

7/18/80 [2]

Folder Citation: Collection: Office of Staff Secretary; Series: Presidential Files; Folder: 7/18/80 [2]; Container 168

To See Complete Finding Aid:

http://www.jimmycarterlibrary.gov/library/findingaids/Staff_Secretary.pdf

WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

| FORM OF DOCUMENT | CORRESPONDENTS OR TITLE | DATE | RESTRICTION |
|------------------|---|---------|-------------|
| memo w/att. | From Eizenstat to The President (6 pp.) re: Coordination of the Soviet Grain Suspension <i>opened per RAC NLC-126-22-5-1-1 1/9/14</i> | 7/18/80 | A |

FILE LOCATION

Carter Presidential Papers-Staff Offices, Office of the Staff Sec. Pres. Hand-writing File 7/18/80 [2] BOX 195

RESTRICTION CODES

- (A) Closed by Executive Order 12356 governing access to national security information.
- (B) Closed by statute or by the agency which originated the document.
- (C) Closed in accordance with restrictions contained in the donor's deed of gift.

THE WHITE HOUSE
WASHINGTON
18 Jul 80

Lloyd Cutler

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

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON

7/18/80

Patti - -

pls. could I get
a cc of attached?

Thanks -

R

Electrostatic Copy Made
for Preservation Purposes

Lloyd - Do not issue - Sound
somewhat petulant & publicizes
Games

July 18, 1980

Today the Twenty-Second Olympic Games begin in Moscow. Teams from more than 60 nations will be absent from the opening ceremonies and the Games themselves. Many other teams will attend but will not display their national flags.

All this will happen because the Soviet Union, in violation of ancient Olympic principles, has offended the world community by invading and subjugating a small neighboring state at the very time it serves as host for what is supposed to be an Olympic festival of peace. While many units of the Soviet Armed Forces have been assigned to shooting down the people of Afghanistan, other Soviet military ^{personnel} ~~units~~ have been assigned the task of competing for Olympic medals in Moscow.

The United States and its athletes will not participate in such a travesty. Neither will the nations and athletes who in the 1976 Olympics accounted for half the competitors and more than 70% of the medals won outside the Soviet bloc. Their absence -- and the reason -- cannot be hidden from the people of the Soviet Union, who have never been allowed to know of last January's United Nations Assembly action, condemning the Soviet invasion by a vote of 104 to 18.

The world's press and radio will faithfully report ^{what} everything ~~that~~ happens at [the Moscow Games] [~~this Gulag Olympics~~], except what the Soviet censors prevent them from telling. ~~It will be interesting to see whether this statement will be allowed to reach the people of the Soviet Union, or even the foreign athletes and spectators who are assembling in Moscow today.~~

THE WHITE HOUSE
WASHINGTON
18 Jul 80

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

July 11, 1980

Electrostatic Copy Made
for Preservation Purposes

C

MEMORANDUM TO THE PRESIDENT

FROM:

JACK WATSON *Jack*

ARNIE MILLER *AM*

SUBJECT:

Assistant Director of ACTION

We join Sam Brown in recommending the nomination of Mercedese Miller to be Assistant Director of ACTION, a Presidential appointment requiring Senate confirmation.

Ms. Miller has served as Director of ACTION's Office of Volunteer Citizen Participation since March 1979 and would remain as director of that office. Her elevation to the position of Assistant Director of the agency will enhance that standing of ACTION and the Administration in the voluntary organization field.

Originally from Iowa, Ms. Miller has served in various capacities of increasing responsibility at ACTION since April 1976. Prior to joining that agency she worked with organizations in the voluntary and social services fields in Iowa, Colorado and Washington, D.C. Ms. Miller has a long history of work with voluntary organizations in her private as well as professional life. In addition, she was a United Nations Human Rights Honoree in 1979. A summary of her resume is enclosed.

RECOMMENDATION:

We recommend your approval of the nomination of Mercedese Miller to be Assistant Director of ACTION.

approve

disapprove

MERCEDES M. MILLER

HOME: Chevy Chase, Maryland

AGE: 38

EDUCATION:

B.A. Journalism, 1964, Drake University
Des Moines, Iowa

M.B.A. Human Services Management, 1979,
American University, Washington, D.C.

EMPLOYMENT:

March 1979 -
Present Director, Voluntary Citizen Participation,
ACTION - Washington, D.C.

June 1978 -
March 1979 Director of Management and Organization
ACTION, Washington, D.C.

April 1976 -
June 1978 Planning Systems Officer, Planning Division,
Office of Policy and Planning, ACTION,
Washington, D.C.

1971 - 1976 Vice President, The SERD/Human Development
Institute. Washington, D.C.

1967 - 1969 Program Planning Officer and Project
Director, SERD, Inc., Washington, D.C.

1967 Administrative Assistant to the Director,
Denver Opportunity, Inc.

1965 - 1967 Administrative Assistant, Iowa Office of
Economic Opportunity.

OTHER ACTIVITIES:

Member, National Association of Female Executives
Member, Association of Administration of Volunteer
Service
President-Elect, D.C. Federation of Business and
Professional Women's Clubs
Recipient, United National Human Rights Award, 1979

WHITE, Female
Democrat

RESUME

PERSONAL INFORMATION

Date of Birth: July 7, 1942 Sex: Female Marital Status: Single

Home Address and Phone:

4601 North Park Avenue, #501
Chevy Chase, Maryland 20015
301 - 652-6942

Work Address and Phone:

806 Connecticut Avenue, N.W.
Washington, D.C. 20525
202 - 254-8079 or 800 - 424-8867

EDUCATION MBA, The Planning and Management of Human Services, The American University, 1979
 BA, Journalism, Drake University, Des Moines, Iowa, 1964

SUMMARY - BACKGROUND AND EXPERIENCE

I have more than ten years of general and specialized professional experience in the public and private sectors in policy formulation, management, supervision, personnel recruitment and evaluation, program operations, research and evaluation, writing, financial management and planning. I have served for over four years in the Federal Government, and have experience in state and local government, as well as in the private sector. My experience includes the following:

- policy formulation and development in public human services programs
- conceptualizing the design and development of programs (especially demonstration efforts), studies, work tasks, and the organization of projects, departments, and corporations.
- utilization of data and information sources in human service areas and experience in using statistical and other quantitative data produced by private industry and government.
- budgeting, financial planning, and financial reviews.
- broad experience in collecting and analyzing qualitative and quantitative data, including interviews, surveys, case studies, statistical and narratives and in designing survey and interview instruments.
- radio, television, and media services, writing press releases, and the coordination of media-related activities including use of media techniques in training programs, formal presentations, and to provide more effective program operations and feedback.
- public speaking in training events, workshops, panels, and presentations to the general public, employees, members of Congress, and public policy-makers.
- extensive program development and assessment experience both within the United States and abroad involving sensitive work assignments in cross cultural settings.
- Participation and volunteer activities in community affairs, human service programs, and professional groups and organizations.
- Publication of books, articles, and papers and reports regarding processes for carrying out human service and training activities and analysis of social programs and problems.

EMPLOYMENT HISTORY

November 1979 to present: Assistant Director for Voluntary Citizen Participation, ACTION. Serves as director of an office which includes eight programs and four special projects which relate to the private voluntary sector, corporate volunteer programs, and nongovernmental organizations overseas and which integrates concepts of volunteering between Peace Corps and ACTION's domestic volunteer programs and those of the private sector in the U.S. and abroad. Programs include small grant programs which provide seed money and training and technical assistance to volunteer groups and activities, services to former volunteers, and partnership programs which stress understanding of the peoples of the Third World. Responsible for working in partnership with private voluntary organizations and the national and local levels, stimulating coordination of volunteer services and activities within state government, and developing legislative proposals and responding to inquiries from the Congress, including testifying at Congressional hearings, etc.

March 1979 to November 1979: Acting Assistant Director for Voluntary Citizen Participation, ACTION. Responsible for developing organizational structure for the new office created in March 1978, developing plans for programs and activities and proposing budget levels for each of the nine programs for FY 1980 and FY 1981. Working with other Federal agencies in the development of interagency agreements and special projects related to volunteer involvement. Serving on task forces and committees and participating in seminars and national meetings on behalf of the agency. Assisting in defining the relationships and roles of the office and staff in relation to ACTION and Peace Corps during the process of defining Peace Corps autonomy. Developed program and policy proposals for the office.

June 1978 to March 1979: Director, Management and Organization Division, Office of Administration and Finance, ACTION. Served as division director for the division which managed the controlled correspondence for the agency director's office, completed functional and organizational studies and analyses of agency programs and offices, provided technical assistance to other offices and the field, and developed proposals for the improvement of management and administrative systems of the agency. Completed studies of Peace Corps regional administrative structures, the design of a study of the impact of the five year rule on Peace Corps employees, and analyzed the paperwork activities of the agency. Served as the agency contact office with the Government Accounting Office and worked closely with GAO in studies of Peace Corps/AID programs, the Older American Programs, and other studies undertaken during that period.

June 1978 - March 1979: Acting Director, Planning Division, Office of Policy and Planning, ACTION. Served for several periods as the acting director of this division which provided planning and control of systems and coordination of planning processes and activities for Peace Corps and ACTION programs and the field. Worked closely with other offices in providing technical assistance and support in developing zero-base budget submissions, and current year operating plans and budgets. Coordinated and managed program policy discussions as part of the planning processes, provided training sessions to field offices in zero base budgeting and agency planning processes, and participated on interagency and intraagency planning committees. Represented the agency at national planning meetings and conferences.

April 1976 - June 1978: Planning Systems Officer, Planning Division, Office of Policy and Planning, ACTION. Responsible for developing planning systems for the agency for long term and current year planning. Developed the first agency five year plan in conjunction with programs and other offices. Completed a special project on resource allocation and an analysis of ACTION's recipient population groups. Established the OMB Clearance function for forms and evaluation studies in conjunction with OMB and other offices. Initiated and managed a paperwork reduction program for the agency which resulted in a 31% reduction of the burden on the public. Developed and coordinated agency planning calendars.

1969 to April 1976: Vice President for Administration and Planning, Social, Educational Research and Development, Inc. I had overall administrative and fiscal responsibility for corporate activities including hiring and supervision of professional and administrative support staff and consultants; program planning; writing, editing, and proofreading reports, manuals, and proposals; responsibility for budgeting, bookkeeping, and fiscal management activities, including program, staff, and financial evaluations and audits; supervision of purchasing of office equipment and supplies; designing forms, formats, and brochures; and establishing and implementing policies and procedures. The firm was a social science/education/human development research and development organization providing services to private industry, government agencies and private organizations with home offices located in Washington, D.C. and branch offices in Honolulu, Hawaii, Chicago, Illinois, and St. Thomas, the U.S. Virgin Islands.

1971 to April 1976: Vice President, The SERD/Human Development Institute. This organization was formed in 1971 as a non-profit organization concentrating on training and human development activities. Responsibilities included overall management, administration, and fiscal policy and management responsibilities. The corporation provided training assessments in criminal justice activities in the community and developed and delivered training in a variety of human service areas.

1967 to 1969: Program Planning Officer and Project Director, SERD, Inc. Responsible for: (1) administrative procedures including staff evaluation and internal project management; (2) the design and direction of research and evaluation projects involving education, anti-poverty agencies, and social service agencies; (3) carrying out and implementing company-wide personnel, fiscal, and administrative policies. Client contacts and responsibilities included conducting personal and telephone interviews, managing mail surveys, and analyzing data and information from mail and other survey instruments. Writing and editing research reports, proposals and other technical materials including staff operating manuals, personnel manuals, etc. were also important duties.

1967: Administrative Assistant to the Director, Denver Opportunity, Inc. Responsible for designing, developing, and implementing administrative procedures for an office of ten staff in a community action agency of more than 100 staff and a budget of approximately \$5 million annually; insuring prompt implementation of all requests, directives, and communications emanating from the Board of Directors, Executive Director, and two Assistant Directors; acquisition and assignment of all furniture and equipment owned by the corporation; writing and editing of reports and proposals.

1965 to 1967: Administrative Assistant, Iowa Office of Economic Opportunity. Assisted Director in coordination, administration, and performance of functions to implement the Economic Opportunity (OEO) program in Iowa and to establish the State Technical Assistance Office; participated in development of departmental policy; supervised five clerical staff; prepared news releases, monthly newsletter, bulletins, reports, annual report, and promotional and educational materials; prepared agency budgets and assumed responsibility for fiscal management and control; planned and programmed statewide OEO conferences; served as State Coordinator of OEO training programs; coordinated activities of summer State Neighborhood Youth Corps (NYC) project enrolling about 2,000 youth.

OTHER ACTIVITIES

More than 15 years of experience in public speaking to community groups, professional organizations and associations, client groups, public meetings, and staff.

Experience (covering 10-15 years) in writing research reports, proposals, legislative proposals and reports, articles for professional journals, correspondence, and memoranda, and training materials and curricula. Authored a book in 1975 which was published by Lexington Books, D.C. Heath and Company and co-authored two additional books published by other publishers.

Member of the Cooperative Work-Study Committee at The American University which designed and developed the official university-wide cooperative work study program for the university and which is still in operation. (1973-74)

Active member, The Elizabeth Condominium Association Ad Hoc Committee (1975); Member of Executive Committee (1975-76); Co-Chair of the Finance Committee (1975-76); Chair of the Budget Subcommittee (1975); Chair of the Finance Committee (1976-77).

ORGANIZATIONS

Member, National Organization for Women, 1976-78
Member, T.T.T. Society, 1965 to present
Member, Georgetown Business and Professional Women's Club, 1975 to present
President of Georgetown BPW Club (1977-79)
Second Vice President, D.C. Federation of BPW Clubs, 1979-80
President-Elect, D.C. Federation of BPW Clubs, 1980-81
Delegate to National BPW Convention, 1979, 1980
Member, National Association of Female Executives, 1979 to present
Member, Association of Administrators of Volunteer Service, 1979 to present
Member, American Society of Professional and Executive Women, 1980 to present
Member, Washington, Women's Network, 1980 to present

AWARDS

United Nation's Human Rights Honoree, 1979 — *Sp. award*
Georgetown BPW Club's Woman of the Year, 1977

ADDITIONAL INFORMATION INCLUDING LISTS OF REFERENCES, PUBLICATIONS AND REPORTS, ETC.
AVAILABLE UPON REQUEST.

THE WHITE HOUSE
WASHINGTON

7/11/80

Mr. President:

Jack Watson suggests that the coordinating responsibility be given to Stu rather than the Vice President.

Rick

THE WHITE HOUSE
WASHINGTON

18 Jul 80

FOR THE RECORD

STU EIZENSTAT RECEIVED A
COPY OF THE ATTACHED.

ADMINISTRATIVELY
CONFIDENTIAL

THE WHITE HOUSE
WASHINGTON

July 10, 1980

*We will wait
until 8/11 report
before any change
in policy. Then
I'll probably consult
(publicly) with Faren
& Trudeau before
making a decision*

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT *Stu*
LYNN DAFT *Lynn*

SUBJECT:

Coordinating the Soviet Grain
Suspension Policy

There has been an abysmal lack of coordination in the execution of the Soviet grain suspension policy in recent weeks. There have been several instances in which your domestic advisors were not given an opportunity to comment on important actions. The most notable of these were: (1) the action permitting U.S. grain firms to resume trade between the Soviet Union and other grain exporting nations and (2) NSC proposed responses to Governor Reagan's call for an end to the suspension. The former announcement, because it was so poorly handled, resulted in a great deal of misunderstanding and undeserved criticism. Many farmers still mistakenly believe that we have altered our policy to permit large U.S. grain companies to sell foreign grain to the Soviets while they are not allowed to sell U.S. grain.

Admittedly, the grain suspension is a complicated issue that crosses many jurisdictional lines. It is part international, part domestic in its impact. While the international dimension was of primary importance in the early stages, we believe that the domestic implications have now assumed greater prominence and should, therefore, receive more careful attention. In light of this, we suggest that you assign coordinating responsibility to a single individual (perhaps the Vice President) and communicate this to your other advisors.

We would also like to have your counsel on how to proceed with plans for the future of the suspension. In the meeting held in the Cabinet Room last Tuesday, July 1, to discuss farm policy, you will recall that we discussed the grain suspension briefly. We left that meeting with the impression that you wanted to explore possible ways of ending the suspension. However, your remarks later last week at the town meeting in Modesta, California appeared to close the door on any near-term end of the suspension.

Static Copy Made
for Preservation Purposes

DECLASSIFIED
Per: Rac Project
ESDN: NLC-126-22-5-1-1
BY *KS* NARA DATE *1/2/19*

Practically speaking, the suspension will lose much of its effectiveness with a Soviet harvest near trend levels, as we now expect it to be. This will soon become evident, both to U.S. farmers and to other grain exporting nations. The USDA will release estimates of the Soviet crop July 11th and again August 11th. While the crop grown in the European region of the USSR is fairly well determined by the time of the July report, the "new lands" region remains vulnerable to adverse weather through July. Thus, the August 11 report will give us a rather good fix on the size of the Soviet crop. By shifting attention to the size of the 1980 Soviet crop as the key determinant of the future of the policy and by involving the other cooperating nations in the decision, it might be possible to overcome some of the criticism of a change in policy.

Before proceeding further, we would like to have your guidance as to your interest in our exploring ways of potentially ending the suspension.

~~CONFIDENTIAL~~

THE WHITE HOUSE

WASHINGTON

July 10, 1980

MEMORANDUM FOR: THE PRESIDENT

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

SUBJECT: The Soviet Grain Suspension

Having completed the July 1979-June 1980 marketing year, we have somewhat improved estimates of the pattern of grain exports to the Soviet Union during the first 6 months of the suspension. We are also getting a better notion of expected levels of export in the marketing year that just began.

As can be seen from the attached table, our principal competitors did reasonably well last year (judged on the basis of past export levels) and will do even better in 1980/81. Their level of sacrifice does not come close to ours. The levels of exports forecast for the coming year also suggest that the Soviet Union will have no trouble securing 30 million metric tons (mmt) of imported grain, an amount that will enable them to not only satisfy current needs but to rebuild stocks by around 9 mmt. And this assumes a continuation of our present level of international cooperation.

Despite the softness in this level of cooperation, we see no advantage in advertising it or in using it to criticize other governments. To do so would only invite criticism, domestically for failing to achieve a higher level of foreign support and internationally for being unreasonable in our demands. Furthermore, we believe the Prime Ministers of Canada and Australia have already made political sacrifices on our behalf in holding their nations' exports to current levels.

For your information, the Soviets continue to seek a meeting with USDA officials to discuss terms of the 5th year of the grains agreement. About one month ago, Under Secretary Hathaway was approached by a Soviet embassy official and asked if he would meet with Soviet representatives at a time and place of his choosing. At the direction of the SCC, Hathaway responded that he could not. Since then, Viktor Pershin, General Director of the Soviet foreign trade organization EXPORTKHLEB, has contacted Hathaway and renewed the request. Pershin agreed to meet a lower level USDA official, if that was necessary, but told Hathaway that the Soviets will not make any commitment to buy even the

CLASSIFIED BY DAVID AARON, NSC

REVIEW JULY 10, 1986

Electrostatic Copy Made
for Preservation Purposes

DECLASSIFIED

Per, Rac Project

ESDN; NLC-126-22-5-1-1

BY KS NARA DATE 1/2/14

8 million metric tons of U.S. grain that has already been authorized for 1980/81 shipment, until we hold the semi-annual consultations called for in the agreement. Among other topics, we believe they want to discuss the possibility of purchases above 8 million metric tons, the spacing of shipments, and trade in products now totally embargoed (e.g. soybeans, pork, and poultry).

Also, it is Hathaway's judgment that the Soviets would like to purchase 7 to 10 million metric tons of feed grains above the 8 million metric tons allowed under the agreement. This could bolster U.S. corn prices by as much as 10 to 20 cents per bushel, should it occur. Hathaway also believes that they would like to import 1 to 2 million metric tons of soybeans from us. The Soviet feed ration is notably deficit in protein and experts have been saying that it would make economic sense for them to import substantially greater quantities of soybeans. All of this should be interpreted as little more than an educated guess, though we would assess the situation similarly.

cc: Secretary of State Muskie

Grain Exports to the Soviet Union,
July-June Year

| Exporting Country | 1980-81* (Forecast) | 1979-80 (estimate) | Annual Average for 1972/1973- 1978/79 period | Record high export | |
|--------------------|-------------------------------|-----------------------|--|--------------------|---------|
| | | | | quantity | year |
| | -----million metric tons----- | | | | |
| Canada | 5.0 | 3.8 | 2.4 | 5.1 | 1972/73 |
| Australia | 3.9 | 3.9 | 0.7 | 2.0 | 1975/76 |
| European Community | 0.7 | 0.7 | 0.5 | 1.9 | 1972/73 |
| United States | 8.0 | 15.3** | 9.8 | 13.9 | 1975/76 |
| Argentina | 6.0-8.0 | 5.5 | 1.1 | 2.7 | 1977/78 |
| Others | 5.0 | 1.5 | 0.8 | 3.0 | 1975/76 |

* This column totals 28.6 to 30.6 million metric tons.

** In the absence of the suspension, the U.S. would have exported 27 to 28 mmt in 1979/80.

Source: U.S. Department of Agriculture

THE WHITE HOUSE
WASHINGTON
18 Jul 80

Secretary Muskie

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

Rick Hutcheson

Brown
1978

*Ed -
ok for you
to send - Enclosure
Brown letter
1978
J*

HB's draft for review
July 16, 1980

Dear Mr. Majority Leader:

I am replying to your letter of June 23 to President Carter concerning supplemental equipment for Saudi Arabian F-15 aircraft.

I can assure you that the Administration has not departed from the assurances given to the Congress by Secretary Brown in 1978 and that your views and those of the Congress would be taken fully into account in reviewing Saudi Arabian requests for such equipment.

This is not a matter pending decision within the government and no ~~decision~~ ^{recommendation} decision on this issue would be made without full prior consultations with the Congress.

I hope this clarifies the situation so that there will be no misapprehensions as to the position of this Administration,

Sincerely,



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

July 11, 1980

C

MEMORANDUM

FOR THE PRESIDENT
FROM G. WILLIAM MILLER *Bill*
SUBJECT ECONOMIC PROGRAM

**Electrostatic Copy Made
for Preservation Purposes**

We are in the final stages of locking up the Mid Session Budget Review and preparing for Congressional consultation and testimony on tax and other economic issues.

There are several fundamental issues that require your personal decision, particularly with respect to future tax or spending proposals. You will be receiving a memo from Stu Eizenstat and John White. Once you have these, I plan to call you tomorrow (Saturday) to discuss these matters and seek your guidance.

Because of the critical nature of pending economic decisions and communications, I request an opportunity for your economic advisors to come to Sapelo and meet with you next week.

GWM:1a



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

July 11, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: Jim McIntyre 
SUBJECT: Our Economic Program and the Mid-Session Review

Stu has argued strongly that we include a spending package option as part of your previous decision to allocate \$25 billion for 1981 tax reductions. I understand Stu's concerns, but I believe that we should first consider our whole present economic stance and tactics.

In previous years, our Mid-Session Review has been largely technical. This year will be different. For all the obvious reasons, I believe this Review will be considered a major overview of Administration economic and budget policy; therefore, we should think through -- one last time -- the perception and the reality of the stance chosen.

A number of considerations come to mind immediately:

1. Perceptions of the consistency of our economic policy.

Proposing a tax cut at the present time clearly opens us to charges of yet another flip-flop. Adding expenditure items to the package will exacerbate the problem. I cannot tell you how serious the problem will be; but my opinion is that the general perception of the competence and consistency of your leadership in the economic areas is, I believe, a central campaign issue.

2. The substance of our economic policy.

I think we all believe we should have a tax cut in 1981. We all see it not as anti-recessionary but as a first step in the restructuring of the economy, a task which should be the centerpiece of your second term. None of us really believes that a \$2-4 billion spending package will have any real economic effects -- on either the recession or the restructuring. However, at the same time today's politics may suggest a spending package.

3. The reality of our expectations.

To be blunt, there is little possibility that we can provide for a tax cut; hint at a spending program; and still maintain that (1) we prefer no action until after the election; and (2) the budget is restrained. I think that in the testimony following our Mid-Session Review we will -- inevitably -- be forced to provide specificity; and to make favorable comments about immediate action. In other words, the dynamics of the process -- I believe -- will leave us in the end clearly in favor of a tax cut and spending increases with action in the very near future. The public assessment of that may be positive or negative.

4. What we will publish.

Whatever else we publish, we will be showing a \$60 billion deficit for FY 80. We must include the anticipated reaction to this deficit in any of our economic policy decisions. The public view may well be that the \$60 billion deficit is a reason not to act now.

5. The general public mood.

In my view, the general public -- and certainly the financial markets -- think that inflation, the future of the economy, and the quality of economic leadership are more important than the recession. For parts of the Democratic Party, the recession and the value of a spending program are clearly more important.

With all this in mind, three alternatives for the Mid-Session Review define themselves:

1. The status quo.

Include in the Review a general tax reduction proposal -- stay hard on the line that we want it after the election, effective next year, and that we do not want spending increases. (See Table on p. 5, Tab A)

This is where we are now; it accords with generally accepted wisdom regarding a tax cut. It involves little current conflict with the Congress. It will be editorially criticized as inconsistent; it does not deal with the problem that Stu has defined. It is the position you decided upon in late June.

2. The spending option.

- a. Include in the Review provision for a tax reduction plus very general and indirect language ((see Tab B) raising the possibility of increased spending as a part of the package. Do not define the spending package in the testimony; describe it in a Presidential statement somewhat later.
- b. Provide an explicit, fairly detailed spending package in the Review document itself.

Either of these approaches helps deal with one problem, and both exacerbate another. Stu has eloquently described why he thinks you should pursue such an approach. I disagree with some of the details, but find no serious fault with his major arguments. Where I have difficulty is in assigning the proper weights.

This approach will clearly seem to be more inconsistent than any other. It will be very generally criticized. (But, to be fair, I am not sure how much more than Option 1.) It will certainly be strongly criticized on the Hill as a major and surprise change in policy. The spending pieces will not be seen as significant or "structural" no matter what we say. It could become highly embarrassing given the 1980 deficit. It may also help a great deal in unifying the Party.

This is clearly a matter for your judgment.

3. The "hard Line" option.

Change the policy. Withdraw the tax cut as a proposal now, and change the economic forecast -- delay for one more week publishing the 1981 Review -- publish the 1980 figures and deficit on time. Have a Presidential announcement that in light of the 1980 deficit, economic uncertainties, and the irresponsible proposals of Governor Reagan you believe consideration now of a tax cut is inappropriate; that you will propose a 1981 tax cut but size, type, and timing are better discussed later and proposed after the election.

I believe this is a high risk approach with some potentially major advantages. It is the "differentiating" option -- it clearly draws a line -- it is economically prudent. It would enhance perceptions of your economic leadership.

It may also pose serious problems within the Party, and it may arouse great resentment in the Congress where we have generally signaled a tax cut.

Conclusion

I recommend Option 1 (as does Charlie Schultze). I think Option 3 is a better place for us to be in the Fall but it entails large risks. I would prefer Option 3 to either form of Option 2 (as does Charlie). If you choose Option 2 (Stu's suggestion), I recommend Option 2A (the general statement).



MID-SESSION REVIEW OF THE 1981 BUDGET

INTRODUCTION 11

This Mid-Session Review provides revised estimates of the 1981 15
budget as required by Section 201 of the Budget and Accounting 16
Act. These estimates take into account completed congressional 17
action, including the Supplemental Appropriations and Rescission 18
Act that was signed by the President on July 8, 1980, recent 19
experience on the rate of spending for Federal programs, and 20
revised economic assumptions. The Review also provides estimates 21
and projections for the 1982-1985 period and other information 21
required by law. 21

At the beginning of the calendar year, the economic situation was 23
characterized by very high inflation and rapidly increasing 24
interest rates. Although inflation continues to be unacceptably 25
high, it has decreased dramatically from the first quarter, and 26
is forecast to drop further by the end of the 26
year. The recession, which was expected in March to be 27
relatively mild, is turning out to be deeper than anticipated. 28
The unemployment rate, which reached 7-3/4% in June, is now 29
expected to rise further during the final half of the year to 30
8.5% in the last quarter. 30

In response to the economic conditions early in the year, the 32
President submitted budget revisions to the Congress in March 33
that reduced outlays for 1981 by \$17.2 billion. These reductions 34
were the product of lengthy consultations between the President, 34

his senior advisers, and the leadership of the Congress. | 35
Although the Mid-Session Review shows substantial changes in | 36
budget estimates, the policy of budget stringency is being | 37
continued. The changes shown in this Review result from: | 38

- the revised economic outlook; | 40

- natural disasters such as the eruptions of Mount | 42
St. Helens, and the recent influx of alien arrivals; | 43

- changes in the spendout of major procurement and | 45
construction programs, notably defense; and | 46

- other minor revisions. | 48

The Mid-Session Review proposes no new spending initiatives. | 50
Specifically, although the recession is deeper than anticipated, | 51
the Administration is not proposing to reverse its policy of | 52
budget restraint in order to provide economic stimulus. | 52

Congressional responses to the President's proposals for budget | 54
restraint have been constructive. Although the Administration | 55
does not agree in detail with all of the actions taken by the | 56
Congress or with all of the priorities established in the first | 56
concurrent resolution, the congressional budget is consistent | 57
with the policy of fiscal stringency proposed by the President. | 57
This year the Congress has modified its own budget process to | 58
include a reconciliation bill as part of the first concurrent | 59
resolution. The Senate has acted on this measure, reducing 1981 | 60

budget authority by \$4.0 billion and outlays by \$5.2 billion. 61
The Administration looks forward to prompt, similar action on the 62
part of the House of Representatives. Enactment of such a 63
reconciliation will be a significant milestone in the continuing 63
effort of the Congress and the Administration to maintain 64
appropriate budgetary discipline. [The Congress is to be 65
congratulated on all of its efforts at restraining the budget 65
this year.] 65

The major economic challenge that the Nation faces is to increase 67
investment, productivity, and economic growth. As part of the 68
response to this challenge, there will need to be a series of 68
selective tax adjustments during the coming years. In order to 70
avoid large budget deficits and continued high inflation -- which 70
itself is a major impediment to productivity and growth -- these 71
tax adjustments will require continued budget discipline and 71
restraint. If action on the 1981 budget continues to reflect 72
this restraint, the President plans to initiate the first tax 73
adjustment at the time he makes his 1982 budget proposals. The 74
Mid-Session Review reflects a tentative allocation for the tax 74
adjustment with an assumed effective date of January 1, 1981. 75
The precise nature and timing of the President's tax proposal 76
will be developed in the near future in close consultation with 77
the Congress. 77

Part 1 13

THE CURRENT BUDGET OUTLOOK, 1980-1981 15

Budget Totals 19

The revised 1980 and 1981 estimates in this review reflect: 22

-- policy changes enacted by the Congress since the January 25
budget and March revisions were issued; 25

-- reestimates of receipts and outlays in light of revised 27
economic assumptions and more recent data; and 28

-- technical changes in many estimates. 30

The current estimates supersede the revised budget estimates 32

published in March. Table 1 compares the current estimates with 34

the Administration's January and March figures. 34

**Electrostatic Copy Made
for Preservation Purposes**

Table 1.--BUDGET TOTALS
(in billions of dollars)

| | 1979 | 1980 Estimate | | | 1981 Estimate | | | |
|--------------------------------------|--------|---------------|-------|-------|---------------|-------|-------|----------------|
| | Actual | Jan. | March | July | Jan. | March | July | |
| Receipts..... | 465.9 | 523.8 | 532.4 | [518] | 600.0 | 628.0 | [607] | 43 44 |
| Outlays..... | 493.7 | 563.6 | 568.9 | [579] | 615.8 | 611.5 | [632] | 48 49 |
| Deficit, current estimate... | -27.7 | -39.8 | -36.5 | [-61] | -15.8 | 16.5 | [-25] | 51 52 53 |
| Allocation for tax program... | --- | --- | --- | --- | --- | --- | [-7] | 55 56 |
| Deficit, under tax program.... | -27.7 | -39.8 | -36.5 | [-61] | -15.8 | 16.5 | [-32] | 58 59 60 |
| Budget authority..... | 556.7 | 654.0 | 655.8 | [658] | 696.1 | 691.3 | [704] | 62 63 65 |

The 1980 deficit is now estimated to be \$[61] billion, \$[26] billion above the March estimate. The current estimate for 1981 is for a deficit of \$[25] billion, rather than the \$16.5 billion surplus estimated in March. Both the increase in the 1980 deficit and the shift from surplus to deficit in 1981 are the result of the following factors:

-- Estimated receipts have declined by \$[14] billion in 1980 and \$[21] billion in 1981. These reductions are caused almost entirely by congressional action or inaction on legislative proposals and changes expected in the economy.

-- Estimated outlays have increased by \$[10] billion in 1980 and \$[20] billion in 1981. These increases are largely attributable to more rapid spending for the

defense program; unavoidable increases in a number of 82
programs resulting from natural disasters, the recent 82
influx of alien arrivals, and other events; and the 83
recent sudden downturn in the economy. 83

A tax adjustment designed to increase investment, productivity, 85
and long-term economic growth, assumed to be effective January 1, 86
1981, would add about \$[7] billion to the estimated 86
deficit for 1981, assuming a reduction of about \$25 billion in 86
calendar year 1981 tax liabilities.

**Electrostatic Copy Made
for Preservation Purposes**

Short-Range Economic Forecast

88

In March the Administration forecast that the economy would 90
 experience a mild recession beginning in the middle of this year, 91
 followed by a mild recovery in 1981. Unemployment was expected 92
 to rise to about 7-1/4% by the end of the year and to remain at 93
 about that level during the following year. 93

It is now apparent that the economy is experiencing a much deeper 95
 recession than originally expected. The rate of unemployment, 97
 which has already reached 7-3/4%, is expected to rise somewhat 98
 further during the final half of this year, reaching 8.5% in the 98
 final quarter. In 1981 the forces of recovery are expected to 99
 take hold, and unemployment is expected to decline by about half 100
 a percentage point, to just over 8% by year end. 100

Inflation as measured by the CPI is projected to moderate 102
 substantially from the high rates experienced during the first 103
 half of this year. Measured fourth quarter over fourth quarter, 104
 the CPI is projected to increase by 12% during 1980 and 10% 105
 during 1981. The two percentage point decline in 1981 would be 106
 about one-half percentage point greater in the absence of the 107
 Administration's motor fuels tax, which is proposed to become 108
 effective next spring. This tax remains necessary as an 109
 important factor in reducing our Nation's energy consumption and 110
 reducing our dependence on foreign oil. 110

?

Table 2.-- SHORT-RANGE ECONOMIC FORECAST
(calendar years; dollar amounts in billions)

| | Actual | Forecast | | |
|---|--------|----------|----------------|-----|
| | 1979 | 1980 | 1981 | |
| 116 | | | | 120 |
| 117 | | | | 121 |
| <u>Major Economic Indicators</u> | | | | 123 |
| Gross national product (percent change, 4th quarter over 4th quarter): | | | | 125 |
| Current dollars..... | 9.9 | 6.7 | 13.7 | 126 |
| Constant (1972) dollars..... | 1.0 | -3.1 | 3.7 | 127 |
| GNP deflator (percent change, 4th quarter over 4th quarter)..... | 8.9 | 10.1 | 9.7 | 128 |
| Consumer Price Index (percent change, 4th quarter over 4th quarter)..... | 12.8 | 12.0 | 9.8 | 129 |
| Unemployment rate (percent, 4th quarter)..... | 5.9 | 8.5 | 8.1 | 130 |
| | | | | 131 |
| | | | | 132 |
| | | | | 133 |
| | | | | 134 |
| <u>Annual Economic Assumptions</u> | | | | 136 |
| Gross national product: | | | | 139 |
| Current dollars: | | | | 139 |
| Amount..... | 2,369 | 2,557 | 2,835 | 140 |
| Percent change, year over year..... | 11.3 | 7.9 | 10.9 | 141 |
| Constant (1972) dollars: | | | | 142 |
| Amount..... | 1,432 | 1,412 | 1,423 | 143 |
| Percent change, year over year..... | 2.3 | -1.4 | 0.8 | 144 |
| Incomes: | | | | 145 |
| Personal income..... | 1,924 | 2,108 | 2,340 | 146 |
| Wages and salaries..... | 1,228 | 1,327 | 1,463 | 147 |
| Corporate profits..... | 237 | 220 | 224 | 148 |
| Price level: | | | | 149 |
| GNP deflator: | | | | 150 |
| Level (1972=100), annual average..... | 165.5 | 181.1 | 199.2 | 151 |
| Percent change, year over year..... | 8.8 | 9.4 | 10.0 | 152 |
| Consumer Price Index <u>1</u> /: | | | | 153 |
| Level (1967=100), annual average..... | 217.7 | 246.8 | 270.8 | 154 |
| Percent change, year over year..... | 11.4 | 13.4 | 9.7 | 155 |
| Unemployment rates: | | | | 156 |
| Total, annual average..... | 5.8 | 7.6 | 8.2 | 157 |
| Insured, annual average <u>2</u> /..... | 3.0 | 4.4 | 4.7 | 158 |
| Federal pay raise, October (percent) <u>3</u> /..... | 7.0 | 7.8 | <u>4</u> / 9.0 | 159 |
| Interest rate, 91-day Treasury bills (percent) <u>5</u> /..... | 10.0 | 9.2 | 9.0 | 160 |
| | | | | 161 |
| | | | | 162 |
| | | | | 163 |
| | | | | 164 |
| | | | | 165 |

See footnotes on following page.

167

Table 2 (continued)

171

174

1/ CPI for urban wage earners and clerical workers. Two versions of the CPI are now published; one for urban wage earners and clerical workers and one for all urban consumers. The index shown here is required by law to be used in calculating automatic cost-of-living increases for indexed Federal programs.

178
178
180
181
182

2/ This indicator measures unemployment under State regular unemployment insurance as a percentage of covered employment under that program. It does not include recipients of extended benefits under that program.

184
185
187
187

3/ Pay raises become effective in October of each year -- the first month of the new fiscal year. Thus, the October 1980 pay raise will set new pay scales that will be in effect during fiscal year 1981.

189
191
192
192

4/ This is the projected pay increase for white collar workers and wage board employees. The pay raise for military personnel is estimated to be 9.1%.

194
196
196

5/ Average rate on new issues within period. These projections assume, by convention, that interest rates are linked to the rate of inflation. They do not represent a forecast of interest rates.

199
199
200
200

The Effect of Economic Conditions on the Budget 204

The fact that the budget is greatly affected by the economy is 206
widely appreciated, but the large magnitude of this effect is not 207
well understood. The table below shows the budget outlook for 208
1980 and 1981 under the economic assumptions as presented in this 209
review, and as it would look -- under the same budget policies -- 210
if the economy had experienced sustained growth during calendar 211
years 1980 and 1981 and unemployment had held steady at a 6% 211
rate. 211

Table 3.--THE BUDGET OUTLOOK UNDER ALTERNATIVE 216
ECONOMIC ASSUMPTIONS 217
(in billions of dollars) 218

| | <u>Receipts</u> | <u>Outlays</u> | <u>Surplus or Deficit(-)</u> | |
|--------------------------------|-----------------|----------------|----------------------------------|-----|
| <u>Fiscal Year 1980</u> | | | | 221 |
| Mid-Session Review..... | [518] | [579] | [-61] | 222 |
| Sustained economic growth..... | [531] | [574] | [-43] | 226 |
| Difference..... | [13] | [-5] | [18] | 227 |
| <u>Fiscal Year 1981</u> | | | | 228 |
| Mid-Session Review..... | [600] | [632] | [-32] | 230 |
| Sustained economic growth..... | [642] | [617] | [25] | 232 |
| Difference..... | [42] | [-15] | [57] | 233 |

As the table shows, receipts are substantially higher under the 243
sustained growth path, reflecting the higher income and payroll 244
tax receipts that would accompany the higher GNP growth. At the 246
same time, outlays for unemployment benefits and certain other 246
programs would be significantly lower under the sustained growth 247
path because of lower unemployment rates. The combined effect of 248
these automatic responses to the economy on the budget surplus or 249

deficit are substantial. The Mid-Session Review projections show 250
 a budget deficit of \$32 billion in 1981; under sustained economic 251
 growth, the 1981 budget would be in surplus by \$25 billion. 251

The effects of economic conditions on the budget have been 253
 evident in past periods, such as in 1975 and 1976. In these 255
 years, the economy moved from approximately full employment 255
 to the most severe recession since World War II. Outlay growth 257
 accelerated, the growth in receipts was substantially reduced (in 258
 part due to tax cuts enacted during that period), and the budget 258
deficit increased substantially, both in dollar amounts and as a 259
 share of GNP. 259

Table 4.--THE BUDGET TOTALS, 1974-76 264
 (dollar amounts in billions) 265

| | <u>Percentage</u> | | <u>Level</u> | <u>Deficit</u> | |
|-----------|--------------------|----------------|--------------|----------------|-----|
| | <u>increase in</u> | | | | |
| | <u>Receipts</u> | <u>Outlays</u> | | <u>GNP</u> | |
| 1974..... | 14.1 | 9.1 | -4.7 | 0.3 | 275 |
| 1975..... | 6.1 | 21.0 | -45.2 | 3.1 | 276 |
| 1976..... | 6.8 | 12.3 | -66.4 | 4.1 | 277 |
| | | | | | 278 |

Continue -> '81

Electrostatic Copy Made
 for Preservation Purposes

B

In his revised March budget, the President proposed \$15 billion in spending cuts to restrain inflationary pressures. In the First Concurrent Budget Resolution adopted for FY '81 the Congress has substantially accepted the President's policy of spending reductions.

As a result, solid progress has been made in the efforts to fight inflation and to bring Federal spending under stricter discipline. Although the inflation rate has been falling in recent months, the Administration continues to believe that measures designed to reduce inflation must remain in the forefront of our economic policy.

Recessionary pressures recently have been more severe than anticipated earlier this year. Efforts have already been undertaken by the Administration to combat the recession, and a number of existing Federal programs, such as unemployment compensation and public service jobs, are working to moderate its effects.

The Administration is currently consulting closely with the Congress to determine whether additional efforts directed at our long-term structural needs would be appropriate. In its consultations with the Congress, the Administration is considering measures which would reduce current recessionary burdens while also strengthening our industrial base, increasing productivity, and promoting long-term economic growth.

THE WHITE HOUSE

WASHINGTON
July 9, 1980

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
SUBJECT: Our Economic Program and the Poor

I am very concerned that, by the time you decide upon an economic proposal to be announced after the Mid-Session Budget Review, your options will be limited to tax cuts that inevitably discriminate against poorer Americans and that fail to provide relief for hard-pressed urban communities. Since your proposal will be announced in the context of our forecast unemployment rate in the neighborhood of 8.5% by the end of this year and remaining above 8% throughout next year, and since no tax reduction alone will give any immediate comfort to the unemployed, you may, as a matter of simple equity or of political necessity want to provide relief to non-taxpayers.

The tax package which will be offered to you -- an allowance for which is already contained in the Mid-Session Budget Review now being readied for the printer -- contains programs of substantial tax reduction for businesses and individuals of moderate income and above totalling \$25 billion in the first calendar year, and reaching over \$50 billion by the third year it is in effect. To support an economic program of this magnitude and to exclude disadvantaged Americans and urban communities, is, I believe, a serious mistake on both policy and political grounds.

As a matter of policy, I believe that some aid, and above all some sense that the leadership of this nation cares, is essential to prevent slippage back from the progress many cities have achieved over the past 3 years, and to avoid the possibility of serious social unrest. As a political matter, failure to make some provision for low income Americans will pose an obstacle which may prove insuperable to a genuine and enthusiastic reconciliation with those elements of the Democratic Party who have supported Kennedy and who genuinely want to support you wholeheartedly during the fall campaign.

On Tuesday, the Vice President, Bill Miller, Charlie Schultze, Fred Kahn, and I held an Accord meeting with Lane Kirkland and his staff. The AFL clearly believes that the Accord implies some targeted spending in times of recession. (As you know, our January budget specifically expressed a willingness to consider budget initiatives should the economy worsen.) Lane observed that he did not want to support the Kennedy economic platform plank (\$12 billion in spending) at the Convention, believing it to be imbalanced; for the first time, the AFL is willing to support business tax initiatives actively -- but only as part of a balanced program containing some assistance for the disadvantaged. Lane said that he could understand, but would disagree with, a program that provides no relief at this time to anyone; but he could not understand -- much less support -- a program of tax relief to business and the middle class that includes no help for the cities, the unemployed, and the poor.

Lane feels that to beat the Kennedy plank at the Convention with no alternative would be to achieve a Pyrrhic victory like the 1968 defeat of the Peace Plank. He believes (as I do) that Kennedy may well be able to support a balanced plank. But whether the Senator does or not, Lane feels that a great many delegates -- both our's and Kennedy's -- could support a balanced plank and balanced program as a major unifying force at the Convention. Furthermore, a balanced program would distinguish your program from Reagan's far more clearly than a tax cut alone, even if the cuts differed greatly in their details.

With national unemployment at 8.5%, unemployment in our major cities will be well above 10%, and the situation among minorities will, as you know, be still worse. It is important to remember that in response to the last recession, cities and their low income residents had available to them:

- \$2.2 billion in countercyclical revenue sharing
- \$7 billion providing 725,000 CETA jobs
- \$2 billion for special local public works

These safety nets will not be available under our present plans. In fact, under the budget resolution, the number of Federally supported CETA jobs is scheduled to decline from 400,000 today to at most 200,000 by the end of next year.

Moreover, as the attached Washington Post article demonstrates, basic aid to the poor has fallen substantially with inflation in the past several years. Nationally, AFDC levels have fallen 22% in real terms in the last 10 years, and there has been a 46% decline in New York State since 1975.

I recognize the difficulties of appearing to change positions on the need for spending restraint: they are substantial. Any request for additional spending will anger some members of Congress, particularly in the Senate, and make the current budget reconciliation process even more difficult. Furthermore, the financial markets --which are already nervous at the prospect of a larger deficit due to a tax cut -- may react more strongly if the increase in the Federal deficit results from spending increases.

On the other hand, our advocacy of a 1981 tax cut is already being seen as a shift in economic policy (although it has been prefigured in your earlier statements). And our economic forecast has changed dramatically since the January and March budget announcements. Since low-income Americans and the cities will bear the burden of the worsened economy, I believe we must address their needs in our response.

I believe we can do so -- and avoid most criticism --with a spending program that is both modest (perhaps \$4 billion of our \$25 billion package) and is for the most part sharply targeted to achieve as well our longer term policy goals, such as energy security.

The purpose of this memorandum is not to solicit your approval of a spending program. It is to ask for action to keep your options open. As I understand them, the EPG's present plans call for the announcement of the Mid-Session Budget Review with a \$25 billion "allowance" for 1981 tax reductions. We would continue to take the position that no tax cut should be enacted before the election, and any specific Administration proposal would not be forthcoming for several weeks, following further Congressional consultations. However, the present drafting of the mid-session review defines this \$25 billion fund as exclusively allocated to tax reductions. I am urging that you direct OMB to say that this fund is for tax reductions "and other initiatives", leaving open your option to select some highly targetted spending when you make your final decision.

If you agree, it is critical that you act immediately. Next Monday, OMB will send the Mid-Session Review to the printer, to be released one week later, on July 21. Beginning that same day, Jim McIntyre, Bill Miller, and Charlie Schultze will be scheduled to testify before various Congressional committees. Since you are not scheduled to return to Washington until July 17 -- after the Review will have been locked up -- I thought it necessary to raise this issue by memorandum.

For illustrative purposes, a sharply targeted package which would help the cities and which would be highly labor intensive might include \$4 billion selected from the following list of initiatives. These programs could, for the most part, be presented as being as consistent with long-term investment policy as accelerated depreciation, by putting people to work on projects that serve the long-term interests of the nation, particularly in energy conservation:

- Expansion of DOE's Low-Income Weatherization Program. DOE's low-income weatherization program had a deservedly bad reputation in the first two years of its operation (1977-78). Secretary Duncan instituted dramatic management and personnel reforms last fall, however, and the program is now achieving real success. In the first year and a half of its existence, the program weatherized about 150,000 homes; in the last six months, it has done about 130,000 and we expect it to continue at a rate of about 22,000-25,000 homes per month, given current funding.

We believe the program could be expanded by \$700 million, to the \$1 billion level, creating 50,000 jobs for the low-income, younger workers already in the CETA-eligible pool. With estimated energy savings of over 40% for each fully-weatherized dwelling, the program could make a very important structural improvement in our energy use, and to lowering the cost of low-income fuel assistance over the coming decade; while at the same time preparing the unemployed to work in a growing industry that could use their skills.

- Public Buildings Energy Conservation. Up to \$2 billion could be devoted to weatherization of public housing, and weatherization and other conservation improvements in Federal and local public facilities. Like the program mentioned above, this action would be labor-intensive, could employ large numbers of city youth, and could achieve substantial savings in imported oil. The current program for schools and hospitals, funded at \$185 million in FY 81, represents only a small portion of the potential national benefits to be gained.
- Transportation Improvements. Up to \$500 million could be invested in projects to maintain and improve the nation's rail and highway systems in ways which would directly improve energy efficiency, including highway resurfacing, rail restoration and rehabilitation (3R) and restoration of deferred maintenance by Conrail. (Legislation lifting the obligation ceiling would be necessary for increased 3R work.)

- Low-Income Energy Assistance. Due to Congressional changes in the formula, the Congressional budget allocation of \$1.8 billion will actually decrease aid to several Northeastern States. Expansion of the program by \$1 billion above the \$2.2 billion we requested -- to the \$3.1 billion level authorized by Congress after considerable debate last year -- would help offset the effects of increases in energy costs for low-income families who would not be helped much by a tax proposal, since they pay little tax.

- Countercyclical Fiscal Assistance. The \$500 million of transitional fiscal assistance that we proposed as part of our revenue sharing program has been converted by the House Government Operations Committee into a countercyclical program with a \$500 million cap. We could propose raising that cap to \$1 billion, and thereby provide some assurance that basic services will be maintained as local revenues fall. Failure to provide some safety net may threaten the real progress many cities have made with the help of our urban policy. (Note, for example, that Detroit's 18% unemployment rate has caused a \$70-120 million gap in the city's budget, threatening a 1,000 reduction in police and major cutbacks in recreation services for city youth.)

Measures selected from the above list -- and others which could be developed -- could form a \$4 billion program with benefits for the poor and the cities, and with long-term benefits for all Americans through energy savings. These efforts can be undertaken with no new authorizing legislation. And, by requesting one identified set of special appropriations which would expire when obligated, we can avoid building the budget base.

Again, I am not asking for a decision at this time to undertake any of these initiatives. I am asking that you instruct OMB to identify the \$25 billion item in the Mid-Session Review in such a way that your options are kept open.

DECISION

Instruct OMB to draft the Mid-Session Review in a manner which preserves your option to ~~select~~ some targeted spending initiatives as part of the \$25 billion package.

_____ Agree

_____ Disagree

cc: Jim McIntyre
Bill Miller
Charlie Schultze

Welfare Benefits Greatly Eroded By Long Inflation

By Spencer Rich

Washington Post Staff Writer

Over the past six or seven years the states have massively cut back the real level of monthly welfare checks to the poor.

And they did it without provoking bitter fights or publicity because they did it largely by doing nothing.

Faced with the highest inflation in modern times, many states have simply left cash welfare benefits at the same dollar levels, or raised them so little that welfare families can buy far less than they once could.

The result is that "the most impoverished people in the nation are taking it on the chin," in the words of Scott Bunton of the National Governors Association.

Some states have begun trying to cut their rolls directly. The governor of Pennsylvania asked the legislature to chop 81,000 "employable" people off the state-funded general assistance program to save about \$69 million a year. The state House has already complied and the state Senate is considering the proposal.

So far, only a few other states have cut welfare directly, but welfare experts fear this will become more prevalent if the nation's economic troubles continue.

The more common route is that followed by Texas, which has about 300,000 people receiving benefits under the Aid to Families with Dependent Children program.

In Texas, the maximum payment for a family of four without any other income has been \$140 a month under the AFDC program since 1969, although a temporary bonus equal to another \$5 a month was paid in 1979. An effort to raise the \$140 to \$187 a

month failed last year in the Texas legislature, according to the office of the state welfare commissioner.

Since 1969, the nationwide cost of living has increased about 115 percent, so the \$140-a-month basic payment for a family of four buys less than half what it bought in 1969.

New York City is another example. In 1975, the maximum AFDC payment in the city was \$476 a month to a family of four without any other income, a fairly sizable benefit compared with other jurisdictions then.

But, as Sen. Daniel P. Moynihan (D-N.Y.) repeatedly points out, that \$476 has not gone up a penny since then, while the cost-of-living index has jumped by about 46 percent. That

\$476, which enabled a mother with three children to get along with perhaps some degree of decency five years ago, can buy only two-thirds the food, clothing and shelter it bought then.

Some jurisdictions, like the District of Columbia, have substantially raised their welfare figures over the inflationary 1970s, but in few cases have they been able to raise them enough to keep pace with the cost of living.

Melone Broome, acting administrator of income maintenance programs for the District, said the maximum payment to a family of four without other income on AFDC here was \$246.40 a month in 1973. It has been raised in steps and today is \$348.73 for

the same family, an increase of 41 percent. But in the same period the consumer price index shot up 78 percent.

The fact that states have failed to keep AFDC payments up with the cost of living is shown starkly in national figures computed by the Department of Health and Human Services (HHS).

Measured in terms of constant 1979 dollars, the average state maximum for a family of four without other income was \$424 a month in 1973. By 1979, it had dropped to \$349.

Add food stamps to the benefits a family of four receives, and their situation in three quarters of the states is still worse today than in 1973-74, according to a Health and Human Services calculation.

Again, measured in constant 1979 dollars, the real value of a family of four's maximum benefit plus food stamps was \$523 a month in 1974 and \$479 a month last September, according to a calculation of population weighted averages of state maximum payment schedules.

"Certainly, we have seen this inflation cutting back on the real value of AFDC," said Rudolph G. Penner, director of tax studies for the American Enterprise Institute.

Other federal programs for the poor have grown, like rental aid (more than \$6 billion a year) and the cash payments for fuel assistance, estimated at about \$1.8 to \$1.9 billion a year.

But Dean Mitchell Ginsberg, of the Columbia School of Social Work, Assistant Secretary of HHS John Palmer and several other economists or welfare experts doubt that these added payments fully compensate most welfare clients for loss of purchasing power, especially since they aren't evenly distributed throughout the welfare population.

One reason that the big U.S. outlays for food stamps (more than \$9 billion a year), housing (more than \$6 billion) and energy assistance (\$1.8 billion) don't fill the deficit for all the AFDC and aged-blind-and-disabled (SSI) welfare clients is that large amounts go to other poor people not quite eligible for AFDC or SSI. Those at the lowest end of the scale, the direct welfare clients, don't get all this money.

Thus, people over the maximum income limits for welfare are eligible for food stamps, Medicaid, housing aid and fuel assistance and get a big portion of these outlays. And these benefits are also spread over a larger population with more unemployment than in 1973.

Only about a third of those living in subsidized housing for low-income people are on welfare, and only a little over half the households on food stamps are welfare clients.

Medicaid, the charity medical program, has also expanded greatly and

is estimated at \$25 billion, for fiscal 1980, three-fifths federally paid.

But welfare clients who are lucky enough not to get ill don't receive a penny from the program. And even for those who do, the outlays merely cover extra costs of sickness, and "they don't put food on the table or pay your rent," said Ken Bowler, a welfare expert on the staff of the House Ways and Means Committee. "You can't eat your crutches."

Even while the states have been saving large amounts by failing to keep welfare payment levels up to inflation, Bunton and welfare experts said, they have also kept the AFDC welfare rolls below what they would otherwise be by failing to increase dollar eligibility cutoffs.

Thus, using Texas as an extreme example again in 1969, only a family of four with an income of less than \$187 a month was considered poor enough to be eligible for AFDC. Today, \$187 buys less than half what it bought then, so theoretically the cutoff should be doubled so that families of the same real poverty would be eligible. But it is still \$187.

To a generally lesser degree, the same is true in many other states.

For the 4.2-million aged, blind and disabled, or SSI population, the overall benefit-erosion isn't nearly as bad because the U.S. government makes the basic support payment and raises it annually to keep pace with inflation. But many states supplement the federal payment and, generally, their added cash payments haven't kept up with inflation.

As painful as all this is for the genuinely needy, Ginsberg fears it could get worse as states desperately seek out places to cut and prune to save money in tight times.

Already there are some signs he may be right. This year, Washington state and Michigan, relatively high-benefit states, are actually cutting the dollar amounts of supplements they pay to SSI clients.

Special correspondent Joe Davidson contributed to this report.

THE WHITE HOUSE

WASHINGTON

July 18, 1980

TO: President and Mrs. Carter -- fyi
FROM: Phil *Phil*

You were invited to attend the premier of "The Final Countdown" at the Kennedy Center on Sunday, July 27, to benefit the U.S. Navy Memorial Foundation. Our office has regretted on your behalf.

Kirk Douglas stars in this movie. It is our understanding he will be an overnight guest at the White House Saturday so he may mention this to you.

*J We've
seen it
J*

Electrostatic Copy Made
for Preservation Purposes

THE WHITE HOUSE

WASHINGTON

July 18, 1980

C

TO: The President
FROM: Phil Wise *PHL*
RE: Requests for additions to next week's schedule

I. Signing Ceremony for Idaho Wilderness Legislation

This has been requested by Senator Church and Secretary Andrus. Watson, Moore and Wexler recommend.

If you approve, we will schedule a 10-minute ceremony Wednesday at 9:45 a.m.

approve disapprove

II. Meeting with Arthur Burns

Burns has recently formed a "Committee to Fight Inflation", the goals of which are consistent with Administration policies. He has publicly criticized the Reagan tax proposals and will testify to this effect before the Congress next week. He asked to have a brief meeting with you to tell you about the efforts of the Committee. Eizenstat, Watson and Kahn recommend.

If you approve, we will schedule a 15-minute meeting Wednesday at 2:00 p.m.

approve disapprove

Electrostatic Copy Made
for Preservation Purposes

THE WHITE HOUSE
WASHINGTON

18 Jul 80

FOR THE RECORD

LLOYD CUTLER RECEIVED A COPY
OF THE ATTACHED AND THE ORIGINAL
LETTER FOR APPROPRIATE HANDLING.

ID 3736

THE WHITE HOUSE
WASHINGTON

Electrostatic Copy Made
for Preservation Purposes

July 15, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: LLOYD CUTLER *LC*

SUBJECT: RESIGNATION OR REMOVAL OF U. S. MARSHAL
IN HAWAII

Attached is a memorandum dated July 3 from the Attorney General recommending that he be authorized to ask the United States Marshal in Hawaii to resign and to state that if he does not resign the President will remove him from office.

I agree with the Attorney General's recommendation.

The Attorney General has discussed the proposed recommendation with Senator Inouye, who has no objection. During the trip to Tokyo Bob Schule of Frank Moore's staff discussed the proposed recommendation with Governor Ariyoshi and Congressman Akaka, who also had no objection. Congressman Akaka was one of the Marshal's original sponsors.

The Attorney General also plans to advise Senator Matsunaga and will do so before communicating with the Marshal.

Approve ✓

Use letter if needed
Disapprove _____

J



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

July 3, 1980

MEMORANDUM TO THE PRESIDENT

Re: United States Marshal,
District of Hawaii

I must reluctantly recommend that you exercise your authority as Chief Executive to remove from office the United States Marshal for the District of Hawaii, Edward N. Keliikoa. Keliikoa has engaged in a number of activities which, when viewed separately, exhibit abuse of his authority as a United States Marshal and disregard of the lawful regulations of the United States Marshals Service. When viewed as a whole, they suggest close ties between Marshal Keliikoa and organized crime in Hawaii. Since his continued presence in office would imply that he enjoys both your and my trust and confidence, and since he is clearly deserving of neither, I have no alternative but to take the serious step of suggesting the removal of this Presidential appointee. I am seeking your authorization to request his resignation and if necessary to dismiss him from office.

Allegations of Misconduct

In February and March of this year, the United States Marshals Service, at the direction of the Department of Justice Office of Professional Responsibility, conducted an on-site investigation of allegations of wrongdoing in the office of the United States Marshal in Hawaii. A number of significant allegations, including the following, were substantiated by the investigation:

(1) Extension of favors to Wilford "Nappy" Pulawa:
During the course of a state murder prosecution of federal prisoner Pulawa, reputed head of organized crime in Hawaii, Pulawa received extraordinary handling and favored treatment from, or at the direction of, Marshal Keliikoa. The special

treatment included cell block visits from family and friends, meetings with indicted associates and freedom from restraints, all in contravention of Marshals Service policy and Marshal Keliikoa's own published security procedures.

(2) Special treatment of Charles Russell: Keliikoa extended similar favors to this federal prisoner while he was being prosecuted for extortion of a witness receiving federal protection in the Witness Security Program. Among other things, Russell was permitted to converse with friends and family in courthouse corridors without restraint, was accompanied by the Marshal before a state court judge so that he could marry his common law wife and was then permitted unlimited visits from his wife. At the time of the trial, Russell was in the custody of the U.S. Marshal, having previously been sentenced for a firearms violation.

Marshal Keliikoa also intervened directly with Bureau of Prisons officials to obtain a furlough for Russell, an action within the jurisdiction of the U.S. Probation Office, not the Marshals Service. The furlough was in support of Russell's application to a halfway house that previously had rejected him but agreed to reconsider solely because of intimidation caused by the intervention of the Marshal.

(3) Intervention on behalf of Charles Stevens: Marshal Keliikoa attempted to dissuade the U.S. Probation Office from issuing a parole violation warrant for Stevens, considered an organized crime figure. The warrant was issued and Stevens surrendered to custody of the U.S. Marshals Service. Marshal Keliikoa delayed Stevens' transfer to the mainland and on three occasions, without authority to do so, secured the overnight release of Stevens on informal personal recognition.

(4) Improper use of government funds: Marshal Keliikoa used government funds for unauthorized air travel by him and his wife to Las Vegas and used a government vehicle for a 100-mile trip to visit relatives.

Additional Evidence of Misconduct

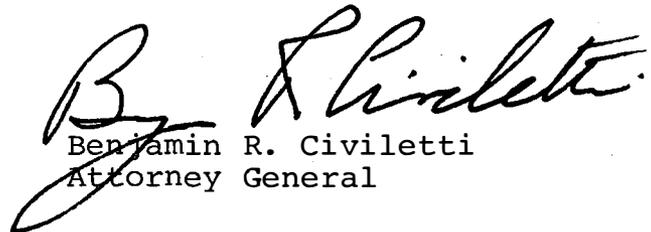
In addition to the serious matters investigated by the Marshals Service, the Service office in Washington has evidence of further misconduct by Marshal Keliikoa. He has violated USMS regulations by failing to make court-ordered alimony and child support payments, for which he has twice been admonished

in writing. He has also used official stationery and a threat of loss of government business in an effort to have Western Airlines reinstate his personal credit card.

Conclusions

The incidents described in the Marshals Service report on Marshall Keliikoa are serious. They have also resulted in serious harm to the image of federal law enforcement in Hawaii. Substantial adverse publicity has accompanied disclosure of the Marshal's preferential treatment of Pulawa, Russell and Stevens. More important, law enforcement agencies in Hawaii and in Washington, including the Honolulu Police Department, the Federal Bureau of Investigation, and the Drug Enforcement Administration, as well as related criminal justice agencies, hold a comprehensive distrust of Marshal Keliikoa. Honolulu Police Chief Keala believes that Marshal Keliikoa took confidential written minutes from a Honolulu Police Department criminal analysis session and gave the report to a relative of Stevens while Stevens was defending against his parole revocation. While the Marshals Service investigators could not substantiate this allegation, Chief Keala's belief led him to bar Marshals Service personnel from his Department's weekly briefings. In fact, all levels of law enforcement in Hawaii have established policies of non-cooperation on intelligence and operational matters in order to isolate the U.S. Marshals Office.

I am convinced that Marshal Keliikoa will never be able to provide responsible evenhanded law enforcement services to the citizens of Hawaii and the Nation. I therefore recommend that you authorize me to ask for Keliikoa's resignation and, if his resignation is not forthcoming, to dismiss him from the position of trust that he currently occupies. A letter of dismissal is attached for your review and signature. I will proceed to seek Keliikoa's resignation and will deliver the letter of dismissal only if his resignation is not forthcoming.


Benjamin R. Civiletti
Attorney General

THE WHITE HOUSE
WASHINGTON

To Edward Keliikoa

I have been informed by the Attorney General of a series of allegations regarding your conduct in office, and the results of investigation of those allegations by the United States Marshals Service.

In light of the results of the investigation, I can no longer repose in you the trust and confidence that your continued service in office would imply. I regret to inform you, therefore, that you are hereby dismissed as United States Marshal for the District of Hawaii.

Sincerely,

A handwritten signature in cursive script that reads "Jimmy Carter". The signature is written in black ink and is positioned to the right of the word "Sincerely,".

The Honorable Edward N. Keliikoa
United States Marshal for the
District of Hawaii
300 Ala Moana Boulevard
Honolulu, Hawaii 96850

THE WHITE HOUSE
WASHINGTON

Moore comment re Civiletti memo:

"We have checked with the Hawaii delegation on a confidential basis. All Concur in the attorney general's judgement and have no objections to his recommendations."

ID 803664

THE WHITE HOUSE

WASHINGTON

ID 3736

DATE: 07 JUL 80

FOR ACTION: LLOYD CUTLER

INFO ONLY: FRANK MOORE *[Signature]*

JACK WATSON

SUBJECT: CIVILETTI MEMO RE UNITED STATES MARSHL DISTRICT OF HAWAII

+++++

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

+ BY: +

+++++

ACTION REQUESTED: IMMEDIATE TURNAROUND

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

PLEASE NOTE OTHER COMMENTS BELOW:

0000
0000
0000

| | |
|-------------------------------------|---------------------------|
| <input checked="" type="checkbox"/> | FOR STAFFING |
| <input type="checkbox"/> | FOR INFORMATION |
| <input type="checkbox"/> | FROM PRESIDENT'S OUTBOX |
| <input type="checkbox"/> | LOG IN/TO PRESIDENT TODAY |
| <input type="checkbox"/> | IMMEDIATE TURNAROUND |
| <input type="checkbox"/> | NO DEADLINE |
| <input type="checkbox"/> | FOR APPROPRIATE HANDLING |
| <input type="checkbox"/> | LAST DAY FOR ACTION |

| | |
|--------------------------|--------------|
| <input type="checkbox"/> | ADMIN CONFID |
| <input type="checkbox"/> | CONFIDENTIAL |
| <input type="checkbox"/> | SECRET |
| <input type="checkbox"/> | EYES ONLY |

ACTION
FYI

| | |
|-------------------------------------|----------------|
| <input type="checkbox"/> | VICE PRESIDENT |
| <input type="checkbox"/> | JORDAN |
| <input checked="" type="checkbox"/> | CUTLER |
| <input type="checkbox"/> | DONOVAN |
| <input type="checkbox"/> | EIZENSTAT |
| <input type="checkbox"/> | MCDONALD |
| <input checked="" type="checkbox"/> | MOORE |
| <input type="checkbox"/> | POWELL |
| <input checked="" type="checkbox"/> | WATSON |
| <input type="checkbox"/> | WEDDINGTON |
| <input type="checkbox"/> | WEXLER |
| <input type="checkbox"/> | BRZEZINSKI |
| <input type="checkbox"/> | MCINTYRE |
| <input type="checkbox"/> | SCHULTZE |
| <input type="checkbox"/> | |
| <input type="checkbox"/> | ANDRUS |
| <input type="checkbox"/> | ASKEW |
| <input type="checkbox"/> | BERGLAND |
| <input type="checkbox"/> | BROWN |
| <input type="checkbox"/> | CIVILETTI |
| <input type="checkbox"/> | DUNCAN |
| <input type="checkbox"/> | GOLDSCHMIDT |
| <input type="checkbox"/> | HARRIS |
| <input type="checkbox"/> | KREPS |
| <input type="checkbox"/> | LANDRIEU |
| <input type="checkbox"/> | MARSHALL |

| | |
|--------------------------|------------|
| <input type="checkbox"/> | MILLER |
| <input type="checkbox"/> | VANCE |
| <input type="checkbox"/> | |
| <input type="checkbox"/> | BUTLER |
| <input type="checkbox"/> | CAMPBELL |
| <input type="checkbox"/> | H. CARTER |
| <input type="checkbox"/> | CLOUGH |
| <input type="checkbox"/> | CRUIKSHANK |
| <input type="checkbox"/> | FIRST LADY |
| <input type="checkbox"/> | FRANCIS |
| <input type="checkbox"/> | HARDEN |
| <input type="checkbox"/> | HERTZBERG |
| <input type="checkbox"/> | HUTCHESON |
| <input type="checkbox"/> | KAHN |
| <input type="checkbox"/> | LINDER |
| <input type="checkbox"/> | MARTIN |
| <input type="checkbox"/> | MILLER |
| <input type="checkbox"/> | MOE |
| <input type="checkbox"/> | PETERSON |
| <input type="checkbox"/> | PRESS |
| <input type="checkbox"/> | SANDERS |
| <input type="checkbox"/> | SPETH |
| <input type="checkbox"/> | STRAUSS |
| <input type="checkbox"/> | TORRES |
| <input type="checkbox"/> | VOORDE |
| <input type="checkbox"/> | WISE |

regular foreign policy breakfsat
friday, july 18, 1980

THE WHITE HOUSE
WASHINGTON

For policy

7-18-80

- > Bolivia - Weissman home
- > Waldheim → Thailand
- > Iran hostages - Capucci = non govt
- > Grain sales - SU 57kg Pol 80
- > Mid East - 715-1hr → Byrd = 8 mt
- > Afghan - SA 7
- > CSCE
 - > 715
- > Liberia/SU
- > Berbers - still alive
- > UN re Afghan
- > TNE - No SI = No X 12/79 NATO = Belgians
- > Angola - PRC
- > Queen - see Sat

Electrostatic Copy Made
for Preservation Purposes

Coal gas plant N.D 7/18/80
Gov Link - Sen Furdick
Pres Georgine, Pres Jay Turner
Jack Lyons - Chmn Seder Consortium 1985
\$250 m loan guar -
Great Plains CGP in ND -
1st Commercial coal & gas
9 m by - 3000 Const. - 500 gpa
22,000 Tons coal/day
↳ 3 weeks Energy Security Act
Design Const Private
Syn Fuels (-) 2 mbd imports
1992, 70,000 new jobs
TH.

Coal Gasification Ceremony 7/18/80

Electrostatic Copy Made
for Preservation Purposes

Canadian decision re gas pipeline 7/18/80

Can Announced ALN 600 x 541
1st of 4800 mile line
Purdhoe Bay → heartland US.
185 2nd 6 cfd = 7400,000
10% nation's reserves

Electrostatic Copy Made
for Preservation Purposes

THE WHITE HOUSE
WASHINGTON
18 Jul 80

Jack Watson

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

Rick Hutcheson

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

| |
|--------------|
| ADMIN CONFID |
| CONFIDENTIAL |
| SECRET |
| EYES ONLY |

ACTION
FYI

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

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

THE WHITE HOUSE

WASHINGTON

July 15, 1980

①

MEMORANDUM FOR THE PRESIDENT

FROM: RICK HUTCHESON *Rick*
SUBJECT: Memos Not Submitted

Electrostatic Copy Made
for Preservation Purposes

1. ROUTINE CAB DECISIONS with which Cutler, OMB and all agencies concur:
 - o Dockets 33688, 33689, 36183, 36184, 32416 authorize various firms to engage in foreign air charter operations;
 - o Docket 33712 approves the acquisition of Seaboard Airlines by Tiger International, Inc.
 - o Dockets 37640, 37048, 36932 issue or transfer foreign air carrier permits to various airlines.
 - o Docket 37164 increases the number of flights between Bermuda and various U.S. cities for several U.S. airlines.
2. JIM MCINTYRE MEMO reporting to you that he met with senior officials and Inspectors General from all major Federal agencies to emphasize the need to end abuse in the procurement of consulting firms.
3. FRED KAHN MEMO reporting on a recent survey done for the American Retail Federation (Lloyd Hackler) by Cambridge Reports:
 - o the number of people disagreeing with the assertion that "we've got to live with inflation" jumped from 50% to 70%, which Kahn interprets as an increase in optimism about inflation;
 - o only 25% advocate wage/price controls as a cure for inflation; 57% believe wage/price controls hurt the economy in the long run.
4. COSTLE MEMO. EPA is frequently accused of underestimating the cost of complying with environmental regulations. However, an EPA study indicates that while EPA and industry both overestimate the cost of pollution control, EPA's estimates are consistently better than that of industry.
5. BRZEZINSKI/PRESS MEMO. Following up on your approval of a science and technology initiative with several Black African countries, Frank Press will lead a delegation of S&T officials to Nigeria, Zimbabwe, Kenya and Senegal in September.

THE WHITE HOUSE
WASHINGTON

02 Jul 80

Records Office

The legal Counsel's office
concur with the attached
CAB decisions: Docket 33712.
Please have letter autopenned.

Thanks

Marion
Rick Hutcheson's office



Mr. HURON

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

ACTION

MEMORANDUM FOR THE STAFF SECRETARY

SUBJECT: Civil Aeronautics Board Decision:

Tiger International - Seaboard World Airlines,
Inc., Acquisition Case

Docket 33712

Due Date: July 12, 1980

You will find attached a memorandum for the President about the above international aviation case.

The Civil Aeronautics Board proposes to approve, subject to conditions, the application of Tiger International, Inc., for its acquisition of control of Seaboard World Airlines, Inc. The Board also proposes to transfer Seaboard's foreign route certificates to the surviving subsidiary corporation, Seaboard World Airlines, Inc.

While the Department of Justice has actively participated in the Board's proceedings and has argued that a merger of these two firms would be anticompetitive, the Department finds no foreign policy or national defense reasons for recommending Presidential disapproval of the merger. The other interested executive agencies have reviewed the Board's decisions and have no objection to the merger. No foreign policy or national defense reasons for disapproving the Board's orders have been identified.

I recommend that the President sign the attached letter to the Chairman which indicates that he does not intend to disapprove the Board's orders within the 60 days allowed by statute. Otherwise, the Board's orders become final on the 61st day.

I also recommend that the President state in his letter that no national defense or foreign policy reason underlies his action. This will preserve whatever opportunity is available under the statute for judicial review.

R. O. Schlickeisen
Associate Director for
Economics and Government

Attachments:

Memorandum to the President
CAB letter of transmittal
CAB orders
Letter to the Chairman

cc: Official file
 Mr. Schlickeisen(2)
 Ms. Walker(2)
 Mr. Adkins
 Mr. Sides
 TCH:TSides:cmw 6/30/80



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

ACTION

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Civil Aeronautics Board Decision:

Tiger International - Seaboard World Airlines,
Inc., Acquisition Case

Docket 33712

Due Date: July 12, 1980

The Civil Aeronautics Board proposes to approve, subject to conditions, the application of Tiger International, Inc., for its acquisition of control of Seaboard World Airlines, Inc. The Board also proposes to transfer Seaboard's foreign route certificates to the surviving subsidiary corporation, Seaboard World Airlines, Inc.

The Department of Justice has actively participated in the Board's proceedings in this case and has argued that a merger of these two air cargo carriers would be anticompetitive in the relevant domestic markets. The Board has rejected the Department's position. Although the Justice Department's opposition to the merger is based upon "economic considerations", the scope of Presidential review is limited only to foreign policy or national defense considerations. Since competition in domestic cargo markets, not in foreign cargo markets, is expected to be adversely impacted by approval of this merger, the Justice Department has concluded that there is no statutory basis for a Presidential disapproval of the Board's orders in this case.

The Departments of State, Defense and Transportation and the National Security Council have not identified any foreign policy or national defense reasons for disapproving the Board's orders in whole or in part.

The Office of Management and Budget recommends that you approve the Board's decisions by signing the attached letter to the Chairman which indicates that you do not intend to disapprove the Board's orders within the 60 days allowed by statute for your review. Also, OMB recommends that you state in your letter that no national defense or foreign policy reason underlies your action. This will preserve whatever opportunity is available under the statute for judicial review.

R. O. Schlickeisen
Associate Director for
Economics and Government

Attachments:

CAB letter of transmittal
CAB orders
Letter to the Chairman

Options and Implementation Actions:

- 1) Approve the Board's orders and preserve whatever opportunity is available for judicial review (DOS, DOD, DOJ, DOT, NSC, OMB.)
-- Sign the attached letter to the Chairman.
- 2) Approve the Board's orders and do nothing to preserve whatever opportunity is available for judicial review.
-- Implementation materials to be prepared.
- 3) Disapprove the Board's orders.
-- Implementation materials to be prepared.
- 4) See me.

THE WHITE HOUSE

WASHINGTON

To Chairman Marvin Cohen

I have reviewed the following international aviation case submitted by the Civil Aeronautics Board:

Tiger International - Seaboard World Airlines,
Inc., Acquisition Case

Docket 33712

I do not intend to disapprove the Board's orders within the 60 days allowed by statute. No foreign policy or national defense reason underlies my action.

Sincerely,

The Honorable Marvin S. Cohen
Chairman
Civil Aeronautics Board
Washington, D.C. 20428

THE WHITEHOUSE

WASHINGTON

02 Jul 80

To the Records Office

The Legal Counsel's office
concur with the attached
CAB decisions: Dockets 33688,
33689, 36183, 36184, 32416,
33006. Please have appropriate
letters autopenned.

Thanks,

Marion Bartle
Rick Hutcheson's office



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

JUN 26 1980

ACTION

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Civil Aeronautics Board Decisions:

| | |
|-------------------------|---|
| Lone Star Airways, Inc. | Fritz Hutcheson d/b/a U.S. Air Coach |
| Dockets 33688, 33689 | Docket 32416 |
| Due Date: July 12, 1980 | Due Date: July 27, 1980 |
| Sun Land Airlines, Inc. | Two Americas Trading Company d/b/a ICB International Airlines |
| Dockets 36183, 36184 | Docket 33006 |
| Due Date: July 27, 1980 | Due Date: July 27, 1980 |

The Civil Aeronautics Board, for almost two years, has been reviewing the applications for domestic and international charter authority received from over sixty firms in the Former Large Irregular Air Service Investigation (Dockets 33361, 33362, 33363). The Board proposes to take the following actions with regard to the above international aviation cases which are a part of this larger proceeding:

- A certificate of public convenience and necessity will be issued to Lone Star Airways, Inc., authorizing the firm to engage in foreign charter air transportation of persons and property. The Board has reviewed and approved certain control and interlocking relationships involving the certificate applicant.
- A certificate of public convenience and necessity will be issued to Fritz Hutcheson d/b/a U.S. Air Coach authorizing the firm to engage in foreign charter air transportation of persons, property (except for Transatlantic cargo services), and mail.
- A certificate of public convenience and necessity will be issued to Sun Land Airlines, Inc., authorizing the firm to engage in foreign charter air transportation of persons, property, and mail.

-- A certificate of public convenience and necessity will be issued to Two Americas Trading Company d/b/a ICB International Airlines authorizing the firm to engage in foreign charter air transportation of property and mail. The Board has reviewed and approved certain control and interlocking relationships involving the certificate applicant.

In each of these four international aviation cases, the Board's policy has been to respond favorably to charter air transportation services applicants so that these new firms will act as a competitive spur to the rest of the air transport industry.

The Departments of State, Defense, Justice and Transportation and the National Security Council have not identified any foreign policy or national defense reasons for disapproving the orders in whole or in part.

The Office of Management and Budget recommends that you approve the Board's decisions by signing the attached letter to the Chairman which indicates that you do not intend to disapprove the Board's orders within the 60 days allowed by statute for your review.

/s/ R. O. Schlickeisen

R. O. Schlickeisen
Associate Director for
Economics and Government

Attachments:

CAB letters of transmittal
CAB orders
Letter to the Chairman

Options and Implementation Actions:

- 1) Approve the Board's orders. (DOS, DOD, DOJ, DOT, NSC, OMB.)
-- Sign the attached letter to the Chairman.
- 2) Disapprove the Board's orders.
-- Implementation materials to be prepared.
- 3) See me.



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

JUN 26 1980

ACTION

MEMORANDUM FOR THE STAFF SECRETARY

SUBJECT: Civil Aeronautics Board Decisions:

| | |
|-------------------------|---|
| Lone Star Airways, Inc. | Fritz Hutcheson d/b/a U.S. Air Coach |
| Dockets 33688, 33689 | Docket 32416 |
| Due Date: July 12, 1980 | Due Date: July 27, 1980 |
| Sun Land Airlines, Inc. | Two Americas Trading Company d/b/a ICB International Airlines |
| Dockets 36183, 36184 | Docket 33006 |
| Due Date: July 27, 1980 | Due Date: July 27, 1980 |

You will find attached a memorandum for the President about the above international aviation cases. The interested executive agencies have reviewed the Board's decisions and have no objection to the proposed orders.

These are routine, noncontroversial matters. No foreign policy or national defense reasons for disapproving the Board's orders have been identified. I recommend that the President sign the attached letter to the Chairman which indicates that he does not intend to disapprove the Board's orders within the 60 days allowed by statute. Otherwise, the Board's orders become final on the 61st day.

/s/ R. O. Schlickeisen

R. O. Schlickeisen
Associate Director for
Economics and Government

Attachments:

Memorandum to the President
CAB letters of transmittal
CAB orders
Letter to the Chairman

-- A certificate of public convenience and necessity will be issued to Two Americas Trading Company d/b/a ICB International Airlines authorizing the firm to engage in foreign charter air transportation of property and mail. The Board has reviewed and approved certain control and interlocking relationships involving the certificate applicant.

In each of these four international aviation cases, the Board's policy has been to respond favorably to charter air transportation services applicants so that these new firms will act as a competitive spur to the rest of the air transport industry.

The Departments of State, Defense, Justice and Transportation and the National Security Council have not identified any foreign policy or national defense reasons for disapproving the orders in whole or in part.

The Office of Management and Budget recommends that you approve the Board's decisions by signing the attached letter to the Chairman which indicates that you do not intend to disapprove the Board's orders within the 60 days allowed by statute for your review.

/s/ R. O. Schlickeisen

R. O. Schlickeisen
Associate Director for
Economics and Government

Attachments:

CAB letters of transmittal
CAB orders
Letter to the Chairman

Options and Implementation Actions:

- 1) Approve the Board's orders. (DOS, DOD, DOJ, DOT, NSC, OMB.)
-- Sign the attached letter to the Chairman.
- 2) Disapprove the Board's orders.
-- Implementation materials to be prepared.
- 3) See me.



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

JUL 8 1980

ACTION

MEMORANDUM FOR THE STAFF SECRETARY

SUBJECT: Civil Aeronautics Board Decision:
United States-Bermuda Show Cause Proceeding
Docket 37164
Due Date: July 19, 1980

You will find attached a memorandum for the President about the above international aviation case. The interested executive agencies have reviewed the Board's decision and have no objection to the proposed order.

The Government of Bermuda has objected to the Board's decision. After reviewing these objections, the Board has decided to make final its tentative findings and conclusions. No foreign policy or national defense reasons for disapproving the Board's order have been identified. I recommend that the President sign the attached letter to the Chairman which indicates that he does not intend to disapprove the Board's order within the 60 days allowed by statute. Otherwise, the Board's order becomes final on the 61st day.

/s/ R. O. Schlickeisen

R. O. Schlickeisen
Associate Director for
Economics and Government

Attachments:

Memorandum to the President
CAB letter of transmittal
CAB order
Letter to the Chairman

3670



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

JUL 8 1980

ACTION

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Civil Aeronautics Board Decision:

United States-Bermuda Show Cause Proceeding

Docket 37164

Due Date: July 19, 1980

The Civil Aeronautics Board proposes to amend the route certificates of American Airlines, Delta Air Lines, Eastern Air Lines, Evergreen International Airlines, Ozark Air Lines, Pan American World Airways, Republic Airlines, Transamerica Airlines, Trans Carib Air, Trans World Airlines and U.S. Air, to authorize increased air transportation service opportunities between Bermuda and various U.S. points. The eight U.S. points affected are Atlanta, Baltimore, Chicago, Detroit, Miami, New York, Philadelphia and Washington, D. C.

The Government of Bermuda has raised a number of objections to the Board's show cause order in this case. After reviewing and commenting upon each of the objections raised, the Board has concluded that Bermuda has not presented any facts of sufficient magnitude to call into question the Board's policy of multiple carrier entry.

The Departments of State, Defense, Justice and Transportation and the National Security Council have not identified any foreign policy or national defense reasons for disapproving the Board's order in whole or in part.

The Office of Management and Budget recommends that you approve the Board's decision by signing the attached letter to the Chairman which indicates that you do not intend to disapprove the Board's order within the 60 days allowed by statute for your review. Also OMB recommends that you state in your letter that no national defense or foreign policy reason underlies your action. This will preserve whatever opportunity is available under the statute for judicial review.

/s/ R. O. Schlickeisen

R. O. Schlickeisen
Associate Director for
Economics and Government

Attachments:

CAB letter of transmittal
CAB order
Letter to the Chairman

Options and Implementation Actions:

- 1) Approve the Board's order and preserve whatever opportunity is available for judicial review (DOS, DOD, DOJ, DOT, NSC, OMB).
-- Sign the attached letter to the Chairman.
- 2) Approve the Board's order and do nothing to preserve whatever opportunity is available for judicial review.
-- Implementation materials to be prepared.
- 3) Disapprove the Board's order.
-- Implementation materials to be prepared.
- 4) See me.

THE WHITE HOUSE

WASHINGTON

To Chairman Marvin Cohen

I have reviewed the following order proposed by the Civil Aeronautics Board:

United States-Bermuda Show Cause Proceeding
Docket 37164

I do not intend to disapprove the Board's order within the 60 days allowed by statute. No foreign policy or national defense reason underlies my action.

Sincerely,

The Honorable Marvin S. Cohen
Chairman
Civil Aeronautics Board
Washington, D.C. 20428



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

JUL 9 1980

ACTION

MEMORANDUM FOR THE STAFF SECRETARY

SUBJECT: Civil Aeronautics Board Decisions:

Skocdopole Brothers
Aviation, Ltd.

Air Niagara (1978), Ltd.

Docket 37640

Docket 37048

Due Date: July 14, 1980

Due Date: July 26, 1980

Toronto Airways, Ltd. d/b/a Torontair
and
Wagner Aviation, Ltd.

Docket 36932

Due Date: July 29, 1980

You will find attached a memorandum for the President about the above international aviation cases. The interested executive agencies have reviewed the Board's decisions and have no objection to the proposed orders.

These are routine, noncontroversial matters. No foreign policy or national defense reasons for disapproving the Board's orders have been identified. I recommend that the President sign the attached letter to the Chairman which indicates that he does not intend to disapprove the Board's orders within the 60 days allowed by statute. Otherwise, the Board's orders become final on the 61st day.

/s/ R. O. Schlickeisen
R. O. Schlickeisen
Associate Director for
Economics and Government

Attachments:

Memorandum to the President
CAB letters of transmittal
CAB orders
Letter to the Chairman



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

JUL 9 1980

ACTION

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Civil Aeronautics Board Decisions:

Skocdopole Brothers
Aviation, Ltd.

Air Niagara (1978), Ltd.

Docket 37640

Docket 37048

Due Date: July 14, 1980

Due Date: July 26, 1980

Toronto Airways, Ltd.
d/b/a Torontair and Wagner Aviation, Ltd.

Docket 36932

Due Date: July 29, 1980

The Civil Aeronautics Board proposes to take the following actions with regard to the above international aviation cases:

- A foreign air carrier permit will be issued to Skocdopole Brothers Aviation, Ltd., authorizing the Canadian firm to engage in small aircraft charter services of persons and property between any point or points in Canada and the United States.
- The foreign air carrier permit currently held by Air Niagara, Limited, will be transferred to Air Niagara (1978), Ltd. This permit authorizes the Canadian firm to operate small aircraft charters between any point or points in Canada and the United States. The Canadian Air Transport commission has approved the transfer of those applicable licenses under its jurisdiction.
- A foreign air carrier permit will be issued to Toronto Airways, Ltd. d/b/a Torontair, authorizing the Canadian commuter airline to engage in scheduled air transportation of persons and property between Kingston, Ontario, Canada and Syracuse, New York, using small aircraft. Since the Canadian authority for scheduled services of Wagner Aviation, Ltd., will be transferred to Torontair and the Board has received official notification that Wagner no longer holds a Canadian charter services license, the Board will cancel both of Wagner's foreign air carrier permits.

The Departments of State, Defense, Justice and Transportation and the National Security Council have not identified any foreign policy or national defense reasons for disapproving the orders in whole or in part.

The Office of Management and Budget recommends that you approve the Board's decisions by signing the attached letter to the Chairman which indicates that you do not intend to disapprove the Board's orders within the 60 days allowed by statute for your review.

/s/ R. O. Schlickeisen

R. O. Schlickeisen
Associate Director for
Economics and Government

Attachments:

CAB letters of transmittal
CAB orders
Letter to the Chairman

Options and Implementation Actions:

- 1) Approve the Board's orders. (DOS, DOD, DOJ, DOT, NSC, OMB).
-- Sign the attached letter to the Chairman.
- 2) Disapprove the Board's orders.
-- Implementation materials to be prepared.
- 3) See me.

THE WHITE HOUSE

WASHINGTON

To Chairman Marvin Cohen

I have reviewed the following orders proposed by the Civil Aeronautics Board:

Skocdopole Brothers
Aviation, Ltd.

Air Niagara (1978), Ltd.

Docket 37640

Docket 37048

Toronto Airways, Ltd. d/b/a Torontair
and
Wagner Aviation, Ltd.

Docket 36932

I do not intend to disapprove the Board's orders within the 60 days allowed by statute.

Sincerely,

The Honorable Marvin S. Cohen
Chairman
Civil Aeronautics Board
Washington, D.C. 20428



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

Summary

JUL 3 1980

MEMORANDUM FOR THE PRESIDENT

FROM: James T. McIntyre, Jr. *JTM*

SUBJECT: Controlling Consultant Abuses

I met with seven department and agency heads and senior officials of all the major Federal agencies this morning to emphasize your concern with ending abuses in the procurement of consulting services. I asked each of them to designate a senior official to work with OMB to produce an action plan and a tight management control system over the next few weeks.

Those attending the meeting are listed on the attachment. All agreed that this was a serious matter and committed to giving it priority attention. I told them that we were not "freezing" this activity at the present time, but hinted that we would not be afraid to consider a freeze on consultant procurements if there was inadequate cooperation.

We will meet with all of the Inspectors General on Monday, together with the Deputy Attorney General. I expect the first plans to be arriving in two weeks. I will keep you up-to-date on our progress.

Attachment

CABINET ATTENDEES

DEPARTMENT OF AGRICULTURE
Deputy Secretary Jim Williams

DEPARTMENT OF COMMERCE
Deputy Secretary Luther H. Hodges, Jr.

DEPARTMENT OF DEFENSE
Togo West, General Counsel

DEPARTMENT OF ENERGY
Secretary Charles Duncan

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Under Secretary Nathan Stark

HOUSING AND URBAN DEVELOPMENT
Secretary Moon Landrieu

DEPARTMENT OF INTERIOR
Secretary Cecil Andrus

DEPARTMENT OF JUSTICE
Deputy Attorney General Charles Renfrew

DEPARTMENT OF LABOR
Under Secretary John N. Gentry

DEPARTMENT OF STATE
Ambassador Samuel Gammon (d.o.b 1/22/24, Sherman, Texas;
(SSN 259-52-3219)

DEPARTMENT OF TRANSPORTATION
Assistant Secretary for Administration Ed Scott
(d.o.b. 5/25/38, Republic of Panama; SS# 460-60-1316)

DEPARTMENT OF TREASURY
Under Secretary Betty Anderson
Assistant Secretary for Administration, Walter McDonald

DEPARTMENT OF EDUCATION
Under Secretary Steve Minter

VETERANS ADMINISTRATION
Administrator Max Cleland

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION
Administrator Dr. Robert Frosch

ENVIRONMENTAL PROTECTION AGENCY
Administrator Douglas Costle

GENERAL SERVICES ADMINISTRATION
Administrator Rowland G. Freeman

OFFICE OF PERSONNEL MANAGEMENT
Director Alan K. Campbell

THE WHITE HOUSE

WASHINGTON

July 9, 1980

MEMORANDUM FOR THE PRESIDENT

FROM:

ALFRED E. KAHN 

SUBJECT:

Cambridge Survey from Loyd Hackler,
President, American Retail Federation

Loyd Hackler sent you the results of one of the regular surveys conducted for the American Retail Federation by Cambridge Reports, Inc., which has at least two interesting conclusions.

The first, and most dramatic -- which the report refers to as a "startling turnaround in inflation psychology" -- is that the percentage of people disagreeing with the assertion that "we've got to learn to live with inflation; prices will never be stable again," jumped in this most recent survey (April/May 1980) from the approximately 50 percent level at which it had stood for the preceding two years to 70 percent. The events since your actions of March 14 have produced a clear increase in optimism on this score.

The other interesting result is that only a very small percentage of the responses -- the report is a little unclear, but it appears to be only about 25 percent -- advocated wage and/or price controls as the cure for inflation. This rather low number would seem to be supported by the fact that the percentage of respondents agreeing with the statement "wage and price controls work fine at first, but in the long run they hurt the economy," increased from 38 percent in October 1978 to 44 percent in April/May 1979 and 57 percent in April/May 1980.

I promised Loyd I would call these results to your attention.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WASHINGTON, D.C. 20460

July 11, 1980

REPORT TO THE PRESIDENT

THE ADMINISTRATOR

FROM: Douglas M. Costle

After hearing industry sources frequently criticize EPA for consistently underestimating the cost of complying with environmental regulation, I recently asked my staff to evaluate the accuracy of our estimates and those of industry.

We selected six major industries with the most expensive pollution problems and compared their actual capital expenditures for controls with forecasts made by EPA and each industry at the time we promulgated regulations. The study focused on the mid 1970's; data is not yet available for later years. Preliminary results suggest that:

- o Both EPA and industry tend to significantly overestimate the cost of pollution control. Industry's estimates are particularly inflated; they exceeded ours in five of the six cases studied. The iron and steel industry, for example, overpredicted by 210 percent the cost of complying with water pollution regulations while we overpredicted the cost by 60 percent. In the other cases, estimates were between 26 percent below to 140 percent above actual costs.
- o EPA's forecasts are consistently better than industries'. We were closer to actual costs in four cases (automobiles, pulp and paper, iron and steel and water pollution control by electric utilities). Industry better predicted the cost to utilities of curbing air pollution. In the last case, our estimates were about the same.

The results for the auto industry are especially noteworthy. During 1975-76, when automakers first began installing catalytic converters, EPA forecast that sticker prices would increase an average of \$200 to \$220 per car. In contrast, the manufacturer's predictions ranged from \$110 to \$496. Average prices actually increased \$215.

The study, which is still ongoing, has generated considerable interest. I have sent a copy to Charlie Schultze and we plan to keep him informed of all developments.

A handwritten signature in dark ink, appearing to read "Doug", located at the bottom right of the page.

THE WHITE HOUSE

WASHINGTON

July 1, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: Zbigniew Brzezinski 
Frank Press 

SUBJECT: Science and Technology Cooperation with Black Africa

You approved our undertaking a science and technology initiative with several Black African countries. This will involve Frank Press leading a high-level delegation of S&T officials to Nigeria, Zimbabwe, Kenya, and Senegal in September to further the establishment of formal S&T cooperation.

We are working closely with OMB in an interagency group to develop plans and potential programs for initial discussions with these countries prior to the September visit. These discussions will enable us to assure that what we have to offer matches host country needs. This will also provide a basis for determining which can be funded within existing agency budget levels, per your guidance.

We anticipate signing an S&T Agreement with Nigeria for cooperation in technical training, agriculture and energy R&D, housing and urban development, environment, and other specialized research areas. In Zimbabwe, we expect to re-establish ties with the country's rather well-developed S&T community. We will seek to establish technical information exchanges with industry and university sectors and will explore possibilities of cooperative activities in agriculture, metallurgy, energy and health. In Kenya and Senegal we anticipate advancing AID S&T activities in agriculture, energy and remote sensing and exploring prospects for S&T activities in industrial research, environment, and marine science. We will also meet with several African regional institutions to explore prospects in these same areas.

We believe the programs will be of substantial interest to these important countries and will contribute to improved political and economic relations. We plan to begin discussing S&T program proposals with officials of the countries in early July.

18 Jul 80

Jim McIntyre

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

Rick Hutcheson

cc: Administrator Freeman

| | |
|-------------------------------------|---------------------------|
| <input type="checkbox"/> | FOR STAFFING |
| <input type="checkbox"/> | FOR INFORMATION |
| <input checked="" type="checkbox"/> | FROM PRESIDENT'S OUTBOX |
| <input type="checkbox"/> | LOG IN/TO PRESIDENT TODAY |
| <input type="checkbox"/> | IMMEDIATE TURNAROUND |
| <input type="checkbox"/> | NO DEADLINE |
| <input type="checkbox"/> | FOR APPROPRIATE HANDLING |
| <input type="checkbox"/> | LAST DAY FOR ACTION |

cc
Fremont

| | |
|--------------------------|--------------|
| <input type="checkbox"/> | ADMIN CONFID |
| <input type="checkbox"/> | CONFIDENTIAL |
| <input type="checkbox"/> | SECRET |
| <input type="checkbox"/> | EYES ONLY |

ACTION
FYI

| | |
|-------------------------------------|----------------|
| <input type="checkbox"/> | VICE PRESIDENT |
| <input type="checkbox"/> | JORDAN |
| <input type="checkbox"/> | CUTLER |
| <input type="checkbox"/> | DONOVAN |
| <input type="checkbox"/> | EIZENSTAT |
| <input type="checkbox"/> | MCDONALD |
| <input type="checkbox"/> | MOORE |
| <input type="checkbox"/> | POWELL |
| <input type="checkbox"/> | WATSON |
| <input type="checkbox"/> | WEDDINGTON |
| <input type="checkbox"/> | WEXLER |
| <input type="checkbox"/> | BRZEZINSKI |
| <input checked="" type="checkbox"/> | MCINTYRE |
| <input type="checkbox"/> | SCHULTZE |
| <input type="checkbox"/> | |
| <input type="checkbox"/> | ANDRUS |
| <input type="checkbox"/> | ASKEW |
| <input type="checkbox"/> | BERGLAND |
| <input type="checkbox"/> | BROWN |
| <input type="checkbox"/> | CIVILETTI |
| <input type="checkbox"/> | DUNCAN |
| <input type="checkbox"/> | GOLDSCHMIDT |
| <input type="checkbox"/> | HARRIS |
| <input type="checkbox"/> | KREPS |
| <input type="checkbox"/> | LANDRIEU |
| <input type="checkbox"/> | MARSHALL |

| | | |
|--------------------------|--------------------------|------------|
| <input type="checkbox"/> | <input type="checkbox"/> | MILLER |
| <input type="checkbox"/> | <input type="checkbox"/> | VANCE |
| <input type="checkbox"/> | <input type="checkbox"/> | |
| <input type="checkbox"/> | <input type="checkbox"/> | BUTLER |
| <input type="checkbox"/> | <input type="checkbox"/> | CAMPBELL |
| <input type="checkbox"/> | <input type="checkbox"/> | H. CARTER |
| <input type="checkbox"/> | <input type="checkbox"/> | CLOUGH |
| <input type="checkbox"/> | <input type="checkbox"/> | CRUIKSHANK |
| <input type="checkbox"/> | <input type="checkbox"/> | FIRST LADY |
| <input type="checkbox"/> | <input type="checkbox"/> | FRANCIS |
| <input type="checkbox"/> | <input type="checkbox"/> | HARDEN |
| <input type="checkbox"/> | <input type="checkbox"/> | HERTZBERG |
| <input type="checkbox"/> | <input type="checkbox"/> | HUTCHESON |
| <input type="checkbox"/> | <input type="checkbox"/> | KAHN |
| <input type="checkbox"/> | <input type="checkbox"/> | LINDER |
| <input type="checkbox"/> | <input type="checkbox"/> | MARTIN |
| <input type="checkbox"/> | <input type="checkbox"/> | MILLER |
| <input type="checkbox"/> | <input type="checkbox"/> | MOE |
| <input type="checkbox"/> | <input type="checkbox"/> | PETERSON |
| <input type="checkbox"/> | <input type="checkbox"/> | PRESS |
| <input type="checkbox"/> | <input type="checkbox"/> | SANDERS |
| <input type="checkbox"/> | <input type="checkbox"/> | SPETH |
| <input type="checkbox"/> | <input type="checkbox"/> | STRAUSS |
| <input type="checkbox"/> | <input type="checkbox"/> | TORRES |
| <input type="checkbox"/> | <input type="checkbox"/> | VOORDE |
| <input type="checkbox"/> | <input type="checkbox"/> | WISE |



United States of America
 General Services Administration
 Washington, D.C. 20405

Out Box
 7/17/80

cc ADM FREEMAN
 JIM McINTYRE

Administrator

**Electrostatic Copy Made
 for Preservation Purposes**

July 8, 1980

The President
 The White House
 Washington, DC 20500

ASSESS THE OPTIONS FOR
 ME. LATER THIS YEAR I
 WILL BE READY TO GO INTO
 THEM WITH YOU, BUT I'M
 READY TO HELP ANY TIME
 YOU NEED ME -

THANKS

J.C.

Dear Mr. President:

July 2, 1980, marked the completion of my first year as Administrator of the General Services Administration and to say the least it has been a year of challenges. On the 23rd of July, 1979, I forwarded you a short report on where I thought the agency was. I amplified this on January 21, 1980, with a longer summary of the programs on which we had embarked and the purpose of this short memorandum is to let you know where I think we are in the General Services Administration at the end of the first year of my stewardship as Administrator.

On the positive side:

- o We have greatly improved the top management quality.
- o The operating authorities have been delegated to the General Services Administration Regions and thus have provided more cost effective and responsive service to our governmental customers.
- o Very real progress has been made in the area of equal opportunity, particularly at the higher civil service grades. Minority representation in the agency has increased despite cutbacks in overall personnel numbers.
- o Our planning processes are greatly improved so I believe we can now get out ahead of the problem.
- o We have implemented a greatly increased training effort throughout the agency and this will provide for the long range future of GSA.
- o Substantial increases have been made in actual energy conservation, both in buildings and vehicles and the agency far exceeded the 10% February to April goal set by your communication to the Federal agencies. Better employee awareness throughout the Federal government, I believe, bodes well for the future of energy conservation within the Federal government.

On the negative side:

- o Our customer relations with other Federal agencies are still not as good as it should be.
- o Sound fiscal management in GSA is in jeopardy by the congressional rescission actions recently taken on the FY 81 budget, coupled with substantial energy cost increases and some inept financial management within the General Services Administration. I am addressing the latter problem.
- o Our experiences in gaining control of the furniture commodity have taught us a lot. However, we are not out from under this problem yet, and these lessons must be applied to other commodity areas within the Federal Supply Service, and the procurement and requirement responsibilities of other agencies.
- o The "old boy" network at the middle management level is still well implanted within the agency and resistant to cost effective productive changes. Political expediency versus the taxpayers interest guide far too many decisions at mid-management level within the agency.
- o Stability of top management in the agency is a question mark in the minds of many agency employees, thereby generating a "this too shall pass" attitude towards the acceptance of modern management technique changes.
- o A lack of vocal public support within the Executive for actions being taken to improve agency performance leads to perceptions by the media and the taxpayers that "the scandal within GSA is operating as usual."
- o Turf jealousies throughout the Executive departments jeopardize effective space supply management.
- o Antique agency automated data systems (far behind the private sector) jeopardize timely and effective management decisions. We are working on this one.

In spite of the highly complex and difficult problems still facing us, I believe we are making good progress; our plans are in place; I have a good management team; and we are looking forward to this year in consolidating the gains we have made, stabilizing the changes in management and procedures which have been instituted and intend to begin to operate this agency in the cost effective fashion which you and the Congress intend. We can make it work. The philosophy which established the General Services Administration is still sound and I am certainly enjoying the challenge.

In looking to the future, however, I believe we must appraise the need for the General Services Administration as it is currently perceived. While at the present time we are one of the largest, if not the largest, logistics operations in the world, I believe it is time to either reaffirm the way in which we are proceeding as the primary landlord, supply officer and logistician for the Federal government or to modify that concept to make this agency even more effective. The greatest problem which I will face in the coming years as Administrator is the need to modify or change the attitudes in the middle management level where firmly implanted personnel wish to continue business as usual. Even with the advent of the Civil Service Reform Act, this is not an easy problem to solve. Therefore, there appears to be at least three alternatives which should be looked at, and implicit in whichever one is selected is the need to give high priority to the stability of the top management.

a. GSA could be organized as a quasi-governmental corporation similar to that which was done to the Post Office. This would allow in many areas greater management flexibility in dealing with a number of personnel issues facing my management team. There are some obvious drawbacks, but I think this alternative should be seriously looked at.

b. Consider this agency as solely a regulatory agency and taking it out of the operating areas of space, buildings, custodial operations and supply operations. There are many of the larger cabinet-level agencies which are well equipped to assume operating responsibilities in these areas with oversight from a regulatory agency. There remains, however, the problem of logistics support of the smaller agencies. This is a problem that I believe is a solvable one and there are several alternatives which should be looked at in this regard.

c. Continue the agency as it is currently constructed and attempt to achieve the necessary reforms to make it fully cost effective. This alternative requires great stamina, not only on the part of the management team within the General Services Administration, but within all levels of the Executive as we strive to make the management and procedural improvements so necessary in the General Services Administration.

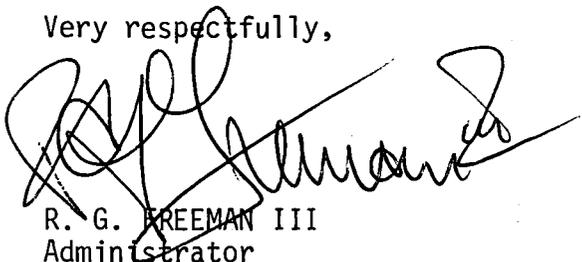
I believe that it would be appropriate later on this fall to study these alternatives and, during the interim, will attempt to flush out some of the approaches so that an independent study group under the general direction of the Office of Management and Budget can make concrete proposals to you in this regard.

Lastly, while I am firmly committed to remain as long as desired as Administrator of GSA, I would like to comment on one problem which is continuing to plague not only my agency but other agencies within the Federal government, and that is the ability to attract well qualified

management executives. The current pay scales within the Federal government in no way compare to those in private industry wherefrom come managers of the caliber which I know you are seeking. In my particular case, I have taken a \$4,000 a year take home pay cut in coming to the agency from active duty within the Navy. To many others government service has meant a substantial sacrifice in savings for the time when they will finally retire from Federal service. While we have dedicated our lives to the service of our country, we find it difficult to absorb these kinds of financial losses. This, coupled with the loss of well earned military retirement while serving in federal positions, has made many financial positions delicate to say the least. There are in industry and in the military many fine managers who would very much like to serve their country in government positions; however, the financial sacrifices required can jeopardize their families, their children's education programs, and their retirement to which they are certainly entitled. I believe it is time that initiatives be taken to find some way in which larger executive level salaries can be paid specifically to those who enter the government without the background of either private funding or very successful prior careers in corporate enterprise where even with blind trusts they find themselves quite financially solvent. Ethics provisions have prevented many of us from taking advantage of good investment opportunities. Without some financial relief, I believe we will lose many fine executives of the kind I have been able to attract solely by the challenge that is offered them. One can accept this challenge for only a limited period of time due to financial hardship and instability in the management of many Federal agencies is what has created a number of the bad bureaucratic problems which I know you have experienced in your administration as President.

Lastly, in spite of what may seem these negatives, I love my country too dearly not to be willing to sacrifice whatever is necessary to make it better and, thus, I look forward to continued service as the Administrator of the General Services Administration.

Very respectfully,



R. G. FREEMAN III
Administrator

DATE: 19 JUL 80

FOR ACTION:

INFO ONLY: JACK WATSON

SUBJECT: ADMINISTRATIVELY CONFIDENTIAL. FREEMAN MEMO RE REPORT
ON THE GENERAL SERVICES ADMINISTRATION

+++++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (455-7052) +

+ BY: +

+++++

ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

ADMINISTRATIVELY
CONFIDENTIAL

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

| |
|----------------|
| ✓ ADMIN CONFID |
| CONFIDENTIAL |
| SECRET |
| EYES ONLY |

ACTION
FYI

| | |
|---|----------------|
| | VICE PRESIDENT |
| | JORDAN |
| | CUTLER |
| | DONOVAN |
| | EIZENSTAT |
| | MCDONALD |
| | MOORE |
| | POWELL |
| ✓ | WATSON |
| | WEDDINGTON |
| | WEXLER |
| | BRZEZINSKI |
| | MCINTYRE |
| | SCHULTZE |
| | |
| | ANDRUS |
| | ASKEW |
| | BERGLAND |
| | BROWN |
| | CIVILETTI |
| | DUNCAN |
| | GOLDSCHMIDT |
| | HARRIS |
| | KREPS |
| | LANDRIEU |
| | MARSHALL |

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

Wednesday, 7/16/80

Mr. President --

Hamilton, Strauss and I feel it would be a good idea to issue a challenge for a Vice Presidential debate tomorrow. (note: dictated Wednesday, presume means Thursday.)

A paragraph could be included in the telegram, but we thought you might wish to have Mondale issue the challenge directly to Bush. If you will let me know your preference, I will take care of it.

-- Jody Powell

p.s. I would like to talk to you about a couple of other things, and will be up at 6:15 in the morning (for when you have left a wake=up call). I would appreciate your calling as soon as possible or convenient in the morning.

--JLP

M
re w Alex Green
7/17/80

DRAFT Telegram - ~~_____~~

*The Honorable Ronald Reagan
c/o Republican National Convention
Detroit, Michigan The Detroit Plaza
Hotel*

*Oct 7/1970
Saginaw, Michigan*

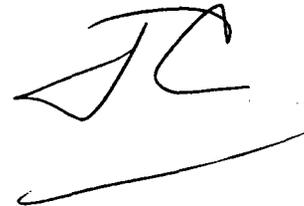
Dear Governor:

Rosalynn joins me in sincere congratulations to you ~~_____~~ on your nomination as the Presidential candidate of the Republican Party. I know you share with me an appreciation for the challenges our country faces and the serious choices before the American people this fall and in the years ahead. So that these alternatives can be clearly delineated, I suggest that we meet in a series of debates in the various regions of our nation. I would hope that at least three or four debates can be scheduled so that we can thoroughly discuss issues of national concern and of interest to the people of particular sections of our nation.

I look forward to a hard-fought and thoughtful campaign that will help to inform the American people about the complex and important issues which face the nation we both love and seek to serve.

Sincerely,

Jimmy Carter



**Electrostatic Copy Made
for Preservation Purposes**