drinking water source for half of the state. EPA asked us to review its disagreement with this proposal and, after a careful in-house staff analysis, we have advised DOT to consider approving only the proposed routes outside the watershed, because the dangers to the drinking water supply from I-84 would be too great. We also recommended that DOT refrain from proceeding to fund the highway in Connecticut until the decision is made on whether or where to build I-84 in Rhode Island.



Veterans
Administration

May 1, 1980



TO : The President
THRU : Rick Hutcheson, Staff Secretary
FROM : Administrator of Veterans Affairs

VA Presidential Update

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We Are Ready To Help - Shortly after your April 25 announcement, I convened a special meeting of my top staff to make clear VA must be ready to assist in any manner possible in the aftermath of the Iranian hostage rescue attempt. Possible avenues of assistance include back up medical care for any injured survivors . . . home visits to families of the 8 men killed offering personal assistance in obtaining a number of VA benefits . . . immediate settlement of GI insurance claims (up to \$20,000) the moment we receive official death notifications from Defense . . . burial in any of VA's many National Cemeteries . . . and delivery of Presidential Memorial Certificates to next of kin. We are working closely with the Armed Services in these matters, and have also provided Social Security officials information to assist in their administration of family benefits.

Reaction of Veterans Organizations - Except for DAV, which has made no comment, the largest organizations issued immediate statements applauding the hostage rescue attempt. American Legion announced its commendation of you "for the courageous decision the President made in the attempt to rescue our fellow Americans. Over 2 million Legionnaires support this heroic effort and regret it could not be carried through to successful completion. The Legion commends those who volunteered to serve in this extremely dangerous but vital mission." VFW said: "A majority of Americans, including many of our members, were demanding more aggressive action. We in VFW commend the President for the action taken and are disappointed in its failure." AMVETS announced: "We support the President and the attempted rescue operation in a broad general sense. However, questions remain regarding the timing and the degree of planning for this operation."

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

May 3, 1980

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze ^{CLS}
Subject: CEA Weekly Report

Lyle Gramley's nomination to the Federal Reserve Board was reported favorably by the Senate Banking Committee on Thursday, May 1. The vote was 13 to 2; the negative votes were Senators Cranston and Stewart. We have no final word on how hard the opponents (led by Senators Culver and Stewart) will fight this on the Senate floor.

Spring Budget Review. We have completed a tentative forecast for 1980-81 and projections for 1982-85. OMB and Treasury are generating budgetary and revenue estimates for presentation at the Spring Budget Review.

Auto study. We are working with the Department of Transportation on its auto study. Several major conclusions stand out: the major question mark is Ford; the availability of decent cash-flow to Ford to finance necessary transition to smaller cars will depend heavily on (i) the depth of the recession and speed of recovery in auto sales and (ii) whether or not Ford can increase its market share from its current low level.

Economics of recessions and recoveries. The following partial list of quick studies we are now engaged in might give you some idea of the variety of considerations that go into making a judgment about what's likely to happen in the next year or so. (These studies are in addition to our normal full-scale forecasting operation.)

- o Construct and continually update crude estimates of monthly GNP and its major components as a way of summarizing, in a comprehensive way, what's happening to the economy on a very current basis.

- o How does the size of the labor force -- males, females, teenagers -- tend to behave during recessions and recoveries?
- o What criteria should we use in discussions with the Fed on when to ease up or remove some or all of the new credit controls?
- o Conduct a periodic (every two weeks) telephone survey of major capital goods producers to try to get advance information on whether business firms are continuing to maintain their investment plans. The extent to which they do so or fail to do so will play a major role in determining the size of the recession.
- o What categories of consumer spending have been particularly affected by the recent drop in the saving rate and can this tell us anything about the likely future behavior of the saving rate?
- o Construct a small mathematical model to trace the connection between the weekly insured unemployment statistics and the monthly unemployment data from the Bureau of Labor Statistics.
- o Continue the special residential construction "monitoring system" which gives us scattered but useful advance data on housing sales, mortgage commitments, and builders' plans.

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

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May 2, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: THE SECRETARY OF LABOR 

SUBJECT: Major Departmental Activities
April 28 - May 2, 1980

National Accord meeting with the Vice President, other Cabinet officers and Lane Kirkland. We met this morning to discuss the areas of common concern between the Administration and the AFL-CIO. It was a good and productive meeting. Lane was very pleased with your decision on trade adjustment assistance which the Vice President announced at the beginning of the meeting. Lane raised several major issues. They are:

- o Recent trends in our major economic indicators suggest the arrival of a major recession. As part of the Accord, it was agreed to counter act the impact of a recession with countercyclical programs assisting those hardest hit. Today, we agreed that the Administration and the AFL-CIO would begin to develop an anti-recession contingency plan. The AFL-CIO will continue to place a major emphasis on spending in contrast to tax cuts. Lane indicated that his ability to maintain the National Accord would be threatened if we were not prepared to take some anti-recession steps within several months and the recession deepened.
- o The country is rapidly losing its industrial capacity in key sectors of the economy, such as transportation. Lane stated the need to develop an industrial policy that will lead to the reindustrialization of the United States. It was agreed that a bilateral working group would be established to work on this matter.

- o The AFL-CIO has had continuing and serious problems with the COWPS staff in implementing the voluntary pay/price program. They believe that COWPS is not sympathetic to the program and is trying to undermine decisions that have been made at the Cabinet and Presidential levels.

Planning for the ILO conference. Next week we will be making our preparations for the ILO conference scheduled for June in Geneva. Director General Blanchard will be here on Monday, May 5th and maybe you could meet with him briefly.



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

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May 2, 1980

MEMORANDUM TO THE PRESIDENT

THROUGH Rick Hutcheson
Staff Secretary

SUBJECT: Weekly Report

FARM PRICES. Prices received by farmers fell 4.7 percent in April, the largest decline since October 1976. Contributing most to the decrease were lower prices for cattle, hogs, soybeans, wheat and calves. Prices paid by farmers were unchanged from March but 11 percent above a year ago. The ratio of the index of prices received to the index of prices paid by farmers declined to 81 (1976=100), the lowest level since March 1933.

RETENDER. The Commodity Credit Corporation will begin next week a series of offers to sell contract rights that were bought from the 12 exporters who had contracts to deliver grain to the Russians. These contracts were suspended by your action of January 4. The corn and wheat contracts offered for sale will be for June 1980 through March 1981 to Gulf, Lakes, Atlantic and Pacific ports. Contracts assumed by the CCC that called for delivery to ports from January throughout the first part of June have been rolled over into more distant months.

PURCHASES. The CCC bought 40.4 million bushels (1.03 million metric tons) of corn under its April 24 purchase offer, bringing total purchases under the special buying program to approximately 100 million bushels (2.5 million tons).

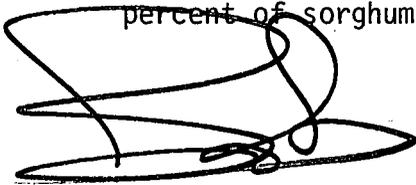
EXPORTS. Carryover stocks of wheat, feed grains and soybean oil are estimated less than last month's levels, due to continued heavy wheat and sorghum exports and a prospective pickup in soybean oil exports.

PLANTING PROGRESS. Last week favorable weather enabled farmers to make good progress in planting spring wheat. Farmers were also able to make some planting progress in cotton--despite wet weather.

Percent of Crop Acreage Planted
as of April 27 ^{1/}

	: 1980	: Week Ago	: 1979	: Average
Spring wheat	: 36	20	5	22
Corn	: 10	3	5	12
Cotton	: 28	22	27	NA
Rice	: 50	37	43	65
Sorghum	: 24	23	20	25
Soybeans	: --	--	--	--

^{1/}States included represent 91 percent of spring wheat excluding durum, 93 percent of corn, 99 percent of cotton, 99 percent of rice, 92 percent of sorghum and 95 percent of soybean crops in 1979.



BOB BERGLAND



May 2, 1980

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MEMORANDUM FOR THE PRESIDENT

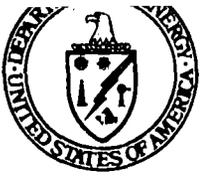
SUBJECT: Weekly Report of HEW Activities

Cuban Refugees. Yesterday evening, we received clearance from Jack Watson to disengage our on-site Cuban refugee staff from the Miami processing center. This action was taken as a result of the decision that newly arriving Cubans are to be considered as applicants for asylum instead of refugees. The Office of General Counsel has determined that applicants for asylum are ineligible for benefits under the HEW funded refugee program. The Department has closed the Miami Processing Center, but will continue to provide health services and issue social security cards.

Education Department Transition. This is my final report as Secretary of Health, Education, and Welfare. As of 12:01 a.m., May 4, the Department of Health and Human Services will come into being. We have transmitted the final personnel data to the Office of Management and Budget for inclusion in the Determination Order. The complex sequence of office moves began last week, and the majority of them will be completed by the May 4 deadline.

Department Developing Darvon Scheduling Recommendation. The Department is preparing recommendations for the Drug Enforcement Administration concerning the recent decision handed down by the United Nations Commission on Narcotic Drugs. Darvon's active ingredient, propoxyphene, was placed under tighter control by transferring the drug to Schedule II of the 1961 Single Convention on Narcotic Drugs. I have directed the Surgeon General to provide me with an options paper setting forth different courses of action that we should consider for domestic action on Darvon, and what the Department's next steps should be with respect to the UN vote.


Patricia Roberts Harris



THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

May 2, 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: CHARLES W. DUNCAN, JR.
JOHN C. SAWHILL

SUBJECT: Weekly Activity Report
Week of April 26 - May 2, 1980

1. Gasoline Conservation Fee: The Secretary was subpoenaed to appear before the Environment, Energy, and Natural Resources Subcommittee of the House Committee on Government Operations and to produce documents relating to the gasoline conservation fee decision. Certain documents were provided, but most were withheld on the ground that they were subject to privilege. Negotiations between the Department and the White House on one side and the Subcommittee staff on the other before the hearing were not successful, and the Subcommittee voted 8 to 0 to hold the Secretary in contempt of Congress. Negotiations continued after the vote, and included an offer to let the Committee members read, but not retain, most of the documents. That was rejected, and we are still at impasse.
2. Strategic Petroleum Reserve: Last week we completed "Quick Draw I," a test of our abilities to draw petroleum from the salt dome reservoirs. On April 22 and 23, 1980, we withdrew over 1.4 million barrels of crude oil from the three storage sites during 28 hours. We achieved an average flow rate of 1.273 million barrels per day, over 20 percent more than the designed rate of flow. We encountered no significant problems.
3. Alternative Fuels Solicitations: As part of our program to prepare for the operation of the Synthetic Fuels Corporation, in January we solicited proposals for grants to conduct feasibility studies and for cooperative agreements for alternative fuels production. We received 951 proposals, 730 for feasibility studies and 221 for cooperative agreements. Nearly two-thirds of the proposals were for alcohol fuels production and some other biomass projects. Proposals were also received for coal, oil shale, tar sands, unconventional natural gases, lignite, peat, solid waste, and other minerals and organic materials. We expect to make awards in June.
4. Oil and Gas Drilling: The effects of decontrol of domestic crude oil and the Natural Gas Policy Act seem to be reflected in increased exploration and development, according to the statistics on domestic drilling activity. The number of drilling rigs currently active within the United States is higher than it has been in 30 years and is growing rapidly. Over 2700 rigs are now active, compared to a peak of under 2400 for 1978 and a peak of about 2200 in 1977.
5. Legislation:
 - o The Energy Mobilization Board conferees agreed with all joint staff recommendations on outstanding issues. There will be one more meeting, probably within a month, to receive and to sign the final document.

o The conferees on S. 932 are expected to complete all conference work by Memorial Day. All work has been completed on the Synthetic Fuels Corporation; some issues remain on the Conservation and Solar Bank titles. The major issue outstanding on the gasohol titles is the delineation of responsibility between the Department of Energy and the Department of Agriculture. The drafting of final legislation could be completed by the end of June. It is possible that you could have an enrolled bill to enact on July 4.

o The Strategic Petroleum Reserve is expected to be the object of several amendments to the concurrent budget resolution by the Senate. Senators Bradley and McGovern will propose similar amendments to require that we acquire oil for the Reserve at the rate of 100,000 barrels per day for fiscal years 1980 and 1981 and at the rate of 200,000 barrels per day for fiscal year 1982. Senator Durkin is expected to propose that all revenue from the gasoline conservation fee be used to purchase oil for the Reserve.

6. Alaska Natural Gas Pipeline: The Federal Energy Regulatory Commission issued a certificate to allow construction of the Eastern Leg pre-build portion of the pipeline on Monday. The permission to construct the pipeline contains many conditions, including conditions relating to the pipeline's size and the pricing policies to be followed by the pipeline company. The Commission adopted several of the provisions we requested. We believe the Commission's decision will improve the chances that this section will be built, but we are monitoring closely the reactions of the other interested parties.

7. Gasoline Rationing Plan: We have transmitted to you the Standby Gasoline Rationing Plan, following interagency review conducted by the Office of Management and Budget and review by the Energy Coordinating Committee. The Plan was completed well before the schedule implicit in the statute, which called for a second progress report on the Plan to be submitted in June. More detailed work needs to be done, and the Plan, by its very nature, will be expensive, complicated, and controversial.

THE SECRETARY OF COMMERCE

WASHINGTON, D.C. 20230

May 2, 1980

FYI

REPORT TO THE PRESIDENT

Ride-Sharing Campaign: Extensive radio, television, and newspaper coverage resulted from my trip to New Orleans on behalf of your energy conservation program. The business community received the plan cordially; the labor and government community enthusiastically. Mayor Morial has told me that he will take the initiative to follow through in his community; and, I have directed our regional representative and the New Orleans offices of the Department to work aggressively with the business community in advancing the program.

1980 Census: The Census response rate has exceeded 85%; follow-up activities are underway; and, few districts are encountering problems in recruiting enumerators. As a consequence, the request for a supplemental appropriation has been withdrawn. While the national average is very good, there are a number of areas that may present real problems of undercount.

EDA Reauthorization: We have had a series of discussions with Congressman Bob Roe, Economic Development Subcommittee Chairman, in our efforts to resolve the Conference stalemate over the EDA Authorization Bill. There are several ideas under active consideration. We hope by next week to firm up a recommendation that might break the deadlock. In light of the new unemployment figures, it may be vital to achieve an agreement to forestall more precipitous actions by some in Congress which would upset even more our current budget effort.

U.S. Steel Antidumping Cases: The ITC has determined that there is "reasonable indication" of material injury. This is a significantly lower threshold than an actual finding of material damage. This preliminary test was designed to stop investigations in which there was no reasonable case of injury. It should not be taken as an indication of how ITC will go on a final determination.

Industrial Policy: In connection with on-going EPG studies, we have established a task force to determine whether or not to evolve an explicit industrial policy.


Philip M. Klutznick

THE SECRETARY OF EDUCATION
WASHINGTON, D.C. 20202

MAY 2 1980

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

SUBJECT: Weekly Report of Major Activities

Appointments

I have forwarded to the White House my recommendation of James B. Thomas to be Inspector General. Mr. Thomas is presently serving as the Chief Accounting and Financial Executive at the Interstate Commerce Commission. This completes the selections for the top management positions in the Department.

Confirmation hearings for Steven Minter, Under Secretary-designate; F. James Rutherford, Assistant Secretary for Educational Research and Improvement-designate; Thomas Minter, Assistant Secretary for Elementary and Secondary Education-designate; and Albert Bowker, Assistant Secretary for Postsecondary Education-designate were held on April 30. Final Senate action on these appointments is expected shortly.

Activation of the Department

The Department will be officially established on May 4, one month ahead of the date required by statute. Final plans for the opening of the Department are being implemented, including ceremonies at the White House on May 7 and visits by myself and the Under Secretary-designate to the Baltimore public schools and William and Mary College on May 8.

Legislation

The House Subcommittee on Elementary, Secondary and Vocational Education completed mark-up and reported to full committee the education title of the Youth Act on April 29. The Subcommittee's bill contains many of the features central to the Administration's bill and my staff is working closely with committee staff to strengthen the discretion and authority of local schools and increase the emphasis on basic skills development. Committee mark-up of the bill is scheduled for May 6.

The Senate Labor and Human Resources Committee completed mark-up of the Higher Education reauthorization bill on April 30.

Speeches

In the past week I addressed the National Association of Administrators of State and Federal Education Programs, April 28; the President's Committee on Employment for the Handicapped, April 30; and the National Press Club, May 1.



Shirley M. Hufstetter



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

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May 2, 1980

MEMORANDUM FOR THE PRESIDENT

THROUGH: Rick Hutcheson, Staff Secretary

FROM : William B. Johnston
Acting Secretary

wbj

SUBJECT: Significant Issues for the Week of April 28

Cuban Refugee Situation - Since April 21, approximately 1900 boats have brought more than 5500 Cuban refugees to Florida. This has created a major search and rescue problem for the Coast Guard, which has moved in nearly 600 personnel and 11 boats and aircraft from other areas. After several attempts to communicate with the Cuban Border Guard to set up effective monitoring of vessel transits of the Straits of Florida for safety purposes, they replied on May 1 that they are agreeable to a mid-point transfer of escort responsibilities. Details remained to be worked out. Pursuant to a decision of the NSC, units of the U. S. Navy have been made available to assist in search and rescue. Daily operational reports are being furnished to the White House.

Following a Saturday morning meeting chaired by Vice President Mondale, the Federal Aviation Administration (FAA) formulated a program to minimize the movement of aircraft between Cuba and the United States. Saturday, FAA Administrator Bond directed that all flight plans between Cuba and the United States be rejected unless a case-by-case approval was obtained. This procedure was designed to prevent an exodus of aircraft, similar to the exodus of boats, before an appropriate procedure could be arranged with the State Department, Customs Service, and the Immigration and Naturalization Service (INS). Tuesday, Customs and INS designated Ft. Lauderdale as the only airport for both entry and departure from the United States, unless extenuating circumstances dictated otherwise. The FAA is continuing to coordinate all U. S./Cuba/U. S. traffic with State, Customs, and INS.

Highway Budget Deferral Litigation - Two (Vermont and Maine) of the five suits brought by states to overturn the Federal Highway Administration's allocation of highway funds for the remainder of the fiscal year have been heard in district courts. The State of Maine has challenged your authority under the Budget Control and Impoundment Act to defer highway program funds. If this challenge were successful, it would undermine all \$7 billion in deferrals submitted to balance the FY 1981 budget. Thus, the case is receiving very careful attention from this Department, OMB, and the Justice Department.



Office of the Attorney General

Washington, D. C. 20530

May 2, 1980

Principal Activities of the Department of Justice For The Week of April 26 through May 2, 1980

1. Meetings and Events

On April 28, the Attorney General addressed the Annual Awards Dinner of the National Conference of Christians and Jews in Memphis, Tennessee on the subject of civil rights.

2. Cubans

As of today, 7,503 Cubans borne by 146 boats have landed in the United States in the recent "sealift". It has already been determined that 86 of these are excludable from the United States on the basis of past criminal records. Captains of boats have been notified that they face fines of up to \$1,000 for each undocumented alien brought into the United States. In the past week, three boats have been seized and two arrests made. One of these arrests involved a shipload of Colombians who claimed to be from Cuba, and the other resulted from a captain's refusal to unload his passengers at a location approved by the INS.

3. Voting Rights

The Department recently obtained settlements in two voting rights actions on behalf of Navajo indians. One suit alleged that the San Juan County, New Mexico commissioner district lines were drawn in a way which systematically diluted Navajo voting strength and discouraged Navajos from running for office. The other suit charged the defendants with violating the minority language amendments to the Voting Rights Act by not providing election information in the Navajo language. The defendants agreed in the settlements to divide the county into five new single-member districts prior to the 1982 election, and to provide oral translations of election information at the polls and over the radio.

4. IBM

The sixth meeting, and the first since March 6, was held this week between representatives of the Department and IBM. Discussions again focused on procedural aspects of the settlement talks. The Antitrust Division is continuing its work on the case while settlement negotiations continue.

5. Legislative Affairs

After three unsuccessful attempts to break a Senate filibuster on the conference report on the Institutionalized Persons Bill, cloture was finally invoked on May 1. No vote has yet been scheduled.

6. Crime

The FBI has noted an 8% rise in reported crime throughout the United States in 1979. With the exception of murder, the greatest increases in all categories tended to be in small cities and rural and suburban areas. Final crime statistics for 1979 will be published in the fall of 1980.

7. Toxic Substances

The first case to be brought under Sections 5(e) and (f) of the Toxic Substances Control Act has been referred by the EPA to the Land and Natural Resources Division. Under the Act, the EPA has authority to ban manufacture of a new chemical unless the manufacturer can demonstrate that no unreasonable risk to the environment will result from its production.

Jack Watson
Arnie Miller

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

Rick Hutcheson

THE WHITE HOUSE

WASHINGTON

May 5, 1980

9

MEMORANDUM FOR THE PRESIDENT

FROM:

JACK WATSON

ARNIE MILLER

SUBJECT:

U.S. Advisory Commission on Public Diplomacy

The U.S. Advisory Commission on Public Diplomacy (formerly the U.S. Advisory Commission on International, Cultural, and Educational Affairs) is a seven member, bipartisan commission. The Commission formulates and appraises the effectiveness of the policies and programs of the International Communication Agency.

Richard Harden, Gerald Rafshoon, and Tom Beard recommend that we reappoint Leonard Silverstein to a full three-year term. Mr. Silverstein, whose term expires in July, was appointed last year to a new, one-year, non-Democratic position. Dr. Olin Robison, Chairman of the Commission, concurs with this recommendation.

Leonard Silverstein (Maryland): Senior Partner, Silverstein and Mullens, Washington, D.C. Mr. Silverstein is a Director of the National Symphony and a Trustee of the Corcoran Gallery. He is the attorney for the Rockefeller Foundation.

RECOMMENDATION:

Reappoint Leonard Silverstein to the U.S. Advisory Commission on Public Diplomacy.

✓
_____ approve

_____ disapprove

LEONARD L. SILVERSTEIN

A. B., Yale University

LL.B., Harvard Law School

Senior Partner, Law Firm of Silverstein and Mullens,
Washington, D. C.

Executive Director, Commission on Private Philan-
thropy and Public Needs

Chairman of the Advisory Board and Chief Editor,
Tax Management

Treasurer, Tax Institute of America (1971); Member,
Board of Directors (1971-1973)

Director, National Symphony

Trustee, Corcoran Gallery of Art

Formerly, Office of the Chief Counsel
Internal Revenue Service

Office of the Secretary,
Treasury Department

Advisory Group on Subchapter C,
House Ways and Means Committee
85th Congress

Adjunct Professor, Georgetown University
Law School

Member, Task Force on Taxes, President-Elect Nixon

Task Force on Impact of Taxes on the Environment
of the Council on Environmental Quality

Advisory Committee on Private Philanthropy and
Public Needs

Records
PV (EOP)
PV (RO)
Handbook
Gen, Index

STRIKE "INTERNATIONAL COMMUNICATION, CULTURAL AND EDUCATIONAL AFFAIRS" AND INSERT
"PUBLIC DIPLOMACY" The name should now read:
UNITED STATES ADVISORY COMMISSION ON PUBLIC DIPLOMACY

Independent

ADD: 22 U.S.C. 1466, 1467

AUTHORITY: ADD: P.L. 96-10, Title II, Sec. 203, August 15, 1979, eff. October 1, 1979
(name change)

METHOD:

MEMBERS:

CHAIRMAN:

TERM:

SALARY:

PURPOSE:

UNITED STATES ADVISORY COMMISSION ON INTERNATIONAL
COMMUNICATION, CULTURAL AND EDUCATIONAL AFFAIRS

Independent

- AUTHORITY: Reorganization Plan No. 2 of 1977 (eff. 4/1/78)
Executive Order 12048, March 27, 1978
- METHOD: Nominated to the Senate
- MEMBERS: SEVEN, who shall represent the public interest and shall be selected from a cross section of educational, communications, cultural, scientific, technical, public service, labor and business and professional backgrounds.
- Not more than four members shall be from any one political party. (BI-PARTISAN)
- CHAIRMAN: The President shall designate a member to chair the Commission.
- TERM: THREE YEARS, except that of the original seven appointments, two shall be for a term of one year and two shall be for a term of two years.
- Any member appointed to fill a vacancy occurring prior to the expiration of the term for which a predecessor was appointed shall be appointed for the remainder of such term. Upon the expiration of a member's term of office, such member may continue to serve until a successor is appointed and has qualified. (HOLDOVERS)
- SALARY: No provision.
- PURPOSE: The Commission shall formulate and recommend to the Director of the International Communication Agency, the Secretary of State, and the President policies and programs to carry out the functions vested in the Director or the Agency, and shall appraise the effectiveness of policies and programs of the Agency.
- EFFECTIVE DATE: Executive Order 12048, March 27, 1978, establishes the effective date of Reorganization Plan No. 2 of 1977 as April 1, 1978.

STON
06 May 80

Charlie Schultze

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

Rick Hutcheson

cc: Jody Powell

May 5, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze *CS*

Subject: Background Material for Quadriad Meeting on May 6

On Tuesday, May 6, you will meet with your principal economic advisers and Paul Volcker to discuss the state of the economy and the appropriate course of fiscal and monetary policy. This memorandum is designed to provide some background for that discussion.

The Economy

The economy has clearly entered a recession; the only question is how deep and how protracted it will be. It seems evident that the recession will be more severe than our mid-March public forecast implies, but uncertainties surrounding the probable course of events are large.

Declines in economic activity have thus far been concentrated in housing and consumer spending, especially for autos.

- o Housing starts in March were down 22 percent from February and 42 percent from the third quarter of 1979.
 - The last round of mortgage interest rate increases, from 13 percent in mid-February to 16 percent at the end of March, brought housing sales to a virtual standstill.
 - Builders are facing severe financial problems because of high costs of construction financing as well as plummeting sales.
 - Starts are likely to drop further in the months immediately ahead.

- Unemployment in construction is now up to 15 percent, from about 10 percent in 1979.
- Industries that supply residential builders have also been hard hit. For example, employment in April fell 6 percent in lumber and wood products.
- o The drop in auto sales has been very sharp; sales of domestic new cars in April were 20 percent below their level in the fourth quarter of 1979.
 - Many auto dealers are closing their doors because of the sales slump and extremely high carrying costs for inventory.
 - Layoffs in autos have mounted rapidly. An unpublished estimate by the Bureau of Labor Statistics puts the unemployment rate in autos at 21-1/2 percent.
 - Employment in upplying industries, particularly steel, is also falling.

Declines in activity have occurred in other sectors as well.

- o Farm equipment sales are said to be severely depressed, although we have no hard data to support that judgment.
- o Adjusted for inflation, retail sales outside of autos declined about 3-1/2 to 4 percent from January to March; qualitative reports on April sales are mixed.
- o Most major categories of industrial output declined in March.
- o Reductions in aggregate hours worked in April were widespread among the principal manufacturing industries.

Two factors seem primarily responsible for these developments:

(i) the severe squeeze on real purchasing power of consumers caused by inflation, and (ii) the dramatic rise in interest rates from October 1979 to late March 1980. Market interest rates have already come down substantially from their peaks, although it will be several months or longer before we can realistically expect to see a resulting pickup in expenditures for goods and services. Consumer purchasing power will also improve as inflation moderates, but that will occur mainly in the second half of the year.

A third factor whose significance we are seeking to appraise is the set of actions taken under the Credit Control Act of 1969. We did not expect these actions to have a major independent impact on the economy. We have been told, however, that the voluntary ceilings on loan expansion at banks and finance companies have led to a marked reduction in the availability of auto credit to consumers. In addition, observance of the voluntary ceilings by banks, by limiting the supply of business credit, may be helping to hold up the prime rate.

If the program is depressing auto sales, it should be modified to correct that. Even so, further declines in economic activity would be likely in the period immediately ahead. And as the recession proceeds, there is always the danger that pessimism will deepen among businesses and consumers.

A critical factor in determining the length and depth of the recession will be the willingness of businesses to sustain their long-term capital spending plans. So far, the signs look relatively good. For example, data supplied to us on a confidential basis by the Conference Board suggest that large manufacturers increased sharply their new capital appropriations in the first quarter.

A New Forecast

Even under the best of circumstances, however, the recession is likely to be more severe than we forecast in March. We are developing a new forecast which we will present to you in the Spring Budget Review on May 29. Our present rough judgment is that real GNP in the current recession may fall about 3-1/4 percent from peak to trough. If that happens, the unemployment rate would be expected to rise about 2-1/4 percentage points from its level in the first quarter, or to about 8-1/4 to 8-1/2 percent.

Price Developments

A few rays of hope have begun to show through on the price side. Most importantly, the speculative fever that pervaded the markets for gold and silver, and which had begun to affect markets for other commodities as well, has been broken. As a result, spot prices of a number of important nonfarm commodities -- although not all -- have come down significantly (see table). As these effects work through the pipeline, they will help hold down the rise in prices of finished goods. Apart from energy items, however, their weight in the total cost of producing finished goods is relatively small.

What PR approach will help?

Spot Prices of Selected Nonfarm Commodities

	<u>12/28/79</u>	<u>5/1/80</u>	<u>Percent Change</u>
<u>Fibers and Textiles</u>			
Burlap, per yd.	\$.42	\$.35	-17
Cotton, per lb.	.69	.83	+20
Sheetings, per yd.	.78	.71	-9
Wool, per lb.	2.35	2.50	+6
<u>Metals</u>			
Aluminum, per lb.	.66	.70	+6
Copper, per lb.	1.04	.92	-12
Copper Scrap, per lb.	.77	.64	-17
Lead, per lb.	.56	.41	-27
Steel Scrap, per ton	100.00	94.00	-6
Zinc, per lb.	.375	.385	+3
<u>Petroleum</u>			
Saudi Crude, per barrel	24.00	26.00	+8
Fuel Oil, per gal.	.85	.77	-9
Reg. Gasoline, per gal.	1.16	.98	-16
<u>Precious Metals</u>			
Gold bullion(industrial) per troy oz.	512.40	490	-4
Silver bullion (industrial) per troy oz.	28.00	12.10	-57
<u>Misc.</u>			
Hides, per lb.	.78	.43	-45
Rubber, per lb.	.68	.71	+4

Farm prices have declined very sharply from their peaks in early February, as you know. Although some recovery has occurred in the past couple of weeks, prices of major farm products are far below earlier levels.

Because of the drop in farm values, prices of consumer foods rose moderately in the first quarter, and will probably continue to hold down the overall rise in the CPI for the next month or two. The present depressed levels of cattle and hog prices, however, will adversely affect production decisions and lead to higher food prices late on.

Energy price increases have also begun to moderate, and mortgage interest rates will probably drop substantially -- from a level of 16 percent presently on new commitments for conventional loans to a 12-13 percent range by year end. We still believe, therefore, that the overall inflation rate will be down to around a 10 percent annual rate or lower by late this year. Indeed, declining mortgage interest rates may push the overall inflation rate below the underlying rate late in 1980.

The underlying rate of inflation -- the rate determined by the long-term trend of costs -- will not go down this year; it will go up because the rise in wage rates has accelerated. In the past 6 months, average hourly earnings have been rising at a 9-1/4 percent annual rate, compared with the 8-1/2 percent figure that characterized most of the previous year. If no further acceleration occurs, however, we will have succeeded in confining to modest dimensions the spillover of rising energy prices into wages and costs.

Financial Developments

Market interest rates have fallen substantially since the mid-March policy actions.

- o The 3-month Treasury bill rate, which had jumped 3-1/2 percentage points from mid-January to mid-March, has since fallen by more than 6 percentage points, and yesterday reached 9.7%, the lowest level since August.
- o Corporate bond yields rose by 2 percentage points in the two months through March 14, but have since fallen almost 2 percentage points.
- o The Federal funds rate, the interest rate most immediately affected by monetary policy, rose rapidly from about 13-1/2% in mid-February to more than 19% in early April; yesterday it was around 12-1/4 percent.

Selected Interest Rates

	<u>Federal Funds</u>	<u>3-Mo. Treasury Bill Yield</u>	<u>Corporate Aaa Bonds</u>	<u>Prime Rate</u>
October 6	11.6	10.7	9.8	13-1/2
October 26	16.0	11.9	10.6	15
December 28	13.6	11.9	10.9	15-1/4
March 14	16.3	15.2	13.0	18-1/2
Recent Peaks	19.9 (4/3)	16.0 (3/25)	13.1 (3/27)	20 (4/1 to 4/17)
May 5	12.2	9.7	11.2 <u>1/</u>	17-1/2 to 18-1/2

1/ May 2 figure -- latest available

The recent decline in interest rates reflects several factors: the developing weakness in the economy, growth in the monetary aggregates below the upper end of the Fed's target ranges, and a marked change in public attitudes since the mid-March policy actions. The program imposed under the Credit Control Act of 1969 may have also played a role by curbing actual and expected business and consumer borrowing.

While market interest rates have fallen rapidly in recent weeks, mortgage rates are only beginning to edge down, and the prime rate has come down much less than the banks' cost of funds. Mortgage rates are traditionally sticky, but the slow response this time also reflects the uncertainty of thrift institutions about deposit flows, -- and their desire to build up liquidity and repay high-cost borrowings before reopening the mortgage window significantly.

The slow downward adjustment of the prime rate is more difficult to explain. A few banks had been using a formula to adjust the prime rate. One of the most well known is that of Citibank. This formula used to put Citibank's prime rate at roughly 150 basis points over a 3 week average of rates on large CD's. However, as can be seen from the attached charts, last Friday's prime rate (18-1/2 percent) is over 1/2 percentage point above the level indicated by that formula. The marginal reserve requirement on CDs and other managed liabilities, which raises the cost to banks of obtaining funds for business lending, may explain part of that spread, but not all of it.

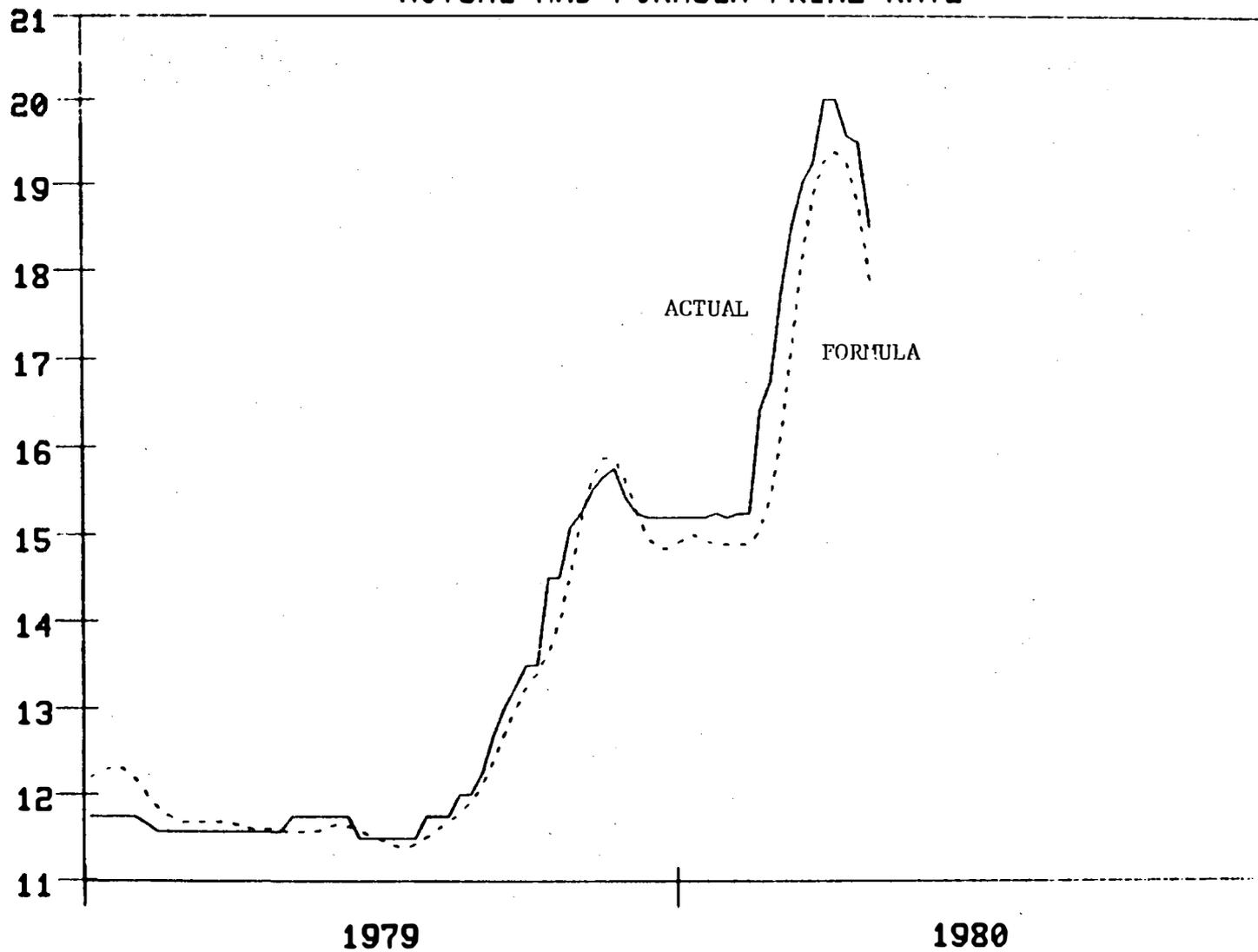
Yesterday, the prime rate was reduced to 17-1/2 percent at a few large banks. Further reductions are likely if current CD rates prevail. Yesterday, the 3-month CD rate was 10-3/4 percent; if it stayed at the level for the next 3 weeks, the Citibank formula would yield a prime rate of 12-1/4 percent.

Monetary Aggregates

Recently, the monetary aggregates have been very weak. For example, the growth rate of M-1A (currency and bank demand deposits) fell from almost 13% in February to minus 3% in March to an estimated minus 11% in April. If the Federal Reserve adds to bank reserves to restore growth of the monetary aggregates to within its target ranges, (see attached chart) interest rates will probably fall further. However, the Fed's willingness to adhere to its strategy may be constrained by concern about the reaction of the dollar in exchange markets. While the dollar declined very sharply during April as interest rates fell, it still remains above the levels prevailing at the end of last year.

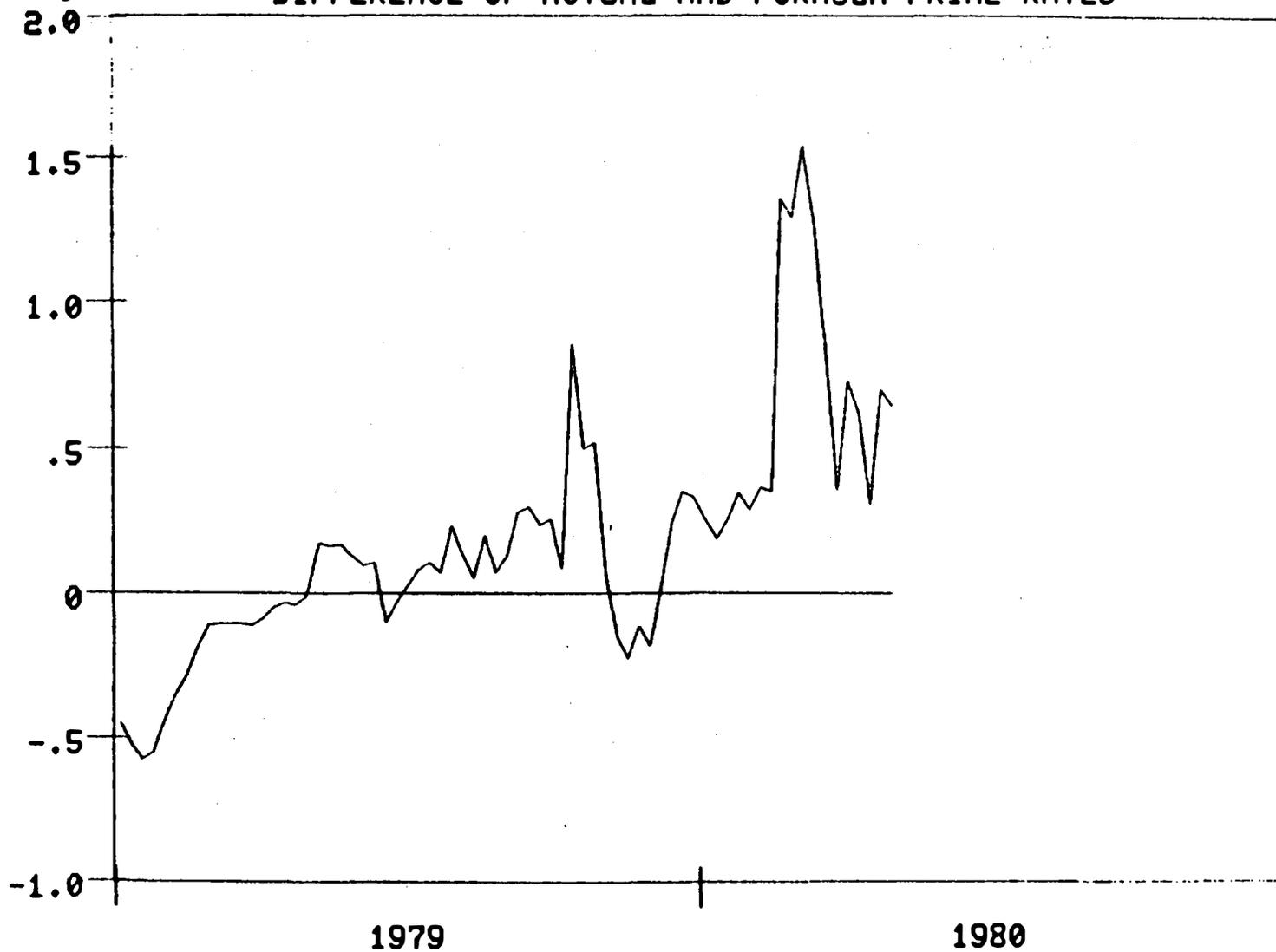
Percent

ACTUAL AND FORMULA PRIME RATE



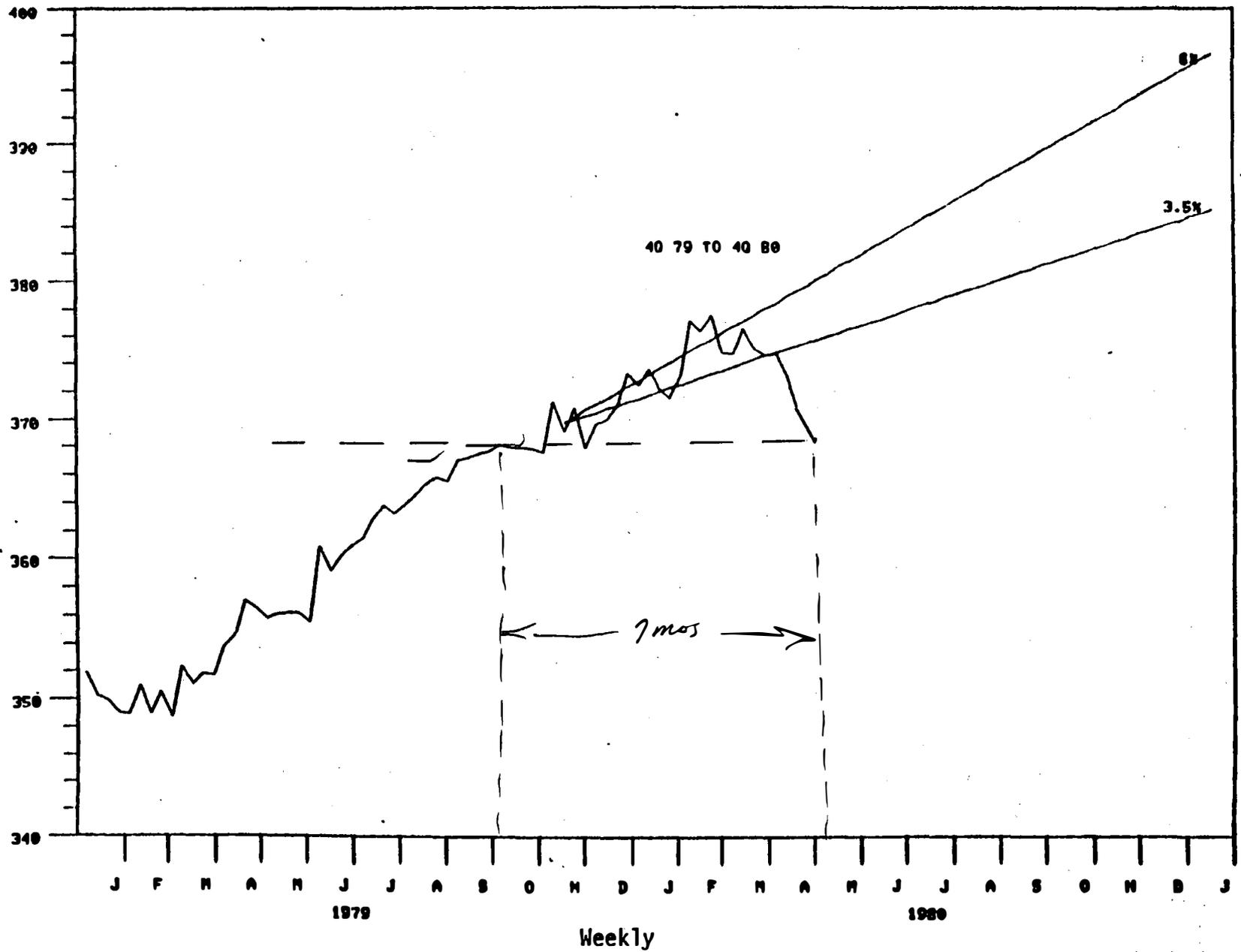
Percentage Point

DIFFERENCE OF ACTUAL AND FORMULA PRIME RATES



M1-A VERSUS TARGET RANGE
WEEKLY AVERAGES - SEASONALLY ADJUSTED

981L.



Effects of the Credit Control Act of 1969

The selective credit controls appear to be having some bite and may continue to be a factor curbing credit growth over coming months.

- o The growth of business loans at commercial banks dropped from annual rates of about 20 percent in January and February to less than 12 percent in March.
- o Data reflecting the impact of the consumer credit measures are not yet available, but widespread contacts at the retail level indicate that consumers and some lenders are reacting strongly. Credit sales have fallen off much more than total sales.
- o Growth of money market mutual funds has come to a standstill since the March 14 measures were announced.

In setting forth the guidelines for the voluntary Special Credit Restraint Program, the Federal Reserve indicated that banks should continue to meet the basic needs of small businesses, farmers, and homebuyers. On April 17 the Fed strengthened this policy by allowing banks to exceed the 6% - 9% guidelines on total loan growth if they were essentially confining loan expansion to these priority areas. The Fed also introduced a special borrowing facility for which all small banks, both members and nonmembers, are eligible.

Policy Issues

During the next few months, pressures will mount to shift the focus of fiscal and monetary policy from fighting inflation to cushioning the forces of recession and providing stimulus to recovery. How we deal with these pressures will shape the course of inflation for years to come.

By confining its emergency assistance to housing to moderate dimensions, the Administration has signalled its intent to deal with areas of acute distress within the framework of a prudent budgetary policy. The Federal Reserve has also provided emergency assistance, as noted earlier, by extending seasonal borrowing privileges to nonmember banks. These banks are predominantly in rural areas, where credit problems have been severe.

You may wish to indicate to Volcker that we think a reversal of fiscal policy now would be unwise from the standpoint of long-run anti-inflation policy. We recognize, also, that the Federal Reserve will have to keep the long-run fight against inflation as its top priority.

The Prime Rate

Because the money supply has been declining since mid-March, the Federal Reserve's policy strategy calls for them to add to bank reserves -- an action that, if pursued aggressively, could drive down market interest rates substantially further. Some further decline in market interest rates would be desirable. But efforts to force sharp declines in market rates from present levels would seem inadvisable, since interest rates would probably rise again later in the year.

We believe the greatest need at the moment is for the declines in market interest rates that have already occurred to be communicated as quickly as possible to interest rates on mortgage loans, and on loans to home builders, farmers, and other small businesses. There is no magic way to make this happen, but the process would be speeded up if the prime rate of interest began to decline more rapidly. One step that could be taken to accomplish this objective would be to reduce the marginal reserve requirement on "managed liabilities" of commercial banks. Those marginal reserve requirements were first established last October and were increased in March. You may wish to draw out Volcker on his plans in this regard.

Implementation of the Credit Control Act of 1969

The Fed and the Administration also need to examine future policy with respect to the various credit controls imposed under the Credit Control Act of 1969.

- o What criteria should be used in deciding whether to ease the current consumer credit controls? (There is anecdotal evidence that many consumers believe the use of credit cards is now illegal or unpatriotic. Should we do anything about this?)
- o Should the current "voluntary" limitation on total loan expansion be modified? Again, there is anecdotal evidence that banks are responding to the limitation by rejecting very large numbers of auto loans, so that they can reserve their limited loan extensions for business customers.
- o Should the special reserve requirement on money market mutual funds be maintained for awhile to limit the diversion of funds from thrift institutions and rural banks even if other controls are relaxed?

I believe that the Treasury, the Fed, and the CEA should look at these matters jointly. The legal power to implement the Credit Control Act belongs to the Fed, so long as you keep the Act in force. But, practically speaking, broad policy under the Act should be a shared responsibility.

You might sound out Volcker on the desirability a joint assessment of the questions raised above.

THE WHITE HOUSE

WASHINGTON

May 2, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: DENNIS A. RAPE 
DEPUTY TO ALFRED E. KAHN

SUBJECT: Weekly Activities Summary

Mr. Kahn is away speaking in New York.

Status of CWPS Reauthorization

Mr. Kahn met privately with six of the nine Democratic members of the Senate Committee on Banking, Housing and Urban Affairs to urge their support of the CWPS reauthorization bill. Markup is scheduled for Monday, May 5. Each of them (Williams, Cranston, Stevenson, Morgan, Stewart and Tsongas) assured him of his full support of the reauthorization at the levels of funding requested. He talked with Senator Sarbanes by telephone but was not able to obtain a commitment of support beyond reauthorization. Senator Proxmire had earlier promised his personal support for reauthorization at financing levels requested. Mr. Kahn has not talked with Senator Riegle, but the Senator's staff told me Friday afternoon that the Senator would vote for reauthorization at whatever financing levels the Committee could agree upon. This headcount clearly leaves us with assurances that we have the votes for reauthorization, but with some uncertainty about the levels of expansion that will be authorized for the rest of 1980 and 1981 to meet your intensified monitoring program effort.

Congressman Moorehead is waiting for Senate Committee action on the reauthorization bill before he tries to mark up in the House. We may need your help to get support from House Committee members.

Wage/Price Program

We have officially added Monolith Portland Cement of Glendale, California, to the OFPP's list of non-compliers. We also found Hyatt Hotels out of compliance, although their right to ask ~~FOR~~ reconsideration has not formally expired.

On the brighter side, Holiday Inns and the Grocery Supply Company of Houston, Texas, have agreed to corrective action. We have reached agreements with both Mobil and Charter Oil Company that allowed them

to come off the list. We found the Steelworker's pact to be in compliance, and are still evaluating the OCAW pact, with guidance from the EPG.

Reynolds Metals, Inc., will announce on May 5 that it will adjust its previously announced forward prices downward by 1 1/2 percent to come into compliance with the new limitation in the second year standard. Kaiser has notified us that it intends to make a similar adjustment after consultating with us next week. At the April 24 meeting with the metals and metals products industry, you specifically asked the aluminum industry to maintain price restraint.

We will meet this coming Thursday with members of the agricultural inputs industry. You are scheduled to see them briefly.

Trucking

We are helping Congressman Howard and his staff draft legislative language that would carry out the commitments Howard made during the highly productive meeting with you earlier this week.

Council Filings

The Council filed comments in a number of proceedings over the past two weeks, including:

- urging DOE to proceed cautiously in implementing building energy performance standards for new buildings (this filing was a report by the Regulatory Analysis Review Group);
- unsuccessfully urging the International Trade Commission to reject U.S. Steel's anti-dumping petition;
- supporting ICC's proposal to allow the railroad industry to use peak-demand pricing; and
- supporting the FCC's proposal to expand the nation's mobile communications system using a new technology.

THE WHITE HOUSE
WASHINGTON

Phil has
seen

256p

Mr. President:

Two items:

- 858
- 1) Jack Watson would like 10 minutes this morning before he begins a 9 am briefing on the refugee situation with Fla. Cong.

approve disapprove

- 1155
- 2) Reynolds and Kaiser are announcing price roll-backs today due to your meeting last week. I would like to schedule a 5 minute press op today to show your involvement.

approve disapprove

THE WHITE HOUSE

WASHINGTON

May 5, 1980

C
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ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR THE PRESIDENT

FROM: LLOYD N. CUTLER *Lnc*
SUBJECT: CHARLES DUNCAN - MOFFETT'S SUBPOENA

Attached are the Subcommittee's letter to me dated May 2 and our response dated May 5 which we are delivering this afternoon to Congressman Moffett and Congressman McCloskey, the ranking minority member of the Subcommittee.

Our response was cleared by Secretary Duncan and his lawyers and by the Department of Justice.

Before submitting the letter, Charles and I discussed it first in separate meetings with Pete McCloskey and with Jack Brooks. McCloskey believes our position is reasonable and said he and the other Republicans would support us, providing we made minor changes which we have incorporated in the signed letter.

After scolding me and Charles a good deal about the need to avoid confrontation, Brooks read the letter and said he thought our position was "pretty reasonable". He said he would speak to Moffett about it.

Charles is trying to reach Moffett (who is at Kent State this evening making a speech) to tell him we are delivering the letter and are prepared to discuss our proposals with the Subcommittee immediately.

Meanwhile, we have just learned that Moffett, in his capacity as a consumer rather than as a Congressman, along with Energy Action and several other plaintiffs, has sued in the Federal District Court here in Washington to enjoin the imposition of the conservation charge as beyond your authority. The plaintiffs have also filed a Motion for Discovery asking for many of the same documents covered by the Committee's subpoena.

Moffett of course never told us about the lawsuit. I believe this development is likely to help our position in the House.

cc: Stu Eizenstat
Frank Moore
Bill Cable

ADMINISTRATIVELY CONFIDENTIAL

House of Representatives
ENVIRONMENT, ENERGY, AND NATURAL RESOURCES
SUBCOMMITTEE
OF THE
COMMITTEE ON GOVERNMENT OPERATIONS
RAYBURN HOUSE OFFICE BUILDING, ROOM B-371-B-C
WASHINGTON, D.C. 20515

May 2, 1980

HAND DELIVERED

Mr. Lloyd Cutler
Counsel to the President
The White House
Washington, D. C. 20500

Dear Mr. Cutler:

Let me confirm the substance of our conversation yesterday afternoon. The Subcommittee met in informal session to consider proposals for accommodation regarding the outstanding subpoena duces tecum to Secretary of Energy Charles Duncan.

The Members present were unanimous in their view that full compliance with this legally binding subpoena remains necessary. In my meeting with you April 30 you put forward, on behalf of the Administration, a proposal for some of the documents subpoenaed to be submitted to Subcommittee Members for limited in camera examination, without leaving the custody of a Department of Energy official. You further suggested that the purpose of such limited review would be to identify those documents the Subcommittee insisted upon receiving. You made no promises regarding ultimate production of any documents so identified.

The Subcommittee Members believe the subpoena unanimously voted and served upon Secretary Duncan April 24 is valid, adequately identifies the documents sought, and is legally binding. Therefore the in camera proceeding you suggested is inappropriate. The Subcommittee expects these documents to be produced.

I want to again assure you of the Subcommittee's understanding of your concern regarding public disclosure of these documents. As I have told you, submission to this Subcommittee in compliance with the subpoena is not equivalent to public disclosure. This Subcommittee and the full Government Operations Committee have a commendable record in that regard which we intend to maintain. To allay your concerns, however, the Subcommittee would be

willing to convene an executive session to physically receive the documents called for in the subpoena. The Subcommittee also will be happy to afford the Department a fair opportunity to express its views regarding public release of any particular documents produced.

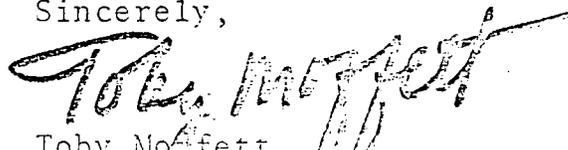
I would also remind you of the nature of the Subcommittee's concern. We are attempting to address the merits of a \$10 billion import fee. Our concern is to evaluate the workability of that action. To do so, we manifestly need those internal Department of Energy documents, specifically identified in the list given the Subcommittee, which analyze or discuss the import fee or its implementation. The Subcommittee cannot acquiesce in the assertion of a privilege which would immunize internal Department of Energy documents from Congressional scrutiny.

As I believe you appreciate, I and the Subcommittee Members have been extraordinarily patient in seeking these documents. The initial request for them was made on April 8. The subpoena was unanimously voted April 24. Yet to date, we have received only one document from the list of approximately 65 documents being withheld from the Subcommittee, and you yesterday agreed to submit two more documents. Time is now short. May 15 is a critical juncture in the implementation of this import fee, and Congress has substantial unfinished work to do in evaluating the policy. Full compliance with the subpoena is urgently necessary. The Subcommittee stands ready to convene a meeting either Monday or Tuesday to receive the documents.

For that reason, I sincerely hope that the Administration position will be reconsidered and compliance forthcoming. Since you have not yet given the Subcommittee clear assurance that the subpoena will be honored, however, I am today asking that Chairman Jack Brooks schedule full Government Operations Committee consideration of the citation for contempt of Congress of Secretary of Energy Charles Duncan. That full Committee consideration is expected to take place this Wednesday morning, May 7.

I, of course, remain available for further discussion and I look forward to hearing from you and the Secretary on this matter.

Sincerely,



Toby Moffett
Chairman

TM:bhm

cc: Honorable Charles Duncan
Honorable Jack Brooks
Members of the Subcommittee on Environment,
Energy, and Natural Resources

THE WHITE HOUSE

WASHINGTON

May 5, 1980

Dear Mr. Chairman:

This letter responds to your letter of May 2, 1980 and re-confirms the offers we have made in our meeting of April 30 and the subsequent telephone conversation.

We have set forth on several occasions our reasons for believing that the documents requested by your Subcommittee's subpoena are not appropriate for unqualified disclosure. They contain advice and opinions from high Executive Branch officials to the President and to the Secretary of Energy given during the development of a major Presidential action. The confidentiality of such materials is essential to protect the public interest in having available to the President and his closest advisers frank and direct advice. The courts have consistently recognized a presumptive governmental privilege protecting such advice, and have acknowledged that disclosure to another Branch of the Government may only be required upon a showing of a strong and particularized need. At the same time, however, the courts--particularly the federal courts in the District of Columbia Circuit--have directed each of our Branches to endeavor to accommodate the legitimate interests of the other. See, e.g., United States v. A.T.&T., 567 F.2d 121 (C.A.D.C. 1978); Senate Select Committee v. Nixon, 498 F.2d 725 (C.A.D.C. 1974).

To that end, over the last two weeks the Secretary of Energy, in consultation with the Attorney General and at the direction of the President, has taken a number of steps designed both to provide your Subcommittee with information in order to assist you in identifying and particularizing your interests, and to accommodate those interests. Most of those undertakings are outlined in Mr. Coleman's letter to you of April 28, 1980. They include providing the Subcommittee with summaries of the range of subjects discussed in the documents themselves, turning over to you outright all those documents that could be provided without invading the privileged advice, and providing an extended oral briefing to your Subcommittee's staff on each document. The Department of Energy has also repeatedly offered to make available as witnesses before the Subcommittee those individuals in policymaking positions in the Department best situated to testify on any of the questions that arose during the course of the President's consideration of this program.

Additionally, during our meeting of Wednesday, April 30, we expanded an earlier suggestion and offered to allow the entire Subcommittee to review, under an assurance of confidentiality, every document covered by your request for information on the gasoline conservation fee. On the basis of such a review, we believe it would be possible to reach agreement on a reduced number of documents that could be turned over in response to the subpoena.

Your letter of May 2 rejected this offer and advised us that the Subcommittee will not accept any accommodation short of the Secretary's relinquishment of his custody and control of all these documents. Your suggestion that the Subcommittee receive the documents in executive session would not alter the fact that the Secretary, by relinquishing control over them, would effectively waive any privilege which the Executive Branch may assert. Although we understand your expressed view that the Executive Branch has no privilege assertable against a Congressional subcommittee to protect the confidentiality of these communications, we think that view is inconsistent with the case law and with the accommodation that the Courts have directed the Legislative and Executive Branches to seek in performing their responsibilities. Therefore, as directed by the President, we respectfully persist in the assertion of a privilege with respect to the subpoenaed documents.

As stated above, we recognize that the presumptive privilege we have asserted may yield in the face of a strong and particularized demonstration of need, such as the need for evidence in the course of a criminal proceeding. For instance, as the en banc opinion of the District of Columbia Circuit in the Senate Watergate Committee case concluded, a showing that "the responsibilities of [the Legislative Branch] cannot responsibly be fulfilled without access to records of the President's deliberations," Senate Select Committee v. Nixon, 498 F.2d at 730, could overcome the President's privilege. In that case, the court concluded that no such showing had been made.

A similar analysis is reflected in the several other cases that have dealt with the question of privilege as between the Branches of the Federal Government. See United States v. Nixon, 418 U.S. 683 (1974); United States v. A.T.&T., 567 F.2d 121 (C.A.D.C. 1977).

We respectfully submit that no such showing has been made in this case. It has been in an effort to assist your Subcommittee in articulating the legislative need for these particular documents that we agreed to provide an opportunity for each

member of the Subcommittee to review the materials in confidence. Although that offer has so far been rejected, we remain sensitive to the desirability of an accommodation of this issue. For that reason we wish to renew our offer and to make certain that its terms are clearly understood. In the circumstances of this case, we are prepared to:

1. Allow you and every other member of the Subcommittee and a limited number of staff to examine in camera and subject to a commitment of confidentiality all the documents identified in the attachment to this letter (except the listed items governed by the understanding discussed in paragraph no. 3 below). The DOE custodian of these documents will arrange for their examination at such time and at such place or places as you desire; the documents will remain in the custody of a DOE attorney. This would enable you to identify which documents you particularly need and to set forth why those documents are necessary for your Subcommittee's oversight activities. Once you have advised us of those documents you need and the reasons supporting their disclosure, we will respond promptly. While we cannot determine in advance of this process what our responses will be, we wish to make clear that we would of course approach this process in a spirit of accommodation between our Branches.

2. We have already supplied to you the document in which you and your Subcommittee have expressed the greatest interest--the so-called Bloom memorandum. Although this document was, in our view, covered by the privilege, it was written after the close of the President's deliberative process and its confidentiality appears to have been compromised in any event. You have asked us to go beyond this disclosure and to provide three other documents which you have said are particularly important to your Subcommittee's deliberations. We have reviewed those documents. While each is plainly subject to a claim of privilege, we would be inclined to provide them to the Subcommittee, without waiving a claim of privilege on the other documents, as an element of a final resolution of this dispute. We would do so out of deference to your assessment of your needs and out of a strong desire to arrive at a mutually satisfactory accommodation.

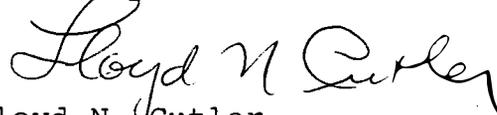
3. As part of the arrangement outlined in paragraphs 1 and 2, the Subcommittee would agree not to pursue under the subpoena (a) drafts of proclamations and drafts of other documents the final versions of which are being shared with the Subcommittee, (b) legal opinions and advice other than the final legal memorandum already submitted, (c) documents referring to advice exchanged between DOE and the Executive

Office of the President, and (d) at least until our search has been completed for such periods as you require and an itemized list has been supplied, documents dating back to January 1, 1978 which do not relate to the gasoline conservation fee.

We are hopeful that this offer will be reconsidered by your Subcommittee, but if as your May 2 letter suggests a compromise along these lines is unacceptable, we would respectfully ask that this letter be shared with the full House Government Operations Committee before its deliberations on May 7. Finally, let me add that we regard this process of accommodation as necessarily a dynamic and fluid one. Thus, while each element of our proposal has been carefully considered and serves an important end, we would endeavor to respond flexibly if your Subcommittee wishes to suggest one or more modifications or other proposals.

Secretary Duncan and I are prepared to meet immediately with you and the Ranking Minority Member and such other Subcommittee members or staff as you designate, in an effort to work out an appropriate accommodation of our differences.

Sincerely,



Lloyd N. Cutler
Counsel to the President

The Honorable Toby Moffett
Chairman, Subcommittee on Environment,
Energy and Natural Resources
Committee on Government Operations
U.S. House of Representatives
Washington, D.C. 20515

Attachment

cc: The Honorable Paul N. McCloskey, Jr.

INDEX TO MATERIAL FOR WHICH
THE PRIVILEGE IS BEING ASSERTED

<u>ITEM</u>	<u>TYPE OF DOCUMENT</u>	<u>DATE</u>	<u>TO</u>	<u>FROM</u>	<u>SUBJECT</u>
1	Memo with attachments (Drafts) DRAFTS: Work plan, Issues to be considered, notes, another copy of work plan.	3-5-80	H. Rollins	D. Dewton	Proposed Import Reduction Mechanism
2	Memo with attachments ATTACHMENTS: Issues to be considered Draft #2 Work Plan--already received Issues to be considered Issues to be considered #3 -- notation Issues to be considered (different than previous).	3-6-80	H. Rollins	D. Dewton	Proposed Import Reduction Mechanism
3	Memo (proposed never sent)	3-14-80	President	C. Duncan	Oil Import Fees
4	Memo (unsure if sent)		President	Secretary Miller	Possible Elements of Intensified Anti-Inflation Program
5	Memo (attached Draft Speech)	3-11-80	President	Secretary Miller	Possible Elements of Intensified Anti-Inflation Program
6	Memo	3-11-80	President	Secretary Miller	Intensified Anti-Inflation Program
7	Piece of Paper	Undated	Unaddressed	Unsigned	Timing of Import Fee Implementation
8	Draft Fact Sheet	3-13-80	Faxed to Lewis	D. Robinson	Gasoline Conservation Fee Program

<u>ITEM</u>	<u>TYPE OF DOCUMENT</u>	<u>DATE</u>	<u>TO</u>	<u>FROM</u>	<u>SUBJECT</u>
8a	Draft Fact Sheet	Sent 3-27-80	White House	Unsigned	Gasoline Conservation Fee Program
9	Draft Fact Sheet (2nd Revised)	Undated	Unaddressed	Unsigned	Gasoline Conservation Fee Program
10	Draft Fact Sheet	Undated	Unaddressed	Unsigned	Gasoline Conservation Fee Program
11	Draft Fact Sheet and Appendix	Faxed 3-28-80	Faxed to Newkirk	Faxed by Wolgel	Gasoline Conservation Fee Program--How the Proclamation Works
12	Draft Fact Sheet (annotated)	Undated	Unaddressed	Unsigned	Gasoline Conservation Fee Program
13	Draft Fact Sheet	3-14-80	Unaddressed	Unsigned	Gasoline Conservation Fee Program
14	Draft Fact Sheet with Appendix	3-15-80	Unaddressed	Unsigned	Gasoline Conservation Fee Program
15	Draft of Proposed Q's & A's (not used)	3-20-80	Unaddressed	Unsigned	Suggested Q & A for Secretary's briefing Book (effect on Canadian imports)
16	Draft of Proposed Q's & A's	3-24-80	Bob Maher, OEOB	Unsigned	Gasoline Conservation Fee Program
17	Memo	3-25-80	Mike Kelly	Erica Ward	Possible Conflicts Between Fee & COWPS Regulations
19	Memo	3-04-80	H. Rollins	T. Newkirk	Action Memo--Suspension of Mandatory Oil Import Fees & U.S. Customs Duties



<u>ITEM</u>	<u>TYPE OF DOCUMENT</u>	<u>DATE</u>	<u>TO</u>	<u>FROM</u>	<u>SUBJECT</u>
20	Draft Information Memo	12-17-79	Secretary/Deputy	D. Robinson	Mechanism for Adaptation within the Entitlements Program of a Scheme to Distribute Increased Costs of Crude Oil to Gasoline
21	Draft Information Memo	12-12-79	Unaddressed	Unsigned	Import Fee Shifted to Gasoline
22	Draft Proposal (annotated)	Undated	Unaddressed	Unsigned	Proposal to Impose a Fee on Imported Oil & Shift Costs to Gasoline
23	Proposal	Undated	Unaddressed	Unsigned	Proposal to Impose a Fee on Imported Oil & Shift the Costs of Such Fee Activity to Gasoline
24	Proposal	12-12-79	Handwritten Note--Dewton (and others in ERA)	Unsigned	A Proposal to Impose Fees on Imported Oil and Shift the Costs of Such Fees Entirely to Gasoline
25	Proposal	Undated	Unaddressed	Unsigned	A Proposal to Temporarily Impose Fees on Imported Oil & Shift the Costs of Such Fees Entirely to Gasoline
26	Proposal	11-28-79	D. Siemer	D. Robinson	A Proposal to Use Trade Expansion Act Import Fee Authority to Reduce Gasoline Consumption
27	Memo and Attached Proposal	12-11-79	Fischer (P&E), Wruble (Assist. to Secretary), Bloom	D. Robinson	Use of Import Fee Authority as Substitute for Gasoline Excise Tax
28	Handwritten Notes on Ad Valorem Tax	Undated	Unaddressed	Unsigned	



<u>ITEM</u>	<u>TYPE OF DOCUMENT</u>	<u>DATE</u>	<u>TO</u>	<u>FROM</u>	<u>SUBJECT</u>
29	Handwritten Notes on Diesel Fuel	Undated	Unaddressed	Unsigned	Should Diesel Be Included and Problems Thereof
30	Handwritten Notes	3-04-80			Import Fee--What is Needed to be Done to Get Fee in Place
31	Draft Talking Points	3-21-80	Various in ERA	Unsigned (illegible handwritten mark)	Talking Points--Oil Import Fee--Gasoline Entitlements Program
32	Memo Note to the Secretary	3-12-80	Secretary Duncan	B. Wruble (Assist. to Secretary)	Eizenstat Meeting--Discussions Concerning Fee
33	Memo	3-12-80	Bill Lewis	T. Newkirk	Import Fee: OPEC Cable
34	Sheet of Paper	3-10-80	Unaddressed	Unsigned	Questions Regarding the Oil Import Fee/Gasoline Entitlements Program
35	Sheet of Paper	3-11-80	Unaddressed	T. Newkirk/ D. Robinson	Questions Regarding the Oil Import Fee/Gasoline Entitlements Program
36	Draft Cable	Undated	OECD/OPEC-- Mexico City, Brussels, Paris, E.C.	Prepared by P. Borre	President's Announcement of Crude Oil Fee (Classified)
37	Piece of Paper	Undated	Unaddressed	Unsigned	Problems with Inclusion of Diesel in Import Fee/Gasoline Entitlements Program
38	Piece of Paper	Undated	Unaddressed	Unsigned	Problems with Inclusion of Diesel (annotated draft)

<u>ITEM</u>	<u>TYPE OF DOCUMENT</u>	<u>DATE</u>	<u>TO</u>	<u>FROM</u>	<u>SUBJECT</u>
39	Memo with 4 attachments	3-10-80	C. Duncan	W. Lewis	Import Fee
	Attachment 1 (Memo)	3-10-80	Duncan/Sawhill	W. Lewis	Import Fee Tactics
	Attachment 2 (Memo)	3-10-80	Unaddressed	Unsigned	Decontrol
	Attachment 3 (Memo)	3-10-80	Unaddressed	Unsigned	Fee on Diesel Fuel
	Attachment 4 (Draft Cable)	Undated	OECD/OPEC--	Prepared by Borre	Import Fee
40	Memo	3-08-80	EPG	OMB	Import Fee & Entitlements
41	Memo with attachment	12-13-80	C. Hystad	T. Newkirk	Legal Aspects of Attached Proposal (Fee)
42	Memo (Draft) with 4 attachments	undated	C. Duncan	Unsigned	Possible Energy Components of President's Economic Initiative
	Attachment 1 (Draft Memo)	About 2-27-80	C. Duncan	Unsigned	Voluntary State Gasoline Consumption Targets
	Attachment 2 (Draft Memo)	2-27-80	Duncan/Sawhill	W. Lewis	Oil Import Targets for 1980
	Attachment 3 (Draft Memo)	Undated	Duncan/Sawhill	W. Lewis	Import Fee Directed at Gasoline or all Petroleum Products
43	Sheet of Paper	3-07-80	Unaddressed	Unsigned	Draft of Import Fee Proposals
44	Agenda for EPG Meeting	3-10-80	Unaddressed	Treasury (Miller's Office) [?]	Agenda (Classified)
45	Memo	Undated	Unaddressed	Unsigned	Executive Initiatives to Reduce Oil Imports
46	Piece of Paper	12-79	Unaddressed	Unsigned	A Methodology for Distributing Increased Costs of Crude to Gasoline (alternate proposal)

<u>ITEM</u>	<u>TYPE OF DOCUMENT</u>	<u>DATE</u>	<u>TO</u>	<u>FROM</u>	<u>SUBJECT</u>
47	Draft Legal Opinion	1-14-80	C. Duncan	L. Coleman	President's Authority to Reduce Oil Imports by Adjusting Gasoline Consumption
48	Cover Note and Draft Legal Opinion	1-15-80	Wruble/Ward/Goldman Lewis/Rollins/Munk (Treasury)	T. Newkirk	The President's Authority to Reduce Oil Imports by Adjusting Gasoline Consumption
49	Legal Opinion	2-26-80	Duncan/Sawhill	L. Coleman	The President's Authority to Reduce Oil Imports by Adjusting Gasoline Consumption
50	Memo	3-06-80	W. Lewis	K. Glozer (OMB)	Raises Questions Concerning the Fee
51	Draft Talking Points	Undated	B. Wruble	Unsigned	Application of Proclamation to Puerto Rico
52	Talking Points	Undated	B. Wruble	Unsigned	Application of Proclamation to Puerto Rico
53	Memo	3-27-80	W. Funk	Harvey (Enforcement)	Comments on Proposed Proclamation
54	Memo	3-18-80	W. Funk	Kienlen (OMB)	Comments on Proposed Proclamation (Attached Internal OMB Materials on Drafts)
55	Draft Memo	Undated	W. Funk	Harvey	Comments on Proposed Proclamation
56	First Circulation Draft	3-14-80	Bedell (OMB)/ Glozer (OMB)/ Munk (Treasury)	T. Newkirk	Draft of Proclamation
57	Memo	3-21-80	Secretary/Deputy	D. Robinson	Presidential Proclamation on the Gasoline Conservation Fee Program

R055

R I

PM-IRAN 1STLD-PICKUP3RDGRAF 5-6

(BODIES ARRIVE IN ZURICH)

PREV TEHRAN, IRAN

ZURICH, SWITZERLAND (UPI) -- A JET CARRYING THE BODIES OF EIGHT U.S. SERVICEMEN KILLED IN THE ABORTED MISSION TO RESCUE THE AMERICAN HOSTAGES IN IRAN ARRIVED TODAY IN ZURICH ON THEIR WAY HOME.

A SWISSAIR SPOKESMAN AT ZURICH'S KLOTEN AIRPORT SAID THE AIRLINES REGULAR DC-8 FLIGHT FROM TEHRAN LANDED AT 10:30 A.M. (5:30 A.M. EDT).

PICKUP 3RD GRAF: IN BERN,

UPI 05-06 06:08 AED

R048

R I

PM-IRAN INSERT2NDGRAF-PICKUP3RDGRAF 5-6

(BODIES TO BE FLOWN TO DOVER AFB)

XXX THE BODIES.

IN BERN, SWITZERLAND, THE U.S. EMBASSY SAID THE REMAINS WOULD BE FLOWN TO DOVER (DEL.) AIR FORCE BASE "AS SOON AS POSSIBLE."

AN EMBASSY SPOKESMAN SAID THE BODIES WOULD BE HANDED OVER TO AMERICAN AMBASSADOR RICHARD VINE AFTER A BRIEF CEREMONY ON THE TARMAC AT THE ZURICH AIRPORT.

PICKUP 3RD GRAF: GREEK CATHOLIC

UPI 05-06 05:33 AED

Electrostatic Copy Made
for Preservation Purposes

7564

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

C
1

May 5, 1980

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze *CS*
Subject: Auto sales in April

The Department of Commerce today published the data on April auto sales. They show a sizable decline.

- o Total auto sales fell 23 percent below the first quarter average (seasonally adjusted) and 25 percent below March a year ago.
- o Domestic sales were 24 percent below the first quarter average and 29 percent below March a year ago.
- o Imported auto sales also fell sharply, to 21 percent below the first quarter average. Their market share has risen over the past year, however.

The path of auto sales during the past year is shown below.

(millions of units; seasonally
adjusted annual rate)

	<u>Total</u>	<u>Domestic</u>	<u>Imports</u>
1979 1Q	11.6	9.3	2.3
2Q	10.5	8.1	2.5
3Q	10.8	8.6	2.2
4Q	9.9	7.5	2.4
1980 1Q	10.7	7.9	2.8
April	8.3	6.0	2.2

We have been getting anecdotal evidence that a large number of car sales were "lost" in April because buyers were unable to qualify for bank loans. Supposedly, many banks, subject to the Fed's "voluntary" limit on total loan expansion, have been turning down auto loans in order to continue serving their business customers. This topic is covered in the background memo for tomorrow's Quadriad meeting, being sent to you under separate cover.

THE WHITE HOUSE
WASHINGTON

06 May 80

Frank Moore

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

Rick Hutcheson

2562

THE WHITE HOUSE

WASHINGTON

May 6, 1980

ok
J

MEMORANDUM FOR THE PRESIDENT

FROM:

FRANK MOORE

FMM

We have worked out a flag resolution with Senators Byrd, Baker, Stevens and Hatch which will modify the resolution to sundown today until sundown on the day of the Memorial Service. Dan Tate will be conferring with Lloyd Cutler to draft the language for the substitute.

THE WHITE HOUSE
WASHINGTON

5/6/80

Mr. President:

Sec. Duncan has asked to meet with you and Lloyd Cutler today over the issue covered in Cutler's memo to you last night on Moffit's subcommittee.

Shall I schedule a meeting?

yes no

Phil

245

THE WHITE HOUSE
WASHINGTON

Phil has
seen

2557

INFORMATION COPY

DISASTER PRIORITY

SUBJECT

RECOMMENDATION TO THE PRESIDENT
FOR AN EMERGENCY DECLARATION
FLORIDA

FEDERAL EMERGENCY MANAGEMENT AGENCY

DATE

MAY 5 1980



FEDERAL EMERGENCY MANAGEMENT AGENCY

Washington, D.C. 20472

MAY 5 1980

The President
The White House
Washington, D. C.

Dear Mr. President:

The large numbers of undocumented aliens, principally Cuban refugees, arriving in Florida have seriously impacted the State and local governments. Governor Bob Graham has requested Federal assistance under Public Law 93-288. Governor Graham has declared a State of Emergency and mobilized the Florida National Guard in order to alleviate the Cuban refugee problem in Dade, Broward, Monroe, and Palm Beach Counties.

FEMA FINDINGS:

- o The State and local infrastructure has been severely strained trying to cope with reception, transportation and housing of these Cuban refugees.
- o As of May 4, 1980, Cuban refugee arrivals totalled 13,891.
- o Arrivals on May 4, 1980, exceeded 3,600 and indications are that this figure may be exceeded in the days ahead.
- o FEMA coordinator Thomas R. Casey has established operations at Miami, Key West, Tamiami, and Eglin Air Force Base. These operations include the coordination of various Federal agencies as well as State, local and volunteer agencies in dealing with the arrivals.

CONCLUSIONS:

- o The severity and magnitude of the situation is beyond the capabilities of the State and local governments.
- o The situation meets the requirements of an emergency under Public Law 93-288.
- o An emergency declaration is warranted under PL 93-288 due to the impact on the State and local governments as a result of the large numbers of Cuban refugees arriving in Florida.

- o An emergency declaration is necessary to protect public health and safety not only of the arriving Cuban refugees but also the citizens of the overburdened State and local governments.
- o Such a declaration would strengthen coordination now in being and prevent any delay in response as a result of questions over funding authorization.

RECOMMENDATION:

That an emergency be declared for the State of Florida.

COMMENT: The appropriations to your Disaster Relief Fund are virtually all obligated and no obligation or disbursement for Public Assistance is likely to be possible for at least several months. In the event of a declaration, such funds as are currently available will be used to help meet the immediate needs of the Cuban refugees, and mission assignments will be made to other Federal agencies with reimbursement delayed.

Director
Federal Emergency Management Agency

May 5, 1980

Attachments:

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

THE WHITE HOUSE

WASHINGTON

Dear Mr. Macy:

I have determined that the impact on State and local governments in Florida due to the arrival of large numbers of undocumented aliens beginning on or about April 13, 1980, is of sufficient severity and magnitude to warrant a declaration of an emergency under Public Law 93-288. I therefore declare that such an emergency exists in the State of Florida. Further, the humanitarian aspects of this exodus from Cuba cannot be ignored.

In order to provide appropriate Federal assistance, you are authorized under Public Law 93-288 to take those measures which are necessary to assist State and local governments to control this unusual event and alleviate hardship or damage to individuals and public bodies. You are authorized further to allocate funds available for these purposes in such amounts as you find necessary for administrative expenses.

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

Sincerely,

Honorable John W. Macy, Jr.
Director
Federal Emergency Management
Agency
Washington, D. C. 20472

TELEGRAPHIC MESSAGE

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

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

TO:

Honorable Bob Graham
 Governor of Florida
 State Capitol
 Tallahassee, Florida 32304

I have declared an emergency for the State of Florida, beginning on or about April 13, 1980, because of the impact on local and State governments by the large numbers of undocumented aliens arriving in Florida. I have authorized appropriate Federal assistance under Public Law 93-288 to assist State and local governments to control this unusual event and alleviate hardship or damage to individuals and public bodies.

The Associate Director, Disaster Response and Recovery, Federal Emergency Management Agency, will coordinate Federal assistance efforts and designate specific areas of the State eligible for such assistance. The Federal Coordinating Officer is Mr. Thomas R. Casey of the Federal Emergency Management Agency. He will consult with you and assist in the execution of the Federal-State Disaster Assistance Agreement governing the expenditure of Federal funds.

SECURITY CLASSIFICATION

PAGE NO.	NO. OF PGS.
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May , 1980

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

NOTICE TO THE PRESS

The President today has approved an emergency declaration for portions of the State of Florida as a result of the continuing influx of thousands of undocumented aliens.

The declaration, as authorized under Public Law 93-288, is intended to allow the Federal Government to take such measures as may be necessary to assist State and local governments in providing humanitarian aid. The Federal effort will augment the outstanding work already being done by State and local governmental agencies, volunteer groups, and members of the Cuban community in Florida.

The large number of undocumented aliens arriving in Florida have seriously impacted the State and local governments. Governor Bob Graham, in addition to requesting Federal aid, mobilized the Florida National Guard to assist with the problem. As of May 4th, refugee arrivals totalled 13,891 with as many as 3,600 arriving on that day alone.

The declaration will be an effective means of coordinating the various federal efforts now in progress under Federal Coordinating Officer Thomas R. Casey of the Federal Emergency Management Agency (FEMA). Over 1,300 civilian employees from more than a dozen federal agencies are currently involved in the relief effort.

In addition to FEMA and the Immigration and Naturalization Service, some of the federal agencies involved include the Department of Defense; the Department of State; the Department of Health and Human Services; the U.S. Coast Guard; the Department of Justice; U.S. Customs; the Department of Labor; the General Services Administration; and the Federal Aviation Administration.

NOTE: For further information, contact the FEMA Public Affairs Office in Washington at (202) 634-6666 or in Miami at (305) 371-8266.

FLORIDA REPRESENTATION

The Governor of Florida is:

Bob Graham (D)

Florida Senators are:

Lawton Chiles (D)
Richard (Dick) Stone (D)

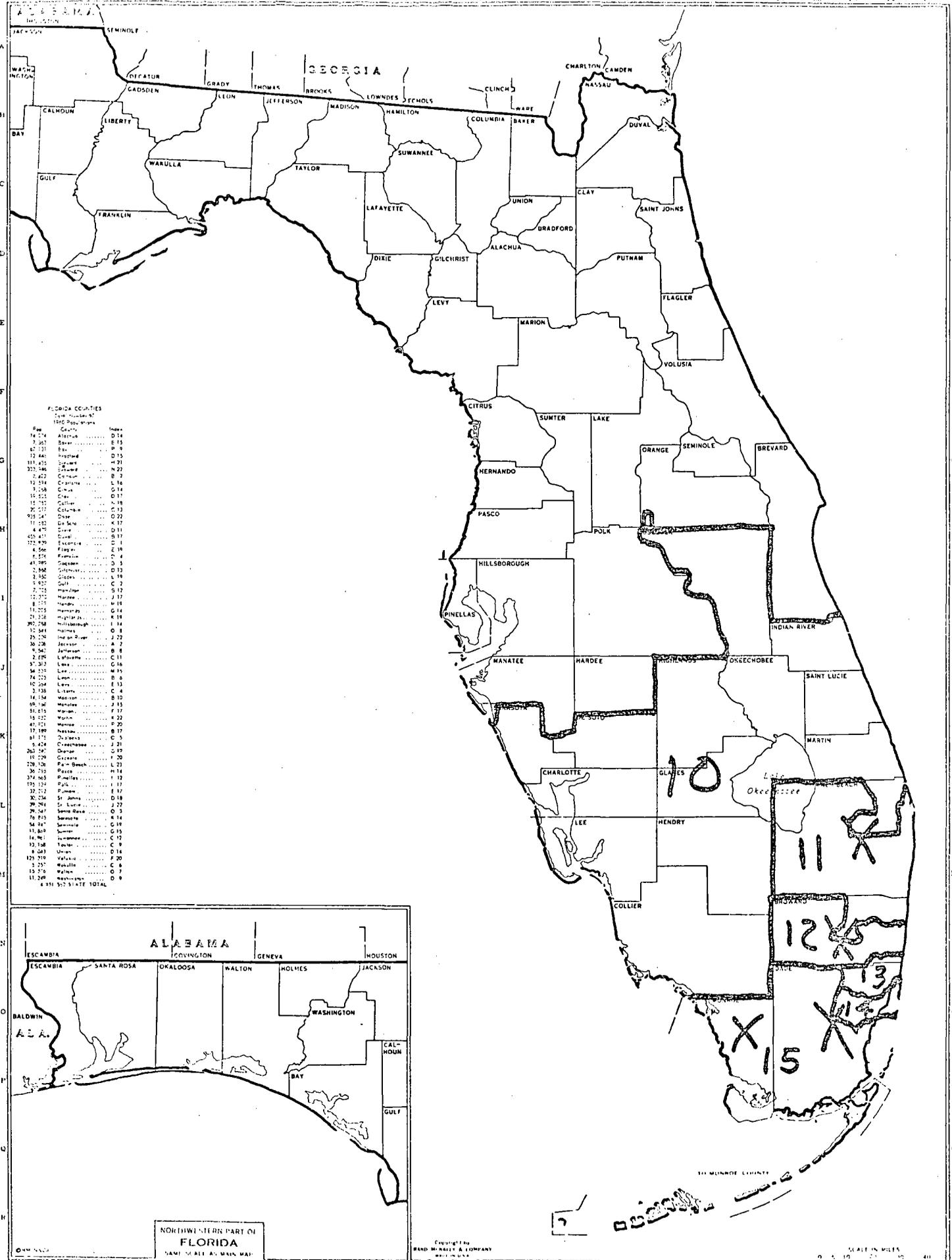
Representing the Affected Areas:

L. A. (Skip) Bafalis (R)	10th District
Daniel A. Mica (D)	11th District
Edward J. Stack (D)	12th District
William Lehman (D)	13th District
Claude D. Pepper (D)	14th District
Dante B. Fascell (D)	15th District

For further information, contact FEMA: (202) 634-4087.

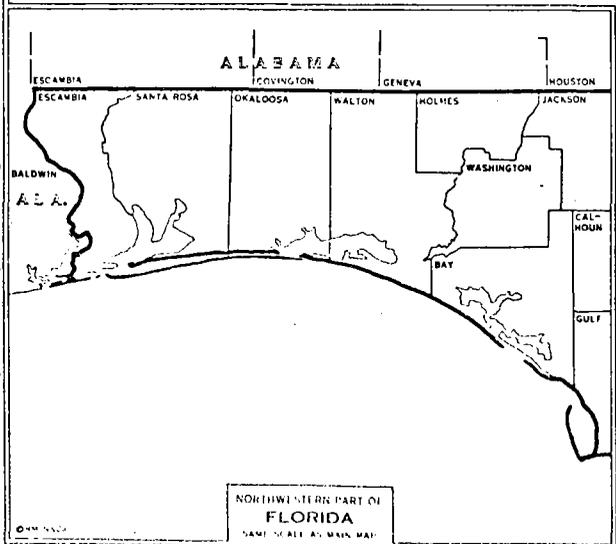
STATE COUNTY OUTLINE MAP

SIZE 8 1/2 x 11



FLORIDA COUNTIES

Pop. 1940	County	Area
74,774	Alachua	D 14
7,367	Baker	E 15
87,531	Bay	F 9
12,641	Bradford	D 15
111,435	Brevard	E 21
322,146	Broward	E 22
2,422	Calhoun	B 7
12,574	Charlotte	L 16
9,508	Clay	E 14
15,411	Clayton	D 17
10,707	Columbia	A 18
20,010	Columbia	E 13
929,241	Dade	O 22
11,452	De Soto	A 17
4,475	Dickinson	C 11
425,411	Duval	E 17
122,700	Escambia	C 1
4,566	Flagler	E 19
4,574	Franklin	C 4
41,395	Gadsden	C 5
2,846	Gadsden	D 13
2,450	Gadsden	L 19
5,837	Gulf	C 2
2,725	Hamilton	S 17
12,072	Hardee	J 17
8,215	Hardee	K 16
11,215	Hernando	G 14
21,112	Hernando	E 16
392,758	Hillsborough	I 14
12,841	Indian River	O 8
29,726	Indian River	J 22
30,228	Jackson	A 7
9,540	Jefferson	B 8
2,420	Lafayette	C 11
57,303	Lees	G 16
84,115	Lees	M 15
74,122	Leon	D 6
10,204	Levy	E 13
2,158	Liberty	C 4
14,154	Martin	S 10
69,126	Martin	J 13
61,514	Martin	K 17
18,212	Martin	L 22
49,721	Martin	P 20
17,180	Martin	S 17
81,171	Okaloosa	C 5
9,424	Okeechobee	J 21
263,147	Orange	E 19
15,029	Osceola	I 20
278,126	Palm Beach	L 23
36,753	Pasco	H 14
374,563	Pinellas	I 12
129,119	Polk	E 17
32,712	Polk	F 17
30,134	St. Johns	D 18
28,704	St. Johns	E 22
29,747	St. Johns	F 14
76,713	St. Johns	G 19
54,917	St. Johns	H 19
17,809	St. Johns	I 15
14,861	St. Johns	K 17
13,768	Taylor	C 9
8,043	Union	D 16
129,910	Volusia	E 20
1,257	Walton	C 6
13,200	Washington	D 9
4,331	STATE TOTAL	



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SCALE IN MILES

STATE OF FLORIDA

OFFICE OF GOVERNOR BOB GRANAM

May 5, 1980

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

Dear Mr. President:

I request you declare that an emergency exists in South Florida as a result of the influx of thousands of undocumented aliens and the imminent arrival of thousands more. The rapidity and uncoordinated manner of their arrival is an extraordinary circumstance that justifies and requires the federal government to shoulder financial responsibility for a burden that has fallen disproportionately on the people of Florida, because of the coincidence of this State's geographic proximity to impoverished and oppressive Caribbean regimes.

The State of Florida has committed over 1,500 employees and obligated approximately \$300,000 in an attempt to alleviate the emergency. State and local government entities have provided medical aid, transportation, housing, food services, processing centers, and security for thousands of these undocumented aliens. Moreover, the State has supplemented the efforts of the Immigration and Naturalization Service by transporting the undocumented aliens from their point of entry in the Florida Keys to processing areas in Dade, Broward, and Palm Beach Counties.

Local government entities have expended their resources in response to the extraordinary circumstances brought about by international events. State and local government cannot continue such effort and cannot absorb costs already incurred in an attempt to cope with this peculiarly federal problem.

The situation is of such severity and magnitude that effective response is beyond the capability of the State and the affected local governments. In order to save lives, protect the property, health, and safety of the people of Florida, and avert impending disaster, I request that you provide emergency assistance pursuant to the Disaster Relief Act of 1974 (42 U.S.C. Section 5145) and applicable regulations of the Federal Emergency Management Agency (24 C.F.R. Section 2205.23 et seq.).

Honorable Jimmy Carter

Page 2

The State of Florida, particularly the Counties of Duval, Dale, Broward and Palm Beach, has experienced a number of disaster and emergency conditions over the last eighteen months. The absence of federal assistance during the floods, fuel shortages, Hurricane David and water shortages that have affected this area has already placed a serious burden on local government resources. For that reason, local governments should be assisted without a requirement to match or otherwise supplement the federal financial effort.

State government, on the other hand, does not seek reimbursement for all its expenses. State expenditures made between April 13, 1980 and April 30, 1980 are not included in this request for reimbursement.

Because of the urgency of this matter and the reassurances we have received from your staff and representatives of the Federal Emergency Management Agency, an early and favorable response will be expected and appreciated.

With kind regards,

Sincerely,



Governor

BG/qcb

*Signed
5/16/80*

THE WHITE HOUSE

WASHINGTON

May 6, 1980

MEMORANDUM FOR THE PRESIDENT

FROM : AL MCDONALD *AM*

SUBJECT : Proclamation and Tribute to the Servicemen
who died in Iran Rescue Mission

Attached is a proclamation following your preferences expressed at this morning's meeting to honor the eight American servicemen who had died in the Iranian rescue mission. Lloyd Cutler's office has drafted this proclamation, which has been reviewed by Jody's office, Hamilton, the Department of Defense, and the speechwriters.

The proclamation provides for lowering the flags to half mast from the time of arrival of the bodies in the country this evening until sunset on the day of the memorial service on Friday, May 9. General Creech, who will be on hand at Dover Air Force Base, would read the proclamation at 6:30 p.m. this evening upon the arrival of the bodies.

**Electrostatic Copy Made
for Preservation Purposes**

TRIBUTE TO EIGHT AMERICAN SERVICEMEN

- - - - -

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

The names of the eight American servicemen who died in a mission of rescue in Iran will forever stand among the names of heroes. They were valiant men. They knew the danger of the task for which they had volunteered, and they were willing to confront that danger because they wished to right a terrible wrong.

At a time when the delicate, age-old patterns of diplomatic communication that help maintain the peace of the world are under direct attack, we have a great need of men and women ready to make the sacrifices that freedom and security require. The eight who gave their lives while attempting to free their fellow Americans from an illegal and intolerable captivity were such individuals. They knew the price that freedom can demand, and they were prepared to pay it. They laid down their lives for their countrymen, for their Nation's honor, and for the principles of justice and civilization. We mourn their loss; we admire their courage; we respect their dedication; and we reaffirm the principles for which they died.

NOW, THEREFORE, I, JIMMY CARTER, President of the United States of America, by virtue of the authority vested in me as Commander-in-Chief of the Armed Forces (36 U.S.C. 178) do hereby proclaim that, as a mark of respect to the memory of these brave men, the flag of the United States shall be flown at half-staff on all buildings, grounds and naval vessels of the Federal government in the District of Columbia and throughout the United States and its Territories and possessions upon notification of the provisions of this Proclamation until sunset on Friday, May 9.

I also direct that the flag shall be flown at half-staff for the same length of time at all United States embassies, legations, consular offices, and other facilities abroad, including all military facilities and naval vessels and stations.

IN WITNESS WHEREOF, I have hereunto set my hand this sixth day of May, in the year of our Lord nineteen hundred and eighty, and of the Independence of the United States of America the two hundred and fourth.

A handwritten signature in cursive script that reads "Jimmy Carter". The signature is written in black ink and is positioned in the lower right quadrant of the page.