

**9/29/80 [3]**

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THE WHITE HOUSE  
WASHINGTON

9/29/80

M. SULLIVAN

✓ cc Jack Sullivan  
Thanks - Very helpful  
Jim

Sept 16, 1980

8009291835

John Sullivan --

President Carter asked  
me to send you the  
enclosed copy of your  
letter with his remark --  
along with his best  
regards.

- we have a  
"certainty" but we  
are a reactive rather

*S*  
-- Susan Clough

THE WHITE HOUSE

The Honorable John M. Sullivan  
Administrator  
Federal Railway Administration  
400 7th Street, S.W.  
Washington, D.C. 20590

DIRECT

PERSONAL

60 foreign coal investments

that they are  
You can cut through this  
dilemma by committing the  
resources available to you to

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JOHN M. SULLIVAN

cc Jack Sullivan  
Thanks. Very helpful

Sept 16, 1980

Jimmy

Mr. President -

Export Coal - We have a  
"window of opportunity" but we  
must deal from a reactive rather  
than active posture.

Prompt action will head off  
obvious competitive foreign coal  
investments that will close  
the window to us.

The "active" planners are stymied  
by the infinite number of variables  
that they are confronted with.

You can cut through this  
dilemma by committing the  
resources available to you to

support those entrepreneurs who

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successfully negotiate long term  
contingent contracts with foreign

users. The result would be

a series of specific destinations

for specific amounts and types

of coal. The contingency would

be the entrepreneur's ability

to get you to commit support

thus you have the opportunity

to screen out those lacking

skills and financial capacity

to carry out the task.

II

JOHN M. SULLIVAN

This can be an immediate  
announcement and I'll wager  
you'd have several major  
projects signed up within  
a year.

I'm enclosing a clipping  
showing the "Front Page" response  
to our railroad electrification  
presentation to Senator Comaselli's  
Select Committee. I'm planning  
it for Pittsburgh, Erie, Philadelphia  
and Chicago as well.

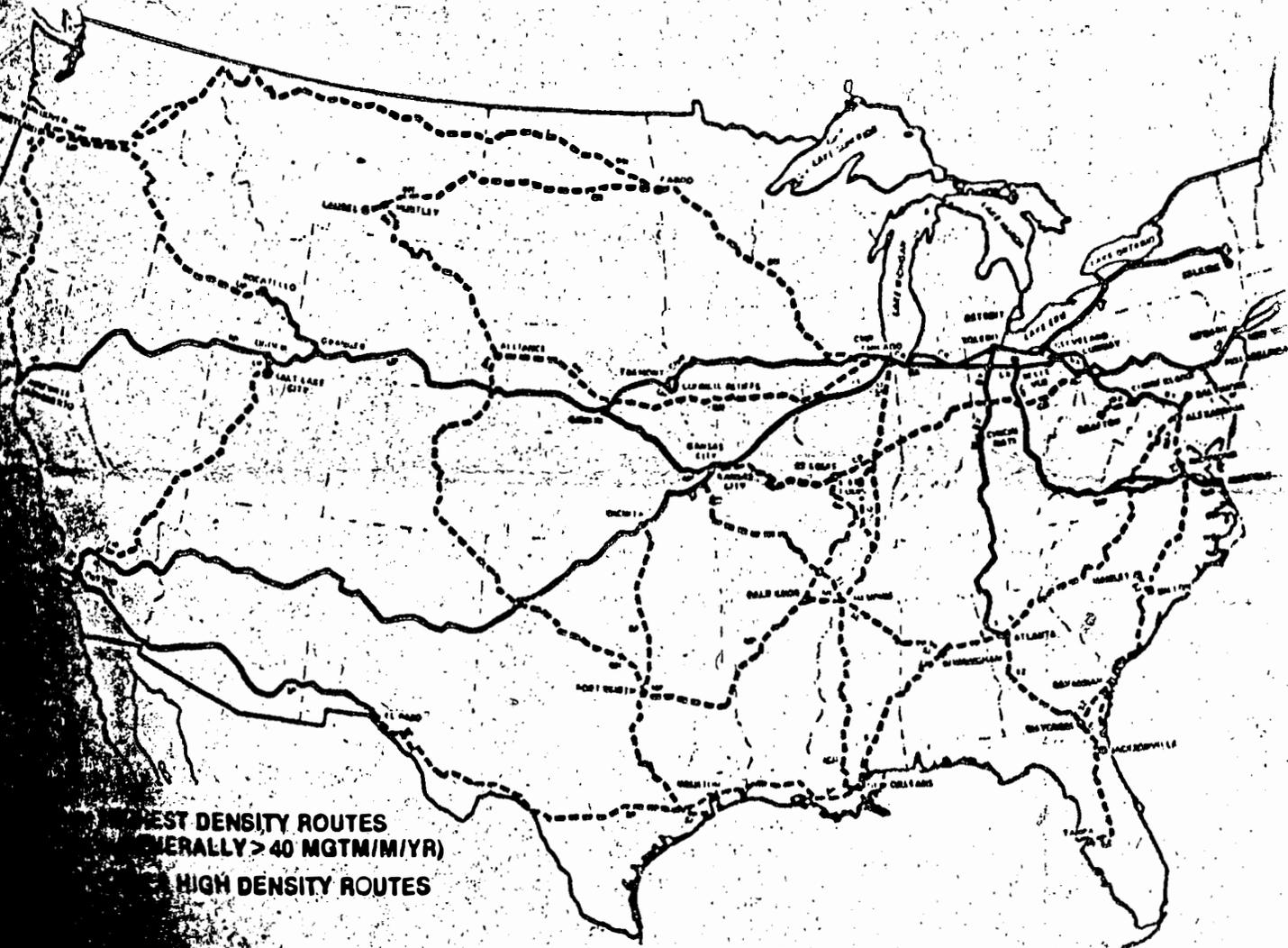
# The Patriot

Volume 139—No. 214

3 Sections

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## Plan Will Electrify



Preliminary Map of Rail Routes Under Study for National Electrification Project

# Found Guilty on Two Charges of Arson

for the car of one of the people on the list, but he was unable to find it.

Mrs. Josephine Devlin, Devlin's mother and the only defense witness, testified that her son came home at 9:45 p.m. on Feb. 23 and watched television until after midnight.

Assistant Public Defender Lawrence Kalikow, representing Devlin, argued that information contained in the diary about the fires could have been written by anyone. He owned a police and fire band. Previously, Kalikow had attempted to have the diary suppressed as evidence. He is expected to render a decision before the court.

Caldwell questioned whether Devlin's statements in the diary were enough to tie him to the arson even though he wasn't spotted at the scene.

After reviewing the evidence during a recess, Caldwell said he had no doubt that Devlin wrote the diary and that he committed the acts he wrote about.

Kleinfelter said a probation revocation hearing now will be held before Morgan to revoke Devlin's probation on his prior conviction.

In an unrelated case, Juvenile Court Judge John C. Dowling transferred Gilbert Corti, 18, of Harrisburg, to adult court to stand trial on a charge of armed robbery

involving Solomon's Grocery Store at 1415 Sycamore St. Dowling set bail at \$100,000.

Prosecution witnesses identified Corti as one of three or four men who entered the grocery store armed with a sawed-off shotgun on July 16. They allegedly stole \$227 from the cash register, \$600 from a salesman and some jewelry and cash from a store employee.

Mrs. Ronald Solomon, wife of the owner of the store, said no one was hurt and no shots were fired in the robbery.

Kenneth Hawley, a juvenile probation officer, recommended that Corti be transferred to adult court, adding that Corti has been in

juvenile court three times in the last 15 months on felony charges.

Deputy District Attorney Kenneth Heckert was the prosecutor. Assistant Public Defender Roy Keefe represented Corti.

Corti already has been certified to adult court in connection with an earlier charge of criminal mischief. He is in Dauphin County Prison on that charge in lieu of \$500 bail.

The robbery of the Sycamore Street store came about a week after another man allegedly robbed Solomon's Grocery Store at Vernon St. In that incident, store owner Ronald Solomon fatally shot Irvin Smith Jr., 26, as he fled the store.

## Infants' Bodies in Attic

# Woman Kept Secret 50 Years

GALLITZIN. (AP) — The morbid secret of five babies stuffed in an attic trunk was revealed in Stella Williamson's heart for more than 50 years. Their discovery after her death last week at 76 has jolted neighbors and relatives in this mountaintop coal town in southwestern Pennsylvania.

"Never in all my life was I ever as shocked," said Marie Williamson, who was married to Miss Williamson's late brother.

"I thought the heavens had opened and I was something down on me that I wasn't able to handle by myself," she said when the news broke Wednesday.

The bodies were led to the steamer trunk by a two-page handwritten letter written by Stella Williamson in 1960 with instructions to be opened after her burial. The letter was sealed by an elderly boarder.

County Coroner John Barron said the bodies were wrapped in newspapers from the Pittsburgh and New York City dailies.

"It is believed that four of the babies were newborn and the fifth appeared to be a little older, up to maybe eight months," he said.

According to friends and neighbors, Miss Williamson never married, never worked and kept to herself.

"Stella was one of those kind who never wanted to be bothered with people," Mrs. Williamson said.

Genevieve Michelango said she lived next door to Miss Williamson for years, but didn't get to know her very well. "She'd say hello and goodbye, but it was just over the fence."

Gladys Fulton, 76, said Miss Williamson, whom she had known since childhood, never had a questionable reputation. "I never knew her to have a boyfriend," she said.

As news of the grisly discovery spread, Gallitzin residents gathered on street corners and front porches to talk about it. Cars filled with curious onlookers cruised past the 2½-story house with the peeling cream-colored paint.

"Poor Stella . . . she's gone and now we can't

## ALL DAY PUBLIC AUCTION SALE

**SATURDAY—SEPTEMBER 6th**  
**9:00 AM—SHARP!**

**6370 LYTER LANE, HARRISBURG**  
**MOVING FROM FARM—SELLING:**

*35 year Collection of Antiques-Collectables-Furniture and garden tools—*

Antique Flour Chest — 6 Victorian Chairs — Brass hanging Lamp (with Prisms) — Mantle Clock — Wall Telephone (with Brass Bells) — Set of 12 Moge China — Tiffany Lamp — Many small items Plus — 4 Solid Cherry Chairs — Living room suite — Bedroom Suite — Stafford-Shire dishes

12 HP. I.D. Tractor — 42 inch deck mower (like new) — Cub LoBoy Tractor — 64 inch deck mower (good condition) — English Saddle (good) — Antique McClellan Saddle — Convection Turb. Oven (like new)

**HOCKER-AUCTIONEER**  
Mr. & Mrs. Chester S. Hocker

## Conviction Based on Diary

# Steelton Man Found Guilty

By RON JURY  
Staff Writer

Dauphin County Judge William W. Caldwell Thursday found Edward Joseph Devlin guilty of two counts of arson involving city properties.

The conviction was based mainly on a diary kept by Devlin, and discovered by his probation officer, in which he details starting the fires on the night of Feb. 23 and the morning of Feb. 24.

Devlin, 23, of the 600 block of North Second Street, Steelton, was convicted of possession of a prohibited offensive weapon — a pipe bomb — in January by a jury be-

fore Judge William W. Morgan. The judge placed Devlin on three years' probation and ordered him to undergo close county supervision.

After finding Devlin guilty of the charges on Thursday, Caldwell increased his bail from \$25,000 to \$50,000. Devlin faces a maximum penalty of 10 years in prison on each of the two arson counts.

The charges stem from fires at 1309 N. Third St. at about 8:20 p.m. on Feb. 23 and at 1921 and 1923 N. Sixth St. shortly after midnight on Feb. 24. City Fire Marshal Elmer W. Shover, a prosecution witness, testified that he examined both fire scenes and determined the fires were caused by arson.

Lorene Bryan, Devlin's probation officer, a prosecution witness, said she arranged to visit Devlin's home in March after Devlin's mother said she had something alarming that Bryan should see — the diary.

After a handwriting expert identified the diary as written by Devlin, Deputy District Attorney Joseph Kleinfelder read excerpts from it in which Devlin said he was looking for a "good target" in the city. The diary lists the times and places of the fires and how Devlin allegedly got some kerosene and went about starting them.

The diary also contains information about Devlin's first trial in January and includes a list of names of witnesses against him, a judge, prosecution staff and a reporter covering the trial who allegedly were to be targets of revenge. The diary states that on the night of the fires Devlin was look-

ing for the car of one of the names on his list, but he was unable to find it.

Mrs. Josephine Devlin, Devlin's mother and the only person named in the diary, testified that her home at 9:45 p.m. on Feb. 23 and they watched television until midnight.

Assistant Public Defender Robert A. Kalikow, representing Devlin, argued that information contained in the diary about the fires could have been written by someone who owned a police scanner on a radio. Previously, Kalikow had attempted to have the scanner pressed as evidence.

Before rendering a verdict,

## Crash Injures Area Officer; Was Off Duty

An off-duty Hampden Twp. patrolman was injured and hospitalized Thursday after his motorcycle collided broadside with a car at a township intersection.

Police said Williard R. Leavelle, 32, of Enola, suffered multiple fractures in the 1:37 p.m. accident at the intersection of Good Hope and Creekview roads and was admitted to Polyclinic Medical Center.

A hospital spokeswoman Thursday said his condition was listed as satisfactory, but refused to confirm his injuries.

Police said Leavelle was traveling north on Good Hope Road when a car driven by Gayle M. Zies, 18, of Creekview Road, proceeded onto Good Hope.

They said the motorcycle hit the car's passenger side, throwing Leavelle over the vehicle and onto the roadway. Police said Zies wasn't injured.

They said that the investigation is continuing and that as-yet unspecified charges are pending against Zies.

## 5 Infants' Bodies Found

### Woman

GALLITZIN (AP) — The five babies stuffed in a trunk and locked in Stella Williams' home were found Thursday. She is more than 50 years old.

Their discovery after a search of a home where the 76-year-old woman has lived for 25 years in a mountaintop coal town in western Pennsylvania.

"Never in all my life have I seen anything like this," said Marie Williamson, widow of Stella's late brother.

"I thought the babies were thrown something down the hill, and I was going to be able to handle them after the news broke Wednesday.

Authorities were located the bodies Tuesday by a two-page letter from Miss Williamson. The bodies were found and opened by the Cambria County Coroner. The bodies were wrapped in plastic and taken to Johnstown, Pittsburgh area, where they were kept from 1923 to 1933.

"We have clues that

## Army Man Promoted

Michael E. Muth, son of Mr. and Mrs. Daniel J. Muth of 12 Baxter Court, Lebanon, recently was promoted to Army specialist five while serving as a missile repairman with the 87th Maintenance Battalion in Germany.

## In This Edition

Business News .....	14-15	Obituaries.....	10
Comics, Crossword Puzzle ...	48-49	Reading for Relaxation .....	12
Contract Bridge.....	48	Sports.....	35-40
Editorials .....	34	Television.....	30
Lifestyle: Weekend .....	17-32	Theater Pages.....	22-24

Harrisburg, Pa., FRIDAY, September 5, 1980 20¢ \$1 per week, suggested home delivered by carrier

# J.S. Rails

## Nationwide System Of 26,000 Miles Would Be Used

By DAN CUPPER  
Staff Writer

Two of the nation's top federal rail officials appeared in Harrisburg Thursday to announce, for the first time, plans to seek broad support for a 26,000-mile nationwide railroad electrification program, similar in geographic scope to the Interstate highway system.

"Electrification of the major portions of the U.S. railroad system is an idea whose time has come," said Federal Railroad Administrator John M. Sullivan, who testified at the Capitol before the state Senate Select Committee on Pittsburgh-Harrisburg Rail Electrification.

He and Louis S. Thompson, director of the Northeast Corridor Improvement Program, described plans to press for a \$20 billion project to be undertaken through joint funding involving utilities, railroads and federal and state governments.

Though managements of prosperous carriers such as Union Pacific and Southern Railway have investigated electrification, and the government-dependent Conrail has compiled a study by federal edict, this is the first time that a nationwide overview has been attempted.

Substituting electric locomotives for present burning diesel

ety of means, including combustion of coal.

— Offer operational benefits because electric locomotives are more efficient and can be built with greater horsepower per pound than diesels.

— Provide 44,625 jobs over a 20-year period.

— Save the railroads \$43.8 billion in fuel, operation and maintenance costs over a 29-year period.

Although the hearing was intended to gather testimony on the advantages of and possible funding methods for electrifying the 275-mile Harrisburg-Pittsburgh Conrail main line as far west as Conway Yard — the most heavily used rail freight route in the nation — Sullivan's announcement on plans for a nationwide electric freight system caught many observers by surprise.

He stressed that he has not yet won full U.S. Department of Transportation backing for the 45-state, 14-railroad blueprint, but noted that DOT Secretary Neil Goldschmidt generally has supported the concept. Given DOT approval, he said, the Federal Railroad Administration would begin attempting to sell the program to Congress next spring.

With plans now unveiled, he said, FRA will begin to make presentations of the program in about 11 other key states to gauge public and political reaction.

The 1979 operating schedule for the program is expected to be approved

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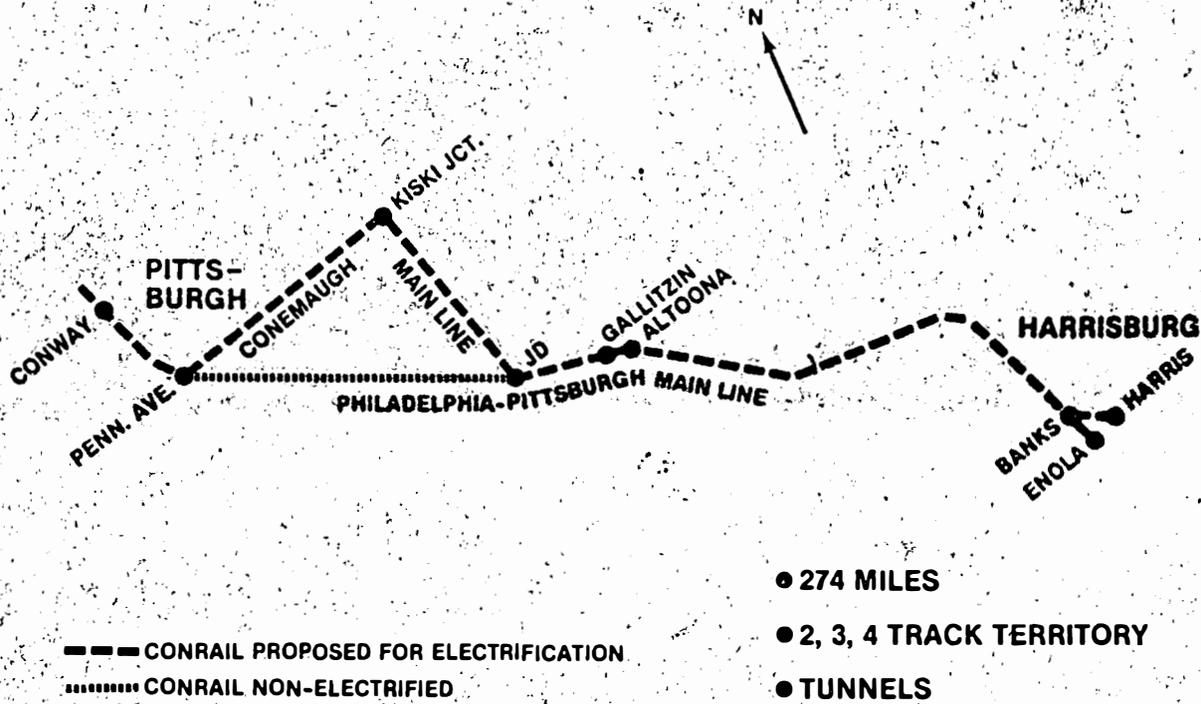
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to be a littl  
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worked and

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," Mrs. Willi-  
he lived next  
but didn't get  
say hello and  
ence."

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rs filled with  
the 2½-story  
red paint.

now we can't



Harrisburg-Pittsburgh Conrail Line Is Focus of State Senate Electrification Hearings

# Electric Rails Proposed

From Page One

tween Philadelphia and Harrisburg, and is used by Conrail freight trains and Amtrak passenger trains. The 103-mile Harrisburg-Philadelphia link, completed in 1938, was the last major electrification project in the U.S., although the program Thompson heads will extend wires from New Haven to Boston over the next four years.

Sullivan pointed out that higher petroleum costs have forced many other industrialized nations to embrace electrification wholeheartedly. But American railroads as recently as 1968 paid only 14 cents a gallon for diesel fuel, a strong economic disincentive for electrifying.

With only 1,043 electrified route-miles (.5 percent of total route mileage), he said, the United States can be compared to Western Europe (27,801 miles, 32 percent of total), Eastern Europe (30,342 miles, 22 percent of total) and Asia (7,736 miles, 23 percent of total).

A federally mandated feasibility study compiled for Conrail and released last spring concluded that electrifying a Newark, N.J.-Harrisburg freight line and the Harrisburg-Pittsburgh line would together cost about \$1.2 billion. The Harrisburg-Pittsburgh line has been singled out for study because it carries 100 million ton-miles per

dan said the cost — \$771 million for lines west of Harrisburg and \$414 million for lines east of Harrisburg — was too high for Conrail to consider aside from outside funding.

Sullivan agreed, pointing out that a study showed that the "cost of electrifying the Santa Fe (main) line from Chicago to Los Angeles would exceed the net worth of the entire Santa Fe Railroad. Obviously, (Santa Fe officials) can't bet (the assets of) their railroad against such a project."

He described a formula under which costs would be split up to avoid the burden falling on any single entity. Utilities could invest in power generation, utility substation and transmission-line equipment, while railroads (or private equipment trust arrangements) would pay for purchase of new locomotives. The federal government, he said, could invest in the overhead electric wire network, called a catenary system, and railroads and the federal government could jointly pursue signal/control systems, civil reconstruction and architectural and engineering improvements.

State Transportation Secretary Thomas D. Larson, who also testified at the hearing, offered a similar shared-cost formula, saying the "\$771 million price tag need not be

much as \$4.8 billion in fuel costs, and \$6.7 billion in overall costs, over a 29-year period. It also could boost state coal production by between 260,000 and 350,000 tons annually, he said.

Asked if the Harrisburg-Pittsburgh main line could serve as a demonstration project for a national electrification program, Sullivan, who personally has supported the idea for some time, offered a qualified answer.

"Yes — but it has a better chance of success if it is part of a national initiative," he said. "It would have a good chance of being among two or three projects."

He said it wouldn't automatically be given top priority even with its high traffic density, because it is operated by Conrail, a privately held company that is riddled with operational, institutional and financial problems. A total of \$3.3 billion in federal loans to the 4½-year-old corporation is about to expire, and the company still hasn't attained profitability. Conrail officials say it will take \$1 billion more to continue operating over the next five years.

Other testimony at the hearing, which began Wednesday in Pittsburgh, consisted of endorsements from business, labor and consulting-engineer groups and from the state Public Utility Commission.

1. I AM DELIGHTED TO BE HERE TONIGHT WITH SO MANY GOOD FRIENDS.

*CINDERELLA. MIDNIGHT. SALARY*

*TIP & BOB.*

2. IT IS ALWAYS GOOD TO SEE BOB STRAUSS.

*COME OR STAY =*

3. BOB IS TO POLITICS WHAT ETHEL MERMAN IS TO MUSIC.

*STAY! FINANCIAL/NATIONAL*

*SECURITY*

4. WHEN THEY'RE FINISHED, YOU MAY NOT KNOW EXACTLY WHAT THEY MEANT --

*SAID OR*

*COMES 1st*

5. BUT YOU <sup>ARE</sup> SURE <sup>YOU'VE</sup> ~~HAVE~~ HEARD IT. *H*

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1. { I AM PARTICULARLY IMPRESSED
2. { WITH THE WAY BOB CAN INSPIRE A CROWD OF PROSPECTIVE CONTRIBUTORS.
3. HE SAYS, "THE PRESIDENT HAS TO PITCH IN & DO HIS PART,  
"THE VOTER HAS TO PITCH IN & DO HIS PART,  
"& YOU HAVE TO PITCH IN & DO YOUR PART -- OR, AS BOB SAYS,  
~~OR~~ <sup>DEMOCRATS</sup> COME NOVEMBER, WE WON'T-HAVE-A-PART-TO-PITCH-IN." #
4. WELL, BOB STRAUSS IS A MAN OF MANY PARTS -- MOST OF THEM STILL WORKING. #

HES JUST BACK FROM TEXAS - WRITING ENDORSEMENT SPEECH FOR  
LEON JAWORSKI "I PREFER A COMPETENT EXTREMIST TO AN  
INCOMPETENT MODERATE"

1/2 right on both counts

LAST DEMO HE VOTED FOR WAS HERBERT HOOVER - CALVIN COOLIDGE  
(=NEW CARD=) (AMONG THOSE OF.....)

- 1. { AMONG THOSE OF US IN THIS ROOM TONIGHT, I MUST ADMIT
- 2. { THERE HAVE BEEN SOME DISPUTES,
- { SOME DISAGREEMENTS,
- { SOME ARGUMENTS.
- 3. THAT'S ALL A PART OF BEING DEMOCRATS.
- 4. BUT THERE IS ONE THING I KNOW WE ALL AGREE ON --
- 5. WE'RE GOING TO BEAT THE REPUBLICANS IN NOVEMBER! H

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- 6. I KNOW THAT SOME OF YOU SAY, IF WE JUST LAY BACK,
- { THE REPUBLICANS WILL BEAT THEMSELVES.
- WE LET THEM
- 7. BUT I SAY, WHY SHOULD THEY HAVE ALL THE FUN? H
- 8. I WANT ~~US~~ TO HELP THEM ALONG AS MUCH AS WE CAN. H
- TO THEIR DEFEAT

(=OVER=) (THE REPUBLICAN.....)

1. THE REPUBLICAN APPROACH IS EXEMPLIFIED BY THE REAGAN-KEMP-ROTH TAX SCHEME.
2. { AS YOU KNOW, IT GIVES GIGANTIC TAX BREAKS TO THE RICH <sup>Godsend to</sup>
3. { WHILE LOOKING DOWN ITS NOSE AT EVERYBODY ELSE. <sup>PROPERTY TAX COLLECTORS</sup> #
4. THEIR THEORY IS: FORGET ABOUT INFLATION
5. WE CAN HAVE THIS 30% TAX CUT,
6. PLUS AN ALL-OUT ARMS RACE,
7. PLUS ESSENTIAL PROGRAMS,
8. PLUS A BALANCED BUDGET.
9. { INTERESTING THEORY --
10. { BUT I THINK THE REPUBLICAN CANDIDATE
11. { IS BLITHELY SINGING A SOLO VERSION OF "THE IMPOSSIBLE DREAM". #

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(=NEW CARD=) (UNFORTUNATELY,.....)

1. UNFORTUNATELY, HIS RUNNING MATE IS SERENADING HIM
2. { WITH A NOTE OF DISCORD FROM A FAMOUS COLE PARTER LYRIC:
3. { "WHO DO THAT VOO-DOO THAT YOU DO SO WELL?" #
4. { IT'S A LITTLE LIKE
5. { THAT FUNDRAISER THE REPUBLICANS RECENTLY HAD OUT IN DALLAS.
6. ~~THEY RAISED \$2.8 MILLION AT ONE DINNER.~~
7. { THAT EVENT SUMMED UP
8. { THE REPUBLICAN ATTITUDE TOWARD THE WORKING PEOPLE OF AMERICA ↗
9. { JUST LIKE THE REAGAN-KEMP-ROTH BILL DOES.
10. THEY HOLD A \$2.8 MILLION DINNER -- THEN LEAVE A \$3 TIP. #

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(=OVER=) (BEFORE I GO.....)

*Discuss*

1. { BEFORE I ~~GO ANY~~ FURTHER, *SERIOUS ISSUES*
2. { I WOULD LIKE TO ADDRESS MYSELF TO AN AREA OF GROSS MISUNDERSTANDING.
3. SOME MEMBERS OF THE PRESS HAVE ACCUSED ME OF RUNNING A "MEAN" CAMPAIGN.
4. THAT ACCUSATION IS PATENTLY FALSE.
5. { I WILL SAY HERE & NOW
6. { THAT I BELIEVE ALL REPUBLICAN CANDIDATES
7. { TO BE PEOPLE OF GENUINE PRINCIPLE.
8. I'M TALKING ABOUT THE PETER PRINCIPLE. #

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(=NEW CARD=) (THE FACT IS.....)

1. { THE FACT IS, IF THIS WERE A MEAN CAMPAIGN,
2. { YOU MIGHT HEAR ME RESORT TO SUCH RHETORIC AS THE FOLLOWING:
3. "THE REPUBLICAN CANDIDATE HAS REFUSED TO DEBATE ME 1-ON-1." *BUT I WANT SAY IT.*
4. { APPARENTLY, THE MUZZLE IS BACK IN PLACE & HE IS, ONCE AGAIN,
5. { BEING LED ABOUT THE COUNTRY BY A GROUP OF SENIOR ADVISORS.
6. "I MUST SAY, <sup>THEY'RE ALL</sup> ~~HE'S~~ DOING A GOOD JOB, THOUGH.
7. "WHEN HE SPEAKS, YOU CAN HARDLY SEE THEIR LIPS MOVE." *H*
8. NOW, THAT KIND OF REMARK HAS NO PLACE IN TODAY'S CAMPAIGN. *H*

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(=OVER=) (BUT IN ORDER TO.....)

1. { BUT IN ORDER TO POINT OUT THE DIFFERENCES
2. { IN WHAT I'M DOING & A SO-CALLED "MEAN" CAMPAIGN,
3. { IT MIGHT BE NECESSARY BETWEEN NOW & NOVEMBER
4. { TO GIVE YOU MANY EXAMPLES OF THIS KIND OF OUT-OF-BOUNDS RHETORIC.
5. PURELY, OF COURSE, FOR THE SAKE OF <sup>ILLUSTRATION &</sup> CLARITY. #

<sup>SIMPLY</sup>  
WE MUST KEEP THE POLITICAL DEBATE  
ON A VERY HIGH PLANE

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(=NEW CARD=) (MANY OF YOU HAVE.....)

1. MANY OF YOU HAVE ASKED WHAT I THOUGHT OF THE 1ST DEBATE.
2. ACTUALLY, I SAW IT FOR ONE REASON.
3. { IT WAS THE ONLY WAY ROSALYNN & I COULD THINK OF
4. { TO KEEP AMY FROM WATCHING "MIDNIGHT EXPRESS".

*AS A MATTER OF FACT, EVEN THE*

5. { ~~OF COURSE, THIS WHOLE~~ SUBJECT OF DEBATES
6. { HAS BECOME A VERY CONTROVERSIAL ONE.
7. { OFFERED THE OPPORTUNITY TO MEET ME IN A HEAD-TO-HEAD FORMAT,
8. { MY REPUBLICAN OPPONENT
9. { HAS TAKEN HIS OWN VERSION OF THE ROSE GARDEN APPROACH.
10. { WHAT HE SEEMS TO HAVE FORGOTTEN
11. { IS THAT HE DOESN'T HAVE THE ROSE GARDEN. //
12. AND WE'RE GOING TO SEE TO IT THAT HE NEVER GETS IT! //

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(==OVER==) (BUT AFTER LONG.....)

1. ~~BY~~ AFTER LONG & SERIOUS CONSIDERATION,
2. { I THINK I HAVE FINALLY COME UP WITH A FAIR & EQUITABLE WAY
3. { TO HANDLE THESE PROPOSED DEBATES:
4. ◦ FIRST, I DEBATE GOV. REAGAN.
5. ◦ THEN, FRITZ DEBATES PAT ~~LUCEY~~ & GEORGE ~~RUSH~~.
6. ◦ NEXT, ROSALYNN DEBATES NANCY & KEKE.
7. ◦ AFTER THAT, AMY DEBATES MAUREEN ~~REAGAN~~ & JOHN ~~ANDERSON JR.~~
8. { WHICHEVER 2 GROUPS
9. { COME OUT ON TOP THEN MEET IN A SPECIAL, WINNER-TAKE-ALL VERSION  
OF "FAMILY FEUD". *H*

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(=NEW CARD=) (YOU HAVE ALL.....)

1. YOU HAVE ALL HEARD ME SPEAK OF MY VISION OF THE FUTURE.
2. { I ALSO HAVE A RECURRING NIGHTMARE --
3. { THE "HOLLYWOODIZING" OF WASHINGTON.
4. { IN IT, I SEE EVERY BILL-SIGNING CEREMONY TAKING PLACE AT NIGHT
5. { WITH HUGE SPOTLIGHTS ON THE WHITE HOUSE LAWN.
6. ° I SEE PENNSYLVANIA AVENUE TURNING INTO THE "AVENUE OF THE STARS".
7. ° I SEE VISITING FOREIGN DIGNITARIES
8. { PUTTING THEIR BOOTPRINTS INTO CEMENT ON THE SOUTH LAWN. *A LOT OF  
MILITARY BOOTS*
9. ° I SEE THE MOST IMPORTANT NEWS PERSONALITY IN AMERICA... IS RONA BARRET. //

(=OVER=) (AND THEN, I WAKE UP....)

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1. { AND THEN, I WAKE UP
2. { AND REALIZE IMMEDIATELY THAT IT'S ONLY A BAD DREAM,
3. THAT IS BECAUSE OF WHERE I WAKE UP,
4. { AND THANKS TO YOU & MILLIONS OF OTHER CONCERNED AMERICANS,
5. { THAT IS WHERE I'M GOING TO WAKE UP FOR THE NEXT 4 YEARS. #

CLOSING

PRESIDENCY -

MILITARY SECURITY & PEACE

VIGOROUS ECONOMY - JOBS - SOCIAL JUSTICE

EQUAL RIGHTS FOR WOMEN & HUMAN RIGHTS AROUND THE WORLD

NO DIVISIONS - BL/WH = CHRIST/JEW = N/S =

ELECTION CRUCIAL TO FUTURE OF OUR COUNTRY

THANK YOU - - HELP ME LEAD THIS NATION INTO

###

A FUTURE OF

SECURITY. JUSTICE. PROSPERITY. PEACE

Electrostatic Copy Made  
for Preservation Purposes

Jody Powell

Susan  
ok  
J

September 27, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: Al McDonald  
Rick Hertzberg  
Bob Rackleff

SUBJECT: Presidential Speech:  
Joint Meeting of  
IMF/IBRD

Scheduled delivery:  
Tue, Sept 30, 11 a.m.

Your speech for this meeting is attached.

Copies have been sent to Pat Caddell and Jerry Rafshoon. Jody will write his comments on this original before giving it to you.

Clearances

Secretary Duncan  
Secretary Miller  
Henry Owen  
Richard Cooper

Mr. President,  
I've put my comments  
on this copy so you can do  
your editing on the original.  
JJP

[Salutations will be updated  
no later than 9 a.m. on Tuesday  
by Tom Teal x6573.]

Bob Rackleff  
Draft A-2; 9/27/80  
Scheduled Delivery:  
Tues, Sept 30, 11:15 a.m.

Remarks for Joint IMF/IBRD Annual Meeting

Chairman Jamal [Ja-MAL], Mr. De Larosiere [Duh La-rosey-AIR],  
Mr. McNamara, Governors of the Fund and Bank, distinguished  
delegates and guests:

It is a pleasure to welcome you to Washington for the  
35th Annual Meeting of these two great institutions. It is a  
special pleasure to welcome all new members.

Your presence here symbolizes the commitment of more than  
140 countries to a dynamic system of international economic  
cooperation and to its central institutions, the International  
Monetary Fund and the World Bank.

Your commitment strengthens the prospects for lasting world  
peace, because peace cannot be assured if hundreds of millions  
of people are offered no hope of escape from poverty and  
economic instability. The Bank and the Fund provide that hope.

*You*  
~~They~~ are rapidly adapting to new challenges. We support  
 this process of change. The response of ~~these institutions~~ to  
 a changing world can best be charted within ~~them~~, *These institutions,*  
 acting in your own fields of competence, ~~and expertise.~~ *by you,*  
 and *experience.* Your  
 work should not be diverted by extraneous political disputes.

And as you mold and adapt, you must be ~~confident~~ *assured* that your  
 decisions will not be determined or renegotiated in some other

setting. ~~Accordingly, a framework for Global Negotiations~~  
~~from any international forum which might~~  
~~in the United Nations which undermines your integrity is~~ *would be*

neither necessary nor desirable. *I think this should stay in.*

~~Perhaps we should note that we have also opposed political attempts~~  
~~here in the U.S. to cripple our support for the work of the IMF etc~~

The Fund is the world's principal official source of  
 balance of payments financing. So far this year, Fund programs  
 of more than \$5 1/2 billion have been arranged. Even more is  
 needed, and action is under way to expand these resources. The

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\*Dick Cooper and Henry Owen believe strongly that the bracketed sentence should be deleted. They argue that the U.S. has made this point clearly in U.N. debate, that having the President repeat it will unnecessarily antagonize many countries in the audience, and that adverse press comments by them would divert attention from the more useful section on energy.

PS3  
 L1/d

IMF is also adopting important changes in policy, making it more responsive to the changing needs and concerns of its members. JY

During the last 12 months, the World Bank Group has lent more than \$12 billion to developing member countries. Nearly \$4 billion of that was provided on concessional terms to the poorest countries.

The Bank is mounting ~~important new~~ initiatives to enable developing countries to find and produce more energy. ~~It seeks to devote more resources to this task~~ while also carrying out other important Bank programs.

~~We welcome its examination of ways of doing this, including consolidating and expanding the Bank's energy development work in a new facility or affiliate.~~ An enlarged World Bank program for energy exploration and development would benefit <sup>us</sup> all.

The World Bank has also launched a program of lending

and advisory services to help developing countries make the structural adjustments required by higher energy prices.

~~The United States has strongly supported these World Bank and IMF initiatives.~~

5 I cannot discuss the role of the World Bank without paying tribute to the leadership and dedication of Robert McNamara over the last 12 years. ~~Under his guidance, annual lending by the Bank Group has grown from \$1 billion to over \$12 billion.~~

The lending has focused on poor people in poor countries, on alleviating world hunger, and on helping developing nations ~~produce more energy.~~

~~In short,~~ Under Bob McNamara's leadership, the Bank has become the focus of world cooperation to improve the human condition, and a fine example of how such cooperation can be effective. Bob, you will leave to your successor a high

standard and a firm foundation for the future.

United States support of the Fund and Bank reflects both our fundamental humanitarian principles and our economic interests. <sup>ce</sup> Legislation enabling our participation in the IMF quota increase passed the Congress last week. I will sign the legislation as soon as it reaches my desk.

Moreover, I will urge the Congress to give high priority to the Sixth IDA replenishment <sup>later this year.</sup> ~~after the November elections.~~  
~~I will do everything I can to ensure its passage, and to fulfill the U.S. commitment.~~

Next year, we will ~~also~~ submit legislation for our subscription to the General Capital Increase of the World Bank. Both the Fund and the World Bank Group must have all the resources they need for their work.

Let me also mention several other steps the United States

~~has~~ <sup>have</sup> taken that will help stabilize the world economy. 7

<sup>have</sup> We <sup>^</sup> adopted a strong anti-inflation program of fiscal and monetary restraint.

We have begun a nationwide program to revitalize our industrial base and to accelerate productivity growth. This

new program <sup>will</sup> ~~can~~ increase the portion of our GNP devoted to

~~investment by about 10 percent. This long-term program, will~~  
~~reduce inflation, and~~ <sup>will</sup> restore innovation and vigor to our economy. 8

~~Regan plan that is targeted on investment.~~

We have also put in place a comprehensive program to rebuild our energy base. <sup>new</sup> ~~Contrary to some of the rhetoric of this political season.~~ This <sup>^</sup> program is already bearing

fruit. In the last three years, we have reduced oil imports by 24 percent. We are drilling more oil and gas wells this year, and producing more coal, than ever in our history. We are acting to ensure that the United States can meet much of the world's ~~import~~ needs for coal.

We have started a massive investment program to increase production of synthetic fuels. We are spending \$4 billion a year on energy research and development, and additional billions on incentives to use energy more efficiently in our homes, our industries, our commerce, and our transportation.

*The world's*  
~~Our~~ oil stocks are at an all-time high, *and* ~~as are those of~~  
~~other countries.~~ *reserves* These ~~high world oil stocks~~ will help to offset the effect of temporary reductions in supply, such as

that caused by the present conflict between Iran and Iraq. ~~E~~

*However, we are keenly aware that <sup>some</sup> other nations are ~~seriously~~ ~~seriously~~ threatened by even a temporary interruption. Thus we are eager to end the conflict as quickly as possible.*

Our energy program is part of a far-reaching effort to which we pledged ourselves at the Venice Economic Summit.

The common goal adopted there is to conserve more oil and to produce the equivalent in alternative fuels of 15 to 20 million barrels of oil per day by the end of this decade.

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\*Charles Duncan feels strongly that these sentences will help domestically and can calm nervous oil markets. Dick Cooper agrees, and adds that some reference to Iran-Iraq is necessary, and that this is constructive. Bill Miller wants them deleted because they sound defensive and self-serving and because many LDC's in the audience do not have adequate stocks.

*I think my added sentence or something like it should take care of Miller's*

This will ease pressure on world oil markets, ease balance of payments problems, and let ~~the oil importing~~ developing countries obtain a larger share of the world oil supply.

11

~~The United States now has in place the policies to play its full part in this international effort.~~

Our long-term objective in these domestic and international energy efforts is a fair deal for all nations that produce and consume oil:

¶ <sup>It is</sup> one that minimizes the threat of abrupt changes in the price of oil

¶ <sup>It is</sup> one that will assure the consuming countries of a reasonably predictable level of supply

¶ <sup>It is</sup> (And) one that will avoid compounding inflation.

The oil-importing ~~developing~~ countries, ~~the industrial~~

*The* countries, and, oil exporting countries *all* can contribute to  
this effort. *They* and all have a stake in the outcome. S/2

This meeting comes at a critical time for us all. ~~The~~  
~~tasks before the Bank and the Fund are enormous. In choosing~~  
~~the direction the Bank and Fund should take, you will make~~  
~~decisions that affect the lives of much of mankind.~~

The world has come to place enormous confidence in your  
judgment and in the work of the Bank and Fund. That confidence  
has never been misplaced. And I am certain that it will be  
even more justified in the future.

On behalf of the United States, I assure you that we  
intend to remain active in the decisions and supportive of  
the work to come.

# # #

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT AND MRS. CARTER'S ATTENDANCE AT THE  
1980 DEMOCRATIC VICTORY GALA

September 30, 1980

- 9:35 pm           The President and Mrs. Carter proceed to motorcade for boarding.
- MOTORCADE DEPARTS South Grounds en route Washington Hilton Hotel.
- (Driving time: 5 minutes)
- 9:40 pm           MOTORCADE ARRIVES Washington Hilton Hotel.
- PRESS POOL COVERAGE  
CLOSED ARRIVAL
- The President and Mrs. Carter will be met by:  
Mr. William Smith, General Manager,  
Washington Hilton Hotel
- The President and Mrs. Carter proceed to holding room.
- 9:43 pm           The President and Mrs. Carter arrive holding room where they will be greeted by:
- Congressman Tony Coelho (D-California)  
Mr. Lee Kling, Treasurer, Democratic National Committee  
Mr. William Batoff, President, Pioneer of Philadelphia  
Mr. G. Joseph Beatrice, President, Bio-bee Incorporated of Boston  
Ms. Elizabeth V. Bogosian, President, Hawol Properties, Rhode Island  
Mr. James C. Calaway, President, Southwest Minerals Oil and Gas Exploration, Houston  
Mr. Joseph H. Kanter, Chairman, Kanter Corporation, Miami  
Mr. Wallace N. Hyde, Hyde Insurance, North Carolina  
Mr. Stephen D. Moses, National Investment Corporation, California

Mr. Edward L. Romero, President, Solar  
 America, Albuquerque  
 Mr. Dale Sights, Chairman, Ohio Valley  
 National Bank, Kentucky  
 Mr. Richard Suisman, Hartford Constitution  
 Communications, Connecticut  
 Mr. Richard R. Swann, Attorney, Florida  
 Mr. Norman Kee, Attorney, New York

9:48 pm The President and Mrs. Carter depart holding  
 room en route offstage announcement area and  
 pause.

"Ruffles and Flourishes"  
 Announcement  
 "Hail to the Chief"

9:49 pm The President and Mrs. Carter proceed inside  
 International Ballroom en route Head Table  
 and take their seats for the 1980 Democratic  
 Victory Gala, greeting the crowd along the  
 way.

OPEN PRESS COVERAGE  
 ATTENDANCE: 900

9:50 pm Introduction of the Vice President by  
 Chairman White.

9:52 pm Remarks by the Vice President  
 concluding in the introduction of  
 the President.

9:58 pm The President proceeds to podium on stage.

10:00 pm Presidential remarks.

OPEN PRESS COVERAGE

10:15 pm Remarks conclude.

NOTE: Mrs. Carter will  
 be escorted to the  
 stage.

- 10:17 pm Introduction of Rabbi Malino by  
Mr. Peter Kelly.
- 10:19 pm Benediction by Rabbi Malino
- 10:22 pm Benediction concludes.
- 10:30 pm The President and Mrs. Carter, escorted  
by the Vice President and Mrs. Mondale,  
depart Ballroom en route motorcade for  
boarding, greeting the guests along the  
way.
- 10:35 pm MOTORCADE DEPARTS Washington Hilton Hotel  
en route South Grounds.
- PRESS POOL COVERAGE  
CLOSED DEPARTURE
- (Driving time: 5 minutes)
- 10:40 pm MOTORCADE ARRIVES South Grounds.

THE WHITE HOUSE  
WASHINGTON

9/28/80

Mr. President:

Jack and Sarah recommend  
you see Ellie Smeal. It must  
be done this week which means  
squeezing a tight schedule  
to get this in. Shall I  
make room?

yes       no

*Reluctantly*

Phil

J  
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for Preservation Purposes

September 25, 1980

MEMORANDUM FOR PHIL WISE AND FRAN VOORDE

FROM: JACK WATSON AND SARAH EDDINGTON *JW. S.W.*

SUBJECT: Request for Meeting with Ellie Smeal

Ellie Smeal is the President of the National Organization for Women and is the leading ERA advocate in the feminist community. We met for two hours yesterday with Ellie and believe that a Presidential meeting of 15 minutes would prevent an endorsement of Anderson by NOW, allow Ellie to have a strong anti-Reagan statement come out of NOW, and possibly encourage an endorsement of the President, though the chances of that are slim. NOW meets in San Antonio, October 2-5, and a meeting with the President before that time would be necessary.

THE WHITE HOUSE  
WASHINGTON

9/29/80

STU EIZENSTAT

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

Rick Hutcheson

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

ACTION  
FYI

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

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

	MILLER
	MUSKIE
	AIELLO
	BUTLER
	CAMPBELL
	H. CARTER
	CLOUGH
	FIRST LADY
	HARDEN
	HERTZBERG
	HUTCHESON
	KAHN
	MARTIN
	MILLER
	MOE
	MOSES
	PETERSON
	PRESS
	RECORDS
	SANDERS
	SHEPPARD
	SPETH
	STRAUSS
	TORRES
	VOORDE
	WISE

THE WHITE HOUSE  
WASHINGTON

September 28, 1980

Stu  
J

MEMORANDUM FOR THE PRESIDENT

FROM:

STU EIZENSTAT *Stu*  
JOSH GOTBAUM *JG*

RE:

Steel Program -- Draft Response Paper to  
Steel Advisory Committee Recommendations

Attached is a draft copy of our proposed response paper to recommendations of the Steel Tripartite Advisory Committee. It would be distributed, along with the Committee's report, a short fact sheet, and your remarks, at the program's announcement. Earlier versions of the paper have been reviewed by EPG staff and White House staff. We are circulating this version to EPG and to the senior staff as well.

Please give me any comments or changes you would like as soon as possible.

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A PROGRAM FOR THE AMERICAN STEEL INDUSTRY

Almost two years ago, President Carter formed a Steel Tripartite Advisory Committee, to advise the President and his administration on problems within the U.S. steel industry. Since that time, the Committee has served as the forum for constructive talks among government, management and labor. Last week, the Committee completed a review of industry conditions and recommended to the President a series of measures by which the government can assist the American steel industry in its efforts to modernize and regain competitive strength.

The President had already acted, in his Economic Renewal Program, to introduce measures that will help steel, as well as other industries, to accelerate the technological innovation and capital investment that are necessary to our economic growth.

Today President Carter announced additional measures to strengthen our domestic steel industry in particular. These measures, in conjunction with earlier actions, form an integrated program for the industry, its workers, and steelmaking communities; one that responds to each of the recommendations of the Committee. That program includes:

- o Measures to assist the steel industry in making investments to modernize its plants and equipment.
- o Research and development of new steelmaking technologies.
- o Reinstatement of an improved trigger price mechanism (TPM), to insure against unfair trade practices. This program, in conjunction with the withdrawal by U.S. Steel of its anti-dumping suits, will ensure both competitive and stable international trade in steel during the transition period that both domestic and foreign steelmakers have begun.
- o A program for industry compliance with environmental requirements that will, at last, guarantee the steel industry can and will attain our goals of a cleaner environment and a healthier workplace.
- o Programs to help workers, their families and communities heavily affected by changes in the industry.

*Stu -  
Check  
typos, etc*

*Basically ok  
Proceed - check  
any changes  
with me  
J*

*Emphasize need  
to control  
inflation.*

In his announcement, the President stressed that the challenge of revitalizing this essential industry must be met primarily by the industry itself. The government will develop policies that provide the climate for accelerated modernization, enhanced productivity, lasting and stable employment, and the protection of the environment. If the goals that all share for this industry are to be realized, however, the industry--management, stockholders and labor--must look beyond short-term interests: Attractive short-term investment and profit from diverse activities must be forsaken to devote resources fully to the investment necessary for modern steel-making. Wage demands must be moderated and consistent with productivity gains, to ensure improved longer-term employment prospects. These efforts will pay off handsomely in the long-run. —?

What is being announced today, therefore, is not a final program, but an additional step to a healthy, competitive steel industry.

### Principles and Objectives

In announcing his steel program, the President agreed with the general conclusions of the Steel Tripartite Advisory Committee. That program is guided by the following principles and objectives, which set both its goals and its limits:

Steelmaking is a basic industry within our economy. With annual sales reaching \$57 billion in 1979, the steel industry is larger than any other U.S. industry except for petroleum and autos. Steel remains an essential ingredient in a vast array of the goods that we require. Its size, and the major role it plays in our industrial base, makes an efficient steel industry a prerequisite for a revitalized domestic economy.

The size of the industry will ultimately be determined by market forces, by the demand for steel products and by competition in the U.S. market and in international trade. American consumers, and steelworkers will benefit from the efficient, modern steelmaking that will result.

But free trade must be fair trade as well. Unfair import competition disrupts our home market for steel products, making it difficult for domestic producers to plan and invest for the future. The American steel industry must be prepared to meet fair international competition, but it is the government's responsibility to take action when economic pressures are the result of foreign governmental policies and support rather than open competition. Prompt and effective enforcement of our trade laws will assure that modernization can go forward rapidly.

The industry has exceptional capital needs. Modernization of the American steel industry will call for high levels of

investment in new plant and equipment for a number of years. Compliance with environmental laws will require the industry to invest even more. Combined, these expenditures will be very large, much larger than the investment requirements for many other American industries. While estimates differ substantially, almost all studies agree that the industry faces a substantial capital shortfall.

In the past the industry has not been sufficiently profitable to finance its capital requirements. Under current and anticipated business conditions, without changes in Federal policies, it is questionable whether over the next few years the industry would be able to do so.

Prompt and full industry compliance with our pollution laws is critical to meet our environmental goals. Although the steel industry has spent substantial sums and made considerable progress in the past few years on pollution control, it continues to lag far behind other industries in achieving compliance with air and water pollution control requirements. Since steelmaking is an inherently dirty process, further progress in compliance will contribute substantially overall attainment of our national environmental goals. Modernization and the use of new, cleaner technologies will result in a more competitive and cleaner steel industry in the years ahead.

For all these reasons, the situation of the steel industry is unique. The magnitude of the effort necessary to modernize and regain competitiveness will require the full cooperation of the industry and government.

## THE PRESIDENT'S PROGRAM

### Modernization and Investment

Modernization of the domestic steel industry will require sustained investment at high levels, as well as research, development and use of advanced steelmaking technologies. The proposals contained in President Carter's economic revitalization program will help the industry in this effort.

The President's proposals to liberalize and simplify the current depreciation system will help the steel industry finance its long-term modernization program. Under the new system of constant rate depreciation, the rate of depreciation for equipment (which accounts for 85-90 percent of the steel industry's fixed capital) would be about 40 percent greater than is permitted under current law.

In addition, the full 10 percent regular investment tax credit (ITC) will be made available for all new equipment with a useful life of more than one year. (Current law provides for a reduced credit in the case of short-lived assets.) Furthermore, an extra 10 percent credit will be allowed for up to \$10 billion of capital investments which provide job opportunities and contribute to the economic base in distressed regions; this credit should be of particular benefit to steelmakers, in light of the location of many of their existing facilities.

Another important measure for the steel industry is the President's proposal to make the regular investment tax credit partially refundable and the special credit fully refundable. This proposal, which represents a major innovation in Federal tax policy, will extend the benefits of the ITC to firms that have no current tax liability. It provides the bulk of immediate tax relief for steel industry modernization.

These proposals will improve the outlook for investment in steel in several ways. In addition to their substantial direct benefits to steel companies, the new capital recovery provisions will yield important indirect benefits in the near term as a result of new investment and increased steel demand in other industries. In addition, diversified steel firms may realize direct short-term benefits by reducing tax liabilities in profitable non-steel areas.

### Development and Use of New Technology

The adoption of new technology is essential to make the United States steel industry more efficient, productive and competitive. Some U.S. firms are world leaders in the development and use of advanced steelmaking technologies. Others, however, have lagged considerably. For the most part, firms will modernize if the industry's ability to generate the funds for investment in new technology improves; the President's tax proposals will help in this regard. However, programs to develop and test important technical advances, under actual steelmaking conditions, will also be required.

Many promising technical opportunities have been identified. After extensive review, the Steel Tripartite Advisory Committee concluded that both existing and prospective steel technology is moving toward continuous, closed operations, which offer significant progress in manufacturing productivity, energy utilization, environmental protection, and worker health and safety. The Committee also concluded there were promising opportunities in broader application of continuous steel casting, formed-coke technology, dynamic control systems for steelmaking, recycling and recovery technologies, and a range of advanced process technologies.

Examples of additional possible areas of cooperation to be explored include coal-based direct reduction of iron ore and basic research on high performance steel alloys, plasma technology, and physical chemistry of steel and steelmaking.

As announced in his recent economic revitalization program, the President is committed to providing an additional \$600 million over the fiscal years 1981 and 1982 for the support of basic research and other scientific programs to improve the performance of the U.S. economy. These funds will be used in part to maintain a real annual growth rate of 3% in Federal funding of basic research and in part to support increased collaborative research among government, industry, and universities. The steel industry, among others, will benefit from these steps.

The President believes industry and government should cooperate to ensure full consideration of the opportunities that can put domestic producers back at the forefront of steelmaking technology. He has therefore instructed the Director of the White House Office of Science and Technology Policy, the Secretary of Commerce, and other senior officials to review carefully the technical proposals outlined by the Steel Tripartite Advisory Committee and others. He is further directing these officials to explore promptly, in collaboration with industry, the feasibility of establishing a cooperative basic and applied research program similar to the Cooperative Automobile Research Program.

#### Effective Enforcement of Fair Trade

Under the United States trade laws, the Federal government is responsible for ensuring that domestic producers are subject to fair competition in the international marketplace. Our trade laws are fully consistent with the obligations we have accepted under the Multilateral Trade Agreements. The President has often stated his insistence on vigorous and prompt enforcement of these laws.

The Administration has continued to work towards an environment in which trade in steel products is free of government obstruction, is determined by competitive conditions, and is conducted without dumping or subsidization. The initiatives announced today advance this goals.

Today, the Commerce Department reinstated the trigger price mechanism (TPM), which was suspended in March 1980. The TPM, which has been improved in several respects, will guarantee prompt and effective enforcement of the trade laws during the transition period in which the industry--both here and abroad--will modernize and restructure, for a period of not more than five years.

At the same time, the United States Steel Corporation is announcing immediate withdrawal of its antidumping complaints against steel producers in seven European countries.

Administration of the TPM, particularly monitoring efforts, is being improved. In addition, steps are being taken to reduce the distortion from short-term exchange rate fluctuations on trigger prices. Furthermore, a procedure is being established to deal with surges of dumped or subsidized imports. (Details are being announced today by the Commerce Department.) As before, the TPM will impose no quantitative restrictions, will guarantee no market share, and will not impede fair international trade.

Reinstatement of the TPM will ensure that unfair import competition will not disrupt the steel industry's modernization program. Indeed, the reinstatement of the TPM is premised on the industry's readiness to undertake such a program. The new TPM system will be reviewed after three years; continued operation of the TPM beyond three years is specifically conditioned on the industry's undertaking the investments necessary to ensure its long-term competitiveness.

The new TPM is thus designed to cover only a transitional period for domestic and foreign steel producers. The United States Government has received assurances from European Community authorities that they will accelerate their efforts to restructure the European steel industry during the period when the TPM is in operation.

In no longer than 5 years, the TPM will be terminated, and there will be no special administrative procedures for steel imports. Should trade complaints arise, they will be handled through the normal application of our antidumping or countervailing duty laws.

The reinstated TPM will not cover specialty steel products with one exception. Specialty steel products were not covered by the previous TPM both because domestic specialty steel producers were receiving import relief under another program (which has since lapsed) and because extending TPM to the wide range of specialty steel products was not feasible administratively. The President has directed the Secretary of Commerce and the U.S. Trade Representative to follow the situation in specialty steel trade closely, however, and to advise the President if action on specialty steels is warranted.

The President is directing the Special Trade Representative

and the Secretary of Commerce to review possible efforts in the other trade areas identified by the Committee.

### Ensuring Compliance with Environmental Laws

The President believes that prompt compliance with the Clean Air and Water Acts is absolutely essential for the health and quality of life of the American people. The steel industry is, by the nature of its operations, one of the country's largest sources of air and water pollution, yet it has been especially slow to comply. It is particularly crucial that it do so, and this package is intended to get that job done.

The problems of environmental compliance are unique to steel-making. Because steel production is an inherently dirty process, the clean-up costs are very great. Although the industry has spent substantial sums, during a period of declining profits, and made considerable progress in the past few years on pollution control, it continues to lag far behind other industries. Full compliance will require large additional expenditures at the very time that the industry must make major investments for modernization as well.

Modernization of the industry is of course critically important to the well-being of the steel workers, their families, steelmaking communities, and the economy generally. But modernization is equally important to environmental objectives, since modern facilities are inherently much cleaner, and all parties (including the industry) have agreed they will use the best control technology available.

For these reasons, the President agrees with the Committee report that, for this industry uniquely, flexibility is needed to assure that the goals of modernization and environmental protection will both be met.

The program announced today is designed to make sure that the steel industry can and will, at last, comply with the environmental statutes. By fostering modernization and technological development and providing tax incentives, it will provide encouragement and enable the industry to raise the capital necessary for compliance. It will insure that companies have the time necessary to secure capital for achieving compliance, by providing flexibility on deadlines in those individual cases where it is necessary. And it will guarantee that there will be environmental compliance by requiring strict schedules spelled out in compliance orders and enforced by the courts.

The President is firmly committed to the reauthorization of a strong Clean Air Act next year. He does not intend to endorse an across-the-board relaxation of deadlines or standards for this industry or others. He recognizes, however, that the unique conditions of the steel industry identified in the Tripartite report may require some modification of compliance deadlines for a limited number of steel facilities. So that these special needs can be addressed without distorting the

general debate on the Clean Air Act, the President will recommend legislation to deal separately with the unique situation of the steel industry immediately after the Congress convenes in January. He will not recommend an automatic deferral of compliance deadlines--there are steel facilities that can comply without further delays--but rather, a discretionary, case-by-case stretchout of required action.

In preparing the amendment, the Administration will consult with the Committee (which will be expanded to include members of the public with interest in steel-related matters), with representatives of environmental organizations, and with the National Commission on Air Quality.

The amendment would allow the EPA Administrator to grant an individual steel source an extension for no more than three years of the deadline for compliance with the requirements of the Clean Air Act. The Administrator could grant the extension only where the following conditions are met:

1. The extension is no longer than necessary to allow the company to make modernization expenditures on iron and steel facilities; and
2. Funds which would have been spent to comply with the deadline will be expended in the same time period for modernization and in existing steelmaking communities; and
3. The company will have sufficient capital to meet all air pollution control requirements in a timely manner; and
4. The company is under a company-wide judicial order which
  - establishes a schedule for each violating source to comply with expeditiously as practical, consistent with any extensions granted; and
  - provides means to assure no degradation of air quality during the deferral period.

Until such authority is granted, existing consent decrees predicated on the 1982 deadline will remain in force as written but the amendment will allow these orders to be modified consistent with its terms.

In the Committee report, all parties--including the industry--agreed that effective implementation of their recommendations would resolve the major health-related environmental regulatory issues potentially impeding modernization. The President is

accepting this and the Committee's other proposals because doing so will remove the need for consideration of the special needs of the steel industry during reauthorization of the Clean Air Act by the next Congress. The President's decision is also premised on his understanding that all Tripartite members have committed to achieving compliance with the Clean Air Act. The conditions for obtaining extensions of deadlines will be strict, and when a source obtains a deadline deferral, efforts to improve air quality will continue: the amendment would allow a stretchout--not a postponement--of investments on controls.

The Amendment recommended by the Tripartite Committee would allow the Administrator to extend the deadline for a facility to permit investment in modernization of other steel facilities owned by the company. The President believes it is appropriate to require that the investments made possible by the deadline extension should be for facilities located in existing steel communities.

The Committee recommended that, "to the extent substantial additional expenditures will be required" to meet water pollution control requirements, the Federal Water Pollution Control Act should be amended in the same manner. However, the regulations that determine this issue will not be proposed until December, and the level of expenditures required by the new regulations is not now known. The Administration will implement promptly the Committee's recommendation once the regulations are published, if it determines that "substantial additional expenditures" will in fact be required.

EPA has already begun work to effect the Committee's recommendations that it explore ways to increase the availability of the "bubble concept" to the industry, and that discharge permits under the water act not be modified until EPA's revised regulations take effect next year.

#### Worker and Community Assistance

The modernizing and restructuring of the steel industry will unavoidably be accompanied by dislocations for some steelworkers and communities. Some jobs will be eliminated and some plants will close. Both government and industry can and will take steps to help relieve the anguish and uncertainty that accompany these changes, but change cannot be avoided entirely. A failure to modernize the steel industry would lead to still greater economic and personal distress.

The Federal government has in recent years provided substantial financial assistance to steelworkers and communities harmed by temporary layoffs or permanent plant closings. From 1975 to the present, for example, over 100,000 steelworkers have received

nearly \$200 million in trade adjustment assistance (TAA) benefits to supplement unemployment payments from other sources. Similarly, over \$30 million has been disbursed since 1977 in adjustment assistance to communities adversely affected by steel plant closings. The Administration has supported legislation that would extend TAA benefits to workers in supplier industries.

Over the past year, guided by the deliberations of the Steel Tripartite Advisory Committee, the government has begun a number of important steps to channel Federal aid to workers and communities more effectively: In 1979, the Administration, in cooperation with the companies and the United Steelworkers of America, established a task force to respond to the problems posed by steel shutdowns on an individual plant basis. This task force has served as a useful vehicle for improving the flow of unemployment benefits and employability service information to the site of plant closings, for speeding up the application and payment of TAA benefits to unemployed workers, and for developing action plans specifically geared to the needs of individual groups of workers and communities. The Committee also recommended that Federal officials be assigned to work full-time with local governments, labor and managements to ensure that available Federal assistance programs be delivered as quickly as possible; this program, too, has begun.

The President's proposals for worker and community adjustment assistance, as announced in his Economic Revitalization Program, draw upon the adjustment experience gained from the steel industry and indicate his commitment to expand these efforts. The proposals include the following:

**Supplemental Unemployment Benefits:** As a temporary measure, the President's proposal to authorize 13 additional weeks of unemployment compensation will provide immediate and direct financial assistance to steelworkers and workers in related industries who have lost their jobs.

**Job Training/Assistance:** The President has proposed a \$300 million expansion of current job training programs under CETA, some of which will help retrain skilled workers. In addition, the Department of Labor will establish in 1981 about a dozen pilot programs to test innovative new ways to assist in the retraining and relocation of workers affected by industrial change. The President has instructed the Department of Labor to conduct some of these pilot programs in steelmaking communities. If the demonstrations prove successful, the President will propose a full-scale program offering dislocated workers throughout the Nation similar training and assistance.

**Targeted Investment Tax Credit:** The President's proposed targeted investment tax credit will be of special benefit to steel communities. Many steel communities are older cities and towns suffering not only from temporary or permanent shutdowns of

steel plants but also from general declines in economic activity. Many would qualify as applicable sites for the targeted investment tax credit. For these communities the modernization of the steel industry, in combination with the targeted investment tax credit, should be an important step towards revitalizing their economic bases.

**Programs Assisting Communities:** The Federal government, through agencies such as the Economic Development Administration (EDA) of the Department of Commerce and the Department of Housing and Urban Development (HUD), provides a wide variety of programs aiding the development of businesses in steelmaking communities, including loan guarantees, development grants, direct loans, and interest subsidies.

The President's proposal for increased program levels for economic development of \$1 billion in 1981 and \$2 billion in 1982 will allow a significant expansion of these programs benefiting steel communities.

### Continuing Partnership

In large part, the President's program is a result of the continued discussion and collaboration within the Steel Tripartite Advisory Committee. The Committee's deliberations have shown the value to Government decisionmaking of close cooperation and discourse with business and labor. In recognition of this contribution the President decided to create an Economic Revitalization Board to advise on matters of economic policy affecting all industry.

To obtain additional guidance, and help in monitoring the progress of the program being announced today, the President has directed Secretaries Marshall and Klutznick to renew the Committee's charter, which expires next January. The President has also directed Secretaries Marshall and Klutznick to modify the Committee's charter to include members of the public who are concerned with the steel industry, and in other ways that would permit a wider range of interests to participate in its deliberations.

THE WHITE HOUSE  
WASHINGTON

9/29/80

STU EIZENSTAT  
JACK WATSON  
JIM MCINTYRE

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

Rick Hutcheson

**SECRET**

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

ACTION  
FYI

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	CONFIDENTIAL
	SECRET
	EYES ONLY

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

	MILLER
	MUSKIE
	AIELLO
	BUTLER
	CAMPBELL
	H. CARTER
	CLOUGH
	FIRST LADY
	HARDEN
	HERTZBERG
	HUTCHESON
	KAHN
	MARTIN
	MILLER
	MOE
	MOSES
	PETERSON
	PRESS
	RECORDS
	SANDERS
	SHEPPARD
	SPEETH
	STRAUSS
	TORRES
	VOORDE
	WISE

THE WHITE HOUSE

WASHINGTON

September 27, 1980

C

MEMORANDUM FOR THE PRESIDENT

FROM:

STU EIZENSTAT *Stu*  
JIM McINTYRE *Jim*

SUBJECT:

Moynihan Proposals to Increase the Federal  
Matching Rate for Medicaid and AFDC

BACKGROUND

The top priority of key New York elected leaders with whom I have met -- Senator Moynihan, Governor Carey, Mayor Koch and State Senator Ohrenstein -- is relief from the crushing Medicaid burden of New York City. They are actively seeking Administration support for these proposals and contend it is vital to the prospects for New York in November. Hamilton and Jack feel such support is very important to the campaign. Koch and Moynihan have requested an early response to their request.

SUBSTANCE

Senator Moynihan has introduced two alternative bills which are consistent with the Democratic Platform statements in this area. The Platform states:

As a means of providing immediate federal fiscal relief to state and local governments, the federal government will assume the local government's burden of welfare (including Medicaid) costs. Further, there should be a phased reduction in the states' share of welfare costs in the immediate future.

The Democratic Party pledges in the immediate future to introduce legislation to accomplish these purposes in the next year.

The Democratic Party supports programs to make the Medicaid reimbursement formulae more equitable.

*He wrote  
this part  
for this  
reason -*

Under current law, the Federal share of Medicaid costs ranges from 50 percent in rich States to 78 percent in poor States. The effect of the Federal matching formula is to reduce the State share below the average in poor States and increase the State share above the average in rich States.

S. 2073 would decrease the average State share of Medicaid costs by 10 percentage points and introduce a cost of living factor, advantageous to high cost States such as New York, in the matching formula. The decrease in the average State share is similar to the changes proposed in our National Health Plan and Welfare Reform proposals. However, unlike these proposals, S. 2073 does not tie the increased Federal match to any structural or programmatic improvements. Although 10 southern States would theoretically receive less Federal aid under the proposed formula, they would be "held harmless" at current matching rates.

S. 3064 would increase the minimum Federal share of Medicaid and AFDC costs from 50 percent under current law initially to 75 percent in 1982 and ultimately to 90 percent by 1985. As a result, S. 3064 would be substantially more costly than S. 2073. S. 3064 would also require that the additional Federal funding be passed-through to localities in those States that now require local cost-sharing, in amounts sufficient to eliminate the local share. The greatest benefits of S. 3064 would accrue to those States with a current Federal match closest to the minimum of 50 percent -- the States with the highest per capita income, primarily in the north and west.

We have been looking at ways to modify these proposals to make them potentially worthy of our support and consistent with our legislative program. While the primary purpose of the bills in their present form is fiscal relief, we believe that they might be modified to meet these objectives.

Specifically, we would recommend that fiscal relief should be tied to the establishment of effective State hospital cost containment programs and benefit and eligibility improvements. Phasing alternatives should also be considered to reduce first year costs.

Although OMB does not recommend endorsing either of the Moynihan proposals, they believe that some more acceptable alternatives might be proposed as the basis for any possible negotiation. Specifically, they would recommend that we should condition any fiscal relief not only on the existence of a State Hospital Cost Containment Program but also that the amount of any fiscal relief should bear a reasonable relationship to the savings the state cost containment program achieves for the Federal Medicare and Medicaid programs.

However, since the cumulative effect of all nine current state cost containment programs is estimated at a savings of about \$400 million for the Medicare program, the savings in New York would not be more than about \$200 million. We are already gaining the fruits of any Medicaid savings. If New York's fiscal relief were to be limited to this amount they would fall far short of what they are seeking.

#### COST

S. 2073 would cost \$2.7 billion in 1981 (if started in 1981). There would be no automatic increases in out-year costs except for inflation. S. 3064 would cost \$8.5 billion in 1982, increasing to \$20 billion in 1985 and potentially much more. Under either bill, 20-30 percent of the funds would go to New York, and a total of 40-45 percent would go to five other states: California, Illinois, Michigan, Pennsylvania and Massachusetts. Phasing in S. 2073 over two years could reduce first year costs to \$1.3 billion.

#### PRO's

Following are the main reasons to negotiate with Moynihan for potential Administration support:

##### o Substantive

-- The bill could be made a vehicle to increase State hospital cost containment activities and improve State benefit and eligibility standards, and would provide financial incentives for States to do so.

-- To the extent this encouraged more states to set up cost containment programs it could result in potential additional savings to the Medicare program of several hundred million dollars.

-- Treasury and my staff believe that without some form of major fiscal relief to the city, the city's finances will remain in 'crisis' and further Federal financing assistance will probably be required after the expiration of the Loan Guarantee Act. The city has a legitimate argument that it must absorb costs (hospital costs, transportation costs, etc.) which are not carried by other local governments to the same degree.

##### o Political

-- As mentioned above support is important to New York.

CON's

Following are the main reasons not to negotiate with Moynihan:

o Substantive

-- Even with added standards, the cost to the Federal government in fiscal relief to States is too high and could remove our leverage for broader welfare reforms. We had tied fiscal relief to programmatic reforms.

o Political

-- Both bills would be strongly opposed by southern States, since the bulk of fiscal relief would go to northern and western States.

-- Active support at this time could appear to be politically motivated.

CONCLUSION

This is at heart a political issue and we recommend that you meet with us and your political advisors in the next few days to discuss this further.

ADMINISTRATIVELY  
CONFIDENTIAL

THE WHITE HOUSE

WASHINGTON

September 29, 1980

C

MEMORANDUM FOR THE PRESIDENT

FROM: LLOYD N. CUTLER

*mc*

SUBJECT: Iranian Demonstration

On Friday afternoon the Muslim Students Association accepted the alternate parade and demonstration route we had proposed, excluding Lafayette Park, Pennsylvania Avenue and the White House sidewalk.

The demonstration occurred today peacefully and without incident.

**Electrostatic Copy Made  
for Preservation Purposes**

cc: Jack Watson

THE WHITE HOUSE  
WASHINGTON

September 27, 1980

MEMORANDUM FOR: THE PRESIDENT  
FROM: STU EIZENSTAT *Stu*  
SUBJECT: Reg Jones' Concerns Over the Funding Levels for Eximbank

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for Preservation Purposes

As you know, Reg Jones came to see me on this subject earlier this week. Basically, Reg believes that Eximbank is, both presently and prospectively, being underfunded (particularly in the category of direct loans to foreign buyers) and that this underfunding is adversely affecting U.S. export competitiveness.

Reg's specific recommendations are:

1. For FY 1981, the Administration should support Eximbank's supplemental request (which is now pending with OMB) to increase direct loan capability from the \$4.4 billion currently in the budget to \$5.5 billion. Reg believes that this increase would be acceptable to Congress (which is now considering Exim funding for FY 1981 as part of the overall Foreign Aid bill).
2. For FY 1982, the Administration should support Exim's request for \$7.4 billion in direct loans, as opposed to OMB's current planning level of \$4.7 billion.

Reg's arguments in favor of these recommendations are as follows:

1. The U.S. must do all it feasibly can to increase exports. Export financing has become a key determinant of export competitiveness, and foreign buyers are increasingly selecting their suppliers of "big ticket" capital goods on the basis of who offers the most advantageous financing. The governments of other major trading countries provide their exporters with considerably more financing aid than Exim is authorized to provide.
2. The export opportunities where foreign competition makes Exim aid necessary if the business is to be obtained by U.S. corporations greatly exceeds what Exim has been authorized to provide.
3. Exim-supported exports generate hundreds of thousands of U.S. jobs and millions of dollars in Federal, State and local tax revenues. In FY 1979, Exim supported \$13.6 billion in U.S. exports and these exports generated 544,000 jobs.

4. The impact of Exim on the U.S. budget is small in relation to its benefits to the U.S. economy. Exim does not require or use appropriated funds. Its funds come from its capital stock, borrowings, repayments, etc. In FY 1979, Exim made a \$159 million "profit" and paid a \$35 million dividend to the Treasury.

In sum, Reg believes that overly restrictive limitations on Exim-bank funding will risk conceding large capital goods exports to foreign competitors, thereby depriving the U.S. of billions of dollars in exports and hundreds of thousands of jobs -- for the sake of relatively small reductions in actual budget outlays in FY 1981 and FY 1982.

I thought it would be useful for you to have OMB and CEA's perspective on these issues. OMB and CEA point out that the arguments for increased Exim funding have been discussed with you in past budget sessions when you set the current and future Exim budget levels. They emphasize that:

(a) The link between increased official export-credit financing and increased trade has not been clearly demonstrated. In particular, it is likely that some Exim loans serve primarily as subsidies to exporters on exports that would have taken place in any event.

(b) Under current conditions, the budgetary and real costs of these credits are substantial. These costs could well exceed the benefits derived.

(c) The profitability of Exim is being eroded rapidly because the yield on new credits is substantially below Exim's borrowing costs. Higher budget levels would accelerate this erosion.

(d) Any decision on higher funding for Exim must take into account the risks of setting off a further round of international export-credit competition, or of undermining negotiations to restrain this competition.

OMB and CEA believe that the question of whether to seek a 1981 supplemental for Exim should not be decided until this fall's budget review when competing claims and other relevant factors can be presented to you. Among the most important of the factors is the outcome of the ongoing international export credit restraint negotiations which will be wrapped up by early December.