

12/5/77 [1]

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THE PRESIDENT'S SCHEDULE

Monday - December 5, 1977

7:45 Dr. Zbigniew Brzezinski - The Oval Office.

8:15 Mr. Frank Moore - The Oval Office.

8:30 Senior Staff Meeting - The Roosevelt Room.

9:00 Meeting of the Cabinet. (Mr. Jack Watson).
(2 hrs.) The Cabinet Room.

11:00 Mr. Jody Powell - The Oval Office.

11:45 Senator Edward M. Kennedy. (Mr. Frank Moore).
(15 min.) The Oval Office.

12:00 Lunch with Vice President Walter F. Mondale.
The Oval Office.

2:00 Budget Review Meeting. (Mr. James McIntyre).
(3 hrs.) The Cabinet Room.

THE WHITE HOUSE
WASHINGTON

December 5, 1977

Tim Kraft

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

Rick Hutcheson

RE: MEETING WITH JOINT CHIEFS
OF STAFF

THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

December 2, 1977

MEMORANDUM FOR THE PRESIDENT

THRU: ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS

You will recall that at the lunch with the Joint Chiefs of Staff last Wednesday, I suggested that you might meet with them before the FY 79 defense budget was finally decided. I would like to reiterate this suggestion. It is important both for our relationship with the Chiefs and for public and Congressional perceptions that you consult, and be seen to have consulted, with them before final budgetary decisions are made. Because they would be advising you and me as the Joint Chiefs of Staff rather than as Chiefs of their respective Services, I would urge them to speak as a group about the implications of particular budget levels for our combat readiness and capability, and about specific programs only insofar as those concern them as a collective body. ok

I will be in touch with Zbig to arrange a time, which I believe should be before my December 16 decision meeting with you.

Harold Brown

Solomon: 'Carter Dedicated to Peace'

"I can tell you that peace is uppermost in President Carter's thoughts at all times," Jay Solomon, a cabinet-level officer said at the federal building in observance of Veteran's Day in Elkins on Friday.

The day for the remembrance of all American fighting men was observed with visits and speeches from Solomon, administrator of the General Services Administration, U.S. Senator Jennings Randolph, Richard Homan of Sugar Grove, past national VFW commander, and Erle Cocke Jr., and William Rogers, both past American Legion national commanders.

Solomon said that "Carter is a man dedicated to peace. He will come

through on his promises. He will do the right thing."

"At the cabinet meetings each Monday I listen to the president as he discusses each issue with members of the cabinet and his top advisors," Solomon continued.

"I know from these discussions that it is the President's fervent ambition not only to keep this nation at peace but to do what he can to see the world at peace."

Randolph told the chilled crowd that "We're going to continue to give a veteran job security preference and attempt to keep VA hospitals like they are today, not under a hospital insurance program."

"I hope you all know I opposed the acts of congress that instituted a three-day weekend for Veteran's Day. It should be on Nov. 11 because of the symbolism of what happened.

"Beginning next year, the national day of observance will be on Nov. 11 in the United States."

The Elkins High School Band and the Davis and Elkins college choir provided music for those attending on a cold, windy afternoon.

To the strains of the national anthem, VFW auxiliary members carried in the national colors.

The traditional wreath was placed beneath the flagpole at the federal building in honor of area men who gave their lives in war.

Solomon was introduced by Randolph as "a man who presides over a \$5 billion household, the GSA."

Solomon praised Senator Randolph as "a man who gives leadership and direction in Washington."

Frank Wimer, long time coach in Elkins schools, a veteran of World War I and II wore his uniform to the observance.

"Not many people know this story," he said, "but I knew somebody that went to school with Adolf Hitler. And he told me that in

(Please turn to page 9)



Sharing a story after the dinner were Senator Jennings Randolph (left photo at right), Jay Solomon, director of the General Services Administration, Federal Judge Robert E. Maxwell, and Gary Schoonover, chairman of the committee that planned the Veteran's Day activities.

Solomon: Carter

Continued from page 1

At a dinner Friday evening in D and E's Benedum Hall in observance of Veterans Day, 250 guests heard addresses from Richard Homan of Sugar Grove, past national VFW commander, William J. Rogers of Maine, past national American Legion Commander and Erle Cocke, Jr., also a past commander of the American Legion.

Homan said he had "taken pleasure from playing an insignificant part in maintainaing the American way of life."

He added that several countries around the world have "lost their freedom."

China, he said, "lost their freedom during their revolution. The United States could have saved China, but because we didn't, they lost their freedom."

"We could have saved Vietnam, if our fighting men were allowed to fight to win," Homan added, "but because they weren't, Vietnam lost their freedom."

Homan added he now fears other countries like Angola in Africa will lose their freedom unless "America draws a line and says this is as far as we can go."

Homan also said that "60 years of U.S. control over the Panama Canal is more impressive than the possible rule of a dictator who must rely on the

strength of his national police". The rule of the people must prevail," he added.

William Rogers, a naval aviator in the Asiatic theatre during World War II and national American Legion Commander in 1976, praised Senator Randolph as "a scholar and a patriot."

As long as men like Randolph are in a position to help veterans, their rights will always be protected, he said.

He added that he "resents the inference that veterans are welfare cases by their proposed inclusion in HEW's welfare reform proposals. Veterans should never be included in any welfare proposals."

Earl Cocke, Jr., commander of the American Legion in 1950, said "a cat has nine lives, but I've used up most of mine already."

During WWII, he was shot and left for dead by a firing squad of retreating Germans. Civilian troops found him and turned him over to advancing Allied troops.

"Places like this," he said, indicating D and E College, "perpetuate higher education. They teach the teachers teach the teachers," he said.

President of D and E, Doctor Gordon Hermanson, was master of ceremonies at the dinner.

UP-055

(HOSPITALS)

(BY MICHAEL CONLON)

WASHINGTON (UPI) - THE NATION'S HOSPITALS ARE FACING AN ENERGY CRISIS BECAUSE THEY RELY TOO HEAVILY ON OIL AND NATURAL GAS, THE HEW DEPARTMENT SAID TODAY.

IT URGED SUCH INSTITUTIONS TO CUT BACK THEIR ENERGY USE THROUGH CONSERVATION AND SAID INCREASED DEVELOPMENT OF SOLAR HEATING MAY HELP ALLEVIATE THE PROBLEM.

THE FINDINGS WERE BASED ON A SURVEY PAID FOR BY HEW AND CONDUCTED BY THE AMERICAN HOSPITAL ASSOCIATION. DESCRIBED AS THE FIRST OF ITS KIND, THE SURVEY COVERED 5,280 INSTITUTIONS WHICH ACCOUNT FOR MORE THAN 82 PERCENT OF THE TOTAL HOSPITAL BEDS IN THE NATION.

"THE NUMBER OF HOSPITALS THAT REPORTED USING ONLY ONE SOURCE OF FUEL WAS HIGHER THAN WE EXPECTED," SAID HEW UNDERSECRETARY HALE CHAMPION, "AND THIS POINTS OUT THE VULNERABILITY OF HOSPITALS TO SHORTAGES.

"IN MOST CASES THE SINGLE FUEL WAS NATURAL GAS, WHOSE SUPPLY IS EXPECTED TO DECREASE MARKEDLY EACH YEAR FOR THE INDEFINITE FUTURE," HE ADDED. "EVEN MORE STARTLING IS THE EVER-INCREASING COST OF ENERGY FOR HEALTH INSTITUTIONS.

"IF THE PRICE OF NATURAL GAS AND OIL RISES AT THE RATE OF 10 PERCENT EACH YEAR, WHICH WE REGARD AS A CONSERVATIVE ESTIMATE, ENERGY COSTS ALONE COULD ADD ABOUT \$1.7 BILLION TO THE OPERATING COST OF THE NATION'S HEALTH CARE FACILITIES BY 1980," CHAMPION SAID.

HEW SAID THE HEAVY RELIANCE ON GAS AND OIL "MEANS THAT MOST U.S. HOSPITALS FACE BOTH AN ENERGY CRISIS AND ESCALATING FUEL COSTS."

THE SURVEY REPORTED THAT THREE OF EVERY FOUR HOSPITALS CONTACTED USE NATURAL GAS AS ONE OF THEIR FUELS, AND 32 PERCENT RELY EXCLUSIVELY ON IT.

"IN SOME AREAS THE RELIANCE ON NATURAL GAS IS EVEN MORE PRONOUNCED," HEW SAID. "NEARLY 75 PERCENT OF THE HOSPITALS IN THE WEST AND SOUTH CENTRAL REGION (ARKANSAS, OKLAHOMA, LOUISIANA AND TEXAS) AND 45 PERCENT IN THE MOUNTAIN STATES REPORTED USING ONLY NATURAL GAS FOR FUEL."

THE SURVEY FOUND THAT OIL IS MOST HEAVILY USED ALONG THE EAST COAST, ESPECIALLY NEW ENGLAND WHERE 38 PERCENT OF THE HOSPITALS SAID OIL WAS THEIR ONLY FUEL.

CHAMPION SAID THE SURVEY DEMONSTRATES THE "DESPERATE NEED FOR A NATIONAL ENERGY PROGRAM." HE SAID ONE OF PRESIDENT CARER'S PROPOSALS INVOLVES ALLOCATING \$300 MILLION A YEAR FOR THREE YEARS TO HOSPITALS, SCHOOLS AND OTHER PUBLIC INSTITUTIONS WHICH COULD USE THEM FOR CHANGES IN THEIR HEATING PLANTS TO MAKE IT POSSIBLE TO USE MORE THAN ONE KIND OF FUEL.

UPI 11-29 12:26 PES

Washington Star, November 29

Transportation policy

Secretary Brock Adams has sent the White House a proposal for an overdue unification of surface transportation policy.

Highway and mass transit policy-making have gone their separate ways for too long in executive offices and on Capitol Hill, and too often mass transit has gotten the short end.

Mr. Adams proposes in his own department to combine the Federal Highway Administration and the Urban Mass Transportation Administration into a single agency — the Surface Transportation Administration. He proposes further to put spending proposals for highway and mass transit into one legislative package. This would require that the administration and the Congress look at surface transportation as a whole rather than deal with it piecemeal.

He would provide a uniform matching-fund formula for federally aided interstate highway and mass transit construction projects. Currently the federal government puts up 90 per cent of the money for interstate highways but only 80 per cent for urban mass transit projects. Mr. Adams proposes 90 per cent for both.

He would give cities the right to integrate their highway and mass transit funds and use them for whatever mode of transportation local officials thought most appropriate.

He would set a deadline of 1982 for states to decide whether to complete missing links of the interstate highway system. About 90 per cent of the 42,500-mile system is completed and another 5 per cent is under construction. Funds that are

not committed by 1982 for the remaining segments would be released for other transportation projects.

The transportation secretary's aim is to induce a heavier reliance on mass transit. It makes sense.

Obviously, Americans aren't going to give up cars, nor should they. But energy problems, the high cost of buying and operating automobiles, the shortage of parking places in congested areas and air pollution from exhaust fumes argue for taking some of the sizzle out of the love affair Americans have had with the automobile since World War II.

But reorganization isn't going to do it alone. Mass transit needs the financial commitment the nation has had the past three decades to highways. Local governments simply do not have the wherewithal to finance the enormously costly mass transit facilities that are needed, any more than they could have financed the interstate highway network.

Mr. Adams, we feel sure, is willing to make the kind of commitment needed but whether President Carter is remains to be seen. Already, Secretary Adams appears to be running into resistance growing out of the president's pledge to balance the budget by 1981.

Mr. Carter is expected to send a transportation program to Congress early next year. The direction that program takes may indicate whether Mr. Carter is as serious about energy conservation as he urges the American public to be.

Wall St. Journal, November 30

Ford to Recall 30,000 Of '78 Trucks and Vans For Possible Fuel Leak

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON—Ford Motor Co. will recall about 30,000 of its 1978 light trucks and vans to correct a potential fuel leak, the Transportation Department said.

The department's National Highway Traffic Safety Administration said fuel leaks may occur at the carburetor-fuel filter con-

nection in the engine, posing a fire threat. The problem was identified during Ford's October 1977 quality-control tests.

The 1978 vehicles being recalled are equipped with 300 cubic-inch displacement engines and Carter-IV carburetors.

The models include F-100, F-150, F-250 and F-350 light trucks, E-100, E-150, E-250 and E-350 Econoline vans, and E-100, E-150 and E-250 Club wagons.

A Ford spokesman said the auto maker is in the process of identifying all the vehicles to be recalled. He said Ford hopes to begin sending out recall notices to owners next week.

Washington Post, November 30

Living With the Speed Limit

A DEPARTMENT of Transportation study has documented what many drivers already know: The 55-miles-per-hour speed limit on the nation's highways is being widely ignored. Worse, average traffic speeds, which dropped dramatically when the 55-mph law was imposed in 1974, have started inching up again. According to DOT's survey of speeds on rural interstate highways earlier this year, drivers in Virginia are the slowest-paced of all; only 30 per cent of them were measured traveling faster than 55. In Maryland, which ranked 11th among the states, nearly half of the vehicles counted were exceeding the limit. The highest averages, DOT found, were in Wyoming and Connecticut, where 77 per cent of the vehicles were speeding—and about one of every six was going faster than 65.

Why is this worrisome? Because speed kills. The advent of the 55-mph limit was the major reason why highway fatalities dropped by more than 9,100, or over 16 per cent, from 1973 to 1974. Even more telling, the highway death rate (fatalities per 100 million miles traveled) went down about 15 per cent in 1974. Other factors also come into play, including vehicle and road design, terrain, weather, traffic patterns, the ages of drivers and the use of seat belts.

Thus while most states with higher average speeds also have higher death rates, with Wyoming's being the worst of all, the carnage in Connecticut, for instance, is much less than its speeds might suggest. Despite such anomalies, though, the general relationship between speed and danger is so clear that the 55-mph limit could turn out to be the most important public-health measure in years.

Slower driving also saves gas. While an individual driver may hardly notice the difference, DOT estimates that the 55-mph limit is producing fuel savings of around 1½ billion gallons of gasoline a year—and that if everyone obeyed the limit, the savings could

be twice as great. Moreover, a number of studies have disproved the common claim that many vehicles, notably trucks, operate more efficiently at higher speeds.

So it is worrisome that speeds and deaths and fuel consumption are all going up again. The ideal remedy would be voluntary compliance with the limit by all drivers. Since that has obviously not been attained, most states' law-enforcement efforts need to be stepped up. Maryland's tough, ingenious, well-publicized anti-speeding campaign has obviously had a real effect, as has Virginia's banning of radar-detection devices. Other states, though, are much less committed to slowing their drivers down. According to DOT, the maximum fine for speeding in Idaho is \$5. Seven states have reduced their penalties for speeding since 1974—and legislatures in several others, mostly in the West, keep trying to do the same. Other states lack resources; the chief of Montana's highway patrol told a DOT team that he can put no more than 30 troopers on the state's roads at any one time.

Congress has empowered DOT to cut off highway-construction aid to states that fail to enforce the 55-mph limit. That drastic power has never been used, although warnings from DOT Secretary Brock Adams last spring did encourage four governors to veto measures reducing speeding penalties. Such threats may keep the states' performance from getting worse. Real improvements in law enforcement, though, will probably require more federal support. Secretary Adams recommends \$30 million to \$50 million a year in new aid to the states, coupled with a strong public-education campaign aimed at getting 85 per cent of all drivers down to 55 mph or less by 1982. Congress should support such a program. The speed limit is, as the slogan says, "a law we can live with"—but only to the extent that it is observed and enforced.

The Washington Star

WEDNESDAY, NOVEMBER 30, 1977

Heavy-footed motorists

The Department of Transportation has produced a disheartening report on response to the 55-mile-per-hour speed limit: A majority of motorists exceed the limit, and some states appear to be deliberately undercutting the national effort to hold down speed.

There was a dramatic drop in speed immediately after the 55 mph limit was put into effect in response to fuel shortages caused by the 1973 Arab oil embargo. In 1973, an estimated 89 per cent of all vehicles on rural interstate highways exceeded 55 mph, but the percentage dropped to 65 in 1974; but by 1976 the percentage had climbed to 70. On interstate highways in urban areas, the percentage of drivers exceeding 55 mph dropped from 58 in 1973 to 35 in 1974, but shot back up to 57 in 1976.

Why the upward trend after the initial drop? No doubt one factor is the current abundance of fuel. It's hard to convince motorists that there's an energy problem that requires conservation when gasoline storage facilities are overflowing and new gas stations are springing up on so many corners.

But at least an equally significant factor is a lack of enforcement of the 55 mph limit by the states. When their vehicles can easily exceed the speed limit, motorists aren't likely to be lightfooted if they know the chance of getting a ticket is slim.

Not only is there a lack of vigorous enforcement in many states, but some states are actively resisting the 55 mph limit. The Depart-

ment of Transportation's report to President Carter said, for example, that seven states — Iowa, Kansas, Kentucky, Nebraska, Oklahoma, Oregon and Tennessee — have undercut the 55 mph limit by reducing penalties for violations. Legislatures in four other states — North Dakota, South Dakota, Utah and Texas — passed bills to weaken the penalties but they were vetoed by governors.

We were pleased to note Virginia and Maryland among the states with the lowest percentages of speeders. The latest figures show only 30 per cent of vehicles exceeding 55 mph in Virginia. Maryland's highly publicized crackdown on speeding has dropped its percentage to 46, an example that vigorous enforcement and stiff penalties can produce results.

Secretary of Transportation Brock Adams has recommended federal legislation that would require states to show proof that they are enforcing the 55 mph limit. States that fail to measure up would presumably face a reduction in federal highway funds.

Mr. Adams's goal is 85 per cent compliance by 1982, which would mean no more than 15 per cent of vehicles exceeding the 55 mph limit on interstate highways. While no state currently meets that figure, it is worth shooting for.

Not only does staying under 55 save fuel, which is reason enough for the limit, but it saves lives. It's hard to understand why states would be so shortsighted, if not callous, as to resist the limit.



THE PRESIDENT'S OFFICE

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

C

DEC 5 - 1977

INFORMATION

MEMORANDUM FOR: THE PRESIDENT

FROM:

James T. McIntyre, Jr.

Jim McIntyre

SUBJECT:

Federal civilian employment as of
September 30, 1977.

It is a pleasure to report that actual Federal civilian employment in the Executive Branch (excluding the Postal Service), as of September 30, 1977, was below the ceilings established for that date. Full-time permanent employment stood at 1,908,900 or 25,300 below the established ceiling. Total employment was 2,107,100, 8,900 below ceiling. These end-of-year levels compare with corresponding data from earlier years:

| | <u>Full-time permanent</u> | <u>Total</u> |
|--------------------|----------------------------|--------------|
| September 30, 1974 | 1,913,856 | 2,097,181 |
| September 30, 1975 | 1,913,297 | 2,113,758 |
| September 30, 1976 | 1,901,214 | 2,109,985 |
| September 30, 1977 | 1,908,904 | 2,107,126 |

Tab A details employment for the larger Executive Branch agencies. As the notes on the table indicate, three agencies exceeded their full-time permanent ceilings (by rather small amounts) and eight agencies exceeded their total employment ceilings. In all cases we have begun to follow-up, and corrective action will be taken where necessary.

Attachment

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EXECUTIVE BRANCH EMPLOYMENT 1/
(Excluding Postal Service)

As of September 30, 1977

| <u>Agency</u> | <u>Full-time Permanent</u> | | <u>Total</u> | |
|---------------------|----------------------------|------------------|----------------|-------------------|
| | <u>Ceiling</u> | <u>Actual</u> | <u>Ceiling</u> | <u>Actual</u> |
| Agriculture | 82,700 | 82,051 | 118,840 | 125,900 <u>2/</u> |
| Commerce | 29,600 | 29,522 | 37,175 | 37,422 <u>2/</u> |
| DOD-Mil. Funct. ... | 922,000 | 911,945 | 942,067 | 938,369 |
| Corps. of Engineers | 28,650 | 28,690 <u>2/</u> | 33,050 | 33,143 |
| HEW | 141,450 | 140,389 | 153,450 | 152,678 |
| HUD | 15,322 | 15,261 | 16,972 | 17,631 <u>2/</u> |
| Interior | 61,767 | 60,899 | 83,399 | 82,548 |
| Justice | 51,920 | 50,986 | 53,726 | 52,555 |
| Labor | 16,355 | 15,806 | 17,306 | 16,983 |
| State | 22,737 | 22,619 | 24,236 | 23,805 |
| Transportation | 72,109 | 71,564 | 74,309 | 73,427 |
| Treasury | 109,622 | 107,150 | 124,361 | 121,962 |
| ERDA | 8,542 | 8,502 | 9,352 | 9,496 <u>2/</u> |
| EPA | 10,150 | 9,779 | 11,165 | 10,822 |
| GSA | 35,390 | 34,040 | 37,395 | 35,940 |
| NASA | 23,636 | 23,569 | 25,031 | 24,188 |
| VA | 198,089 | 195,175 | 226,057 | 221,798 |
| AID | 5,922 | 5,712 | 6,397 | 6,082 |
| CSC | 6,870 | 6,875 <u>2/</u> | 8,395 | 8,392 |
| FEA | 4,013 | 3,620 | 4,013 | 3,750 |
| NRC | 2,499 | 2,503 <u>2/</u> | 2,799 | 2,824 <u>2/</u> |
| Panama Canal | 13,489 | 12,914 | 14,518 | 14,178 |
| SBA | 4,404 | 4,307 | 4,734 | 5,187 <u>2/</u> |
| TVA | 17,060 | 17,060 | 34,415 | 37,654 <u>2/</u> |
| USIA | 8,570 | 8,044 | 8,774 | 8,491 |
| Other | 41,357 | 39,922 | 44,066 | 41,901 |
| Total | 1,934,223 | 1,908,904 | 2,116,002 | 2,107,126 |

1/ Source of data: Civil Service Commission.

2/ Over ceiling.

Office of the White House Press Secretary

THE WHITE HOUSE

The President today announced that the Administration's efforts to hold Federal civilian employment levels to the minimum necessary for the efficient operation of the Government have been successful.

On September 30, 1977, Federal civilian employment in the Executive Branch was below the ceilings established for that date. Excluding the Postal Service which controls its own employment, the results are as follows:

| | <u>Full-time permanent</u> | <u>Total</u> * |
|--|--------------------------------|------------------|
| Ceilings established for September 30, 1977 | 1,934,200 | 2,116,000 |
| Actual employment September 30, 1977 | <u>1,908,900</u> | <u>2,107,100</u> |
| Difference | 25,300 | 8,900 |
| % below estimate | 1.3% | 0.4% |

* "Total" employment includes full-time permanent as well as temporary, part-time, and intermittent employees.

THE WHITE HOUSE
WASHINGTON

Dec. 5, 1977

The Vice President
Midge Costanza
Stu Eizenstat
Hamilton Jordan
Frank Moore
Jody Powell
Jack Watson

The attached is forwarded to
you for your information.

Rick Hutcheson

FEDERAL CIVILIAN EMPLOYMENT AS OF
9/30/77.

THE PRESIDENT HAS SEEN.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

10

Dear Mr. President:

After I left your office this morning, I realized I hadn't said "thank you", for your words of encouragement and support. I don't show emotion easily, but I very much appreciated your concern and thoughtfulness.

One great thing about working for you is that I don't have to play games. I know that you will let me know if I am "out of sink" with your views, and I also know I can completely level with you. For that reason, last Sunday's article didn't really bother me very much. But it's still good to have you confirm it.

Thanks.

Charlie Schultz

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THE WHITE HOUSE

WASHINGTON

12-5-77

To Tim Schlesinger

I am getting an increasing flood of complaints from women & minority groups about your not hiring them. This is an unnecessary political battle for me to have to fight. (I've also got problems re DoE from Democrats & environmentalists.) Please give me a written assessment of your top 45 people. J. Carter

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

December 5, 1977

MEMORANDUM FOR THE PRESIDENT

FROM:

FRANK MOORE *fm.*

We have been reviewing our B-1 votes all day and find that we have 30 absentees--compared to the opponent's 6.

Jim Wright's office, the Speaker's office, and my office have divided up the list and have begun calling. We find that many of the absentees are overseas.

John Brademas and Jim Wright are to meet with Congressman Mahon at 4:00 p.m. this afternoon. They will suggest that the supplemental not be brought to the floor tomorrow if we do not have the B-1 votes. If Congressman Mahon agrees, a continuing resolution for SBA disaster loans would be introduced and the supplemental conference report could then be voted on at a later time. Congressman Mahon will probably want to bring the supplemental conference report to the floor tomorrow in order to dispose of it.

If Mahon is not willing to hold up the B-1 vote for Brademas and Wright, it may be necessary for you to call him (Mahon) later this evening. John Brademas will call me after the meeting, and I will advise you if it is necessary to call.

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THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

December 5, 1977

MEMORANDUM FOR THE PRESIDENT

FROM : Frank Press *FP*

SUBJECT: Government Patent Policy

I have reviewed the memorandum on government patent policy that you forwarded to me for assessment. It forcefully presents the argument that the government should not grant exclusive rights to patents that arise from Federal expenditures except in rare instances. The argument is similar to one presented to me by Admiral Rickover when I met with him a few months ago.

The argument has some merit in its application to an industry like the nuclear industry, in which government sponsorship carried a technology to the point of commercial feasibility. But there are also numerous instances in which substantial private investment--often as much as tenfold more than the government investment--is necessary to develop an invention to the point of marketability. In such cases, the allocation of exclusive or preferential patent rights may be required in order to induce a company to bring an invention into use by the public. And the public may be better served by such an allocation than by a policy that leaves the invention unused. Thus, observations from any one perspective are not necessarily valid in general. Indeed, the varying perspectives of the issue may help account for the present diverse statutory approaches and for the continuing controversy that has surrounded this issue--at the Presidential level--for thirty years.

The memorandum makes several references to a 1968 Government Patent Policy Study. Some of the other findings of that study may be of interest to you:

- . The study found that few government-owned patents were commercially used. (Current data indicate that about 75,000 non-Federal patents and about 5,000 patents stemming from Federal R&D are issued annually; only a small percentage of the Federal patents result in products that get "on the shelf." Many therefore argue for policy that will encourage greater use of those patents arising from Federal sponsorship that are suitable for commercial development.)

- . The study concluded that allowing a contractor to retain exclusive rights to patents arising from Federal expenditures would promote better utilization of the patents in certain situations. The study pointed to instances where substantial financial investment is required to develop a marketable product or where the invention has either a small market or insufficiently clear market potential.
- . The study "found little evidence of adverse effects on business competition by permitting contractors to retain title." However, the study did show that competition was fostered in some instances when agencies retained title to inventions that were brought to full development and were actively promoted by government (e.g., the Department of Agriculture promotion of potato flakes and frozen orange juice--two government-sponsored projects achieving wide penetration into the consumer markets).
- . The study found that some companies would refuse to accept government R&D contracts because of patent title restrictions. This was particularly true for companies that had made a substantial private investment in research and were concerned that acceptance of a government research contract would compromise their proprietary position. (Many R&D leaders tell me that government title restrictions discourage some high technology firms from engaging in government research.)

The 1968 study does not conclude that government ownership of patents induces better overall return to the public on the government investment in research and development than other alternatives.

In my view, patent policy in your Administration should attempt to optimize various, sometimes conflicting, goals:

- . Providing a return to the public on government's investment in R&D.
- . Promoting the development and utilization of inventions arising from Federally supported R&D.
- . Encouraging competition and preventing undue market concentration.
- . Encouraging contractor participation in government R&D.
- . Achieving greater administrative and regulatory simplicity.

I recognize that government retention of patent ownership, if adopted as the general rule, might offer gains in achieving some of these goals. But that progress would often be at the expense of other goals. Therefore, in determining an optimal policy, careful assessment of the tradeoffs is necessary.

In light of your earlier charge that Bo Cutter, Stu Eizenstat and I examine Federal patent policy, we are currently analyzing several alternative ways to allocate rights to patents arising from Federal expenditures, including the option of government retention of title. We have requested an assessment by several Departments and agencies of H.R. 6249, Ray Thornton's bill on Federal patent policy, and will incorporate their perceptions in our analysis. We expect to submit an option paper to you reflecting our findings and conclusions shortly after the first of the year.

*Frank Press -
Access for me
J.C.*

GOVERNMENT PATENT POLICY

1. Statutory language and Presidential Policy Memoranda provide that, except in exceptional circumstances, the Government should retain title to patents developed at public expense. In that way any citizen can use the inventions conceived at public expense.

2. In practice, however, Government agencies are waiving the Government's patent rights and giving their contractors exclusive rights to patents developed under Government contracts. They do this by interpreting "exceptional circumstances" broadly.

3. By giving contractors exclusive rights to patents developed at Government expense, Government agencies provide them a free, 17 year, Government-financed monopoly in many important fields of technology.

4. Most federal research and development funds go to large contractors. Therefore, giving contractors exclusive rights to patents developed under Government contracts favors large corporations at the expense of small businesses and individuals. In Fiscal Year 1976, 50 percent of the total dollar value of research and development contracts placed by the Defense Department went to 10 of the largest corporations in the U.S.-- only 5 percent went to small business.

5. In 1975, 75 percent of all patents granted were issued to corporations. Most of these corporations apply a double standard when it comes to patents. They demand the rights to inventions made by their employees, but they contend that the Government should not demand rights to inventions made by its contractors.

6. Patent lawyers and Government contractors have persuaded many Government agencies that it is both necessary and in the public interest for them to give contractors exclusive rights to patents developed at Government expense. In the Department of Energy, for example, contractors are invited to request exclusive patent rights and DOE employees are encouraged to grant them.

7. Patent lawyers argue that the Government promotes commercialization of new technologies most effectively by giving its contractors exclusive patent rights. However, public ownership of patents has not inhibited development of the nuclear industry. Moreover, a 1968 Committee on Government Patent Policy Study concluded that the main reason publicly-owned patents were not being used was because they had limited commercial potential--not because the Government held the patent.

8. It is also argued that contractors will not undertake Government work unless they are given exclusive patent rights. Yet, the Atomic Energy Commission had little trouble finding contractors. Further, several studies, including the 1968 study by the Committee on Government Patent Policy, found that ownership of patents was not a major factor when companies decide what work to accept. Companies were interested primarily in what they could learn from the work and how much profit they would make.

9. The patent lobby working with the Department of Commerce is promoting in Congress a bill (H.R. 6249) which would automatically grant contractors title to inventions they develop under Government research and development contracts. The bill has been sent to the House Science and Technology Committee and the House Judiciary Committee. Administration comments have been requested.

10. In the energy field, it is particularly important that the Government retain for the general public the right to use inventions developed at public expense. Otherwise, there will be increasing domination of technology in this field by a few large companies. These large corporations should not be able to exploit for 17 years some break-through in energy technology which was funded by their tax dollars. Any citizen should have rights to use technology that has been developed at public expense.

11. Recommendations:

a. The Administration should oppose H.R. 6249 and similar efforts to give away patent rights to inventions developed at Government expense.

b. The President's Patent Policy should be strengthened as follows:

- o Except in rare cases, the public should have unrestricted rights to inventions developed at Government expense.
- o Government agencies should not presume that granting contractors exclusive rights to patents developed under Government contracts best promotes development and commercialization of technology.
- o Waivers of Government patent rights should be formally documented showing in each case why the waiver is essential to the national interest.
- o Requirements for invention disclosure under Government contracts should be strictly enforced.

THE WHITE HOUSE
WASHINGTON
December 5, 1977

The Vice President

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

Rick Hutcheson

"ON CARTER'S DESK"

THE WHITE HOUSE
WASHINGTON

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| | ENROLLED BILL |
| | AGENCY REPORT |
| | CAB DECISION |
| | EXECUTIVE ORDER |
| | Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day |

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THE PRESIDENT HAS SEEN.

On Carter's Desk



ROBERT
AKERMAN

SINCE NO one else will do it, I must modestly point out that the Akerman plan to save the economy is finally getting the attention it deserves. According to Newsweek, the idea of using corporate income tax policy to bring about price restraint is one of the options President Carter is seriously considering for his economic message to Congress next year.

Well, it's not exactly the Akerman plan—the version Carter has on his desk is Dr. Arthur Okun's. A Brookings Institution economist and a former chairman of the President's Council of Economic Advisers, Dr. Okun presented his ideas in an address that got a lot of attention. He proposed to reward corporations that hold their annual price increase down to 4 percent with a 5 percent rebate on their taxes. He also said that qualifying corporations should agree with their unions to hold wage increases to 6 percent.

I have been arguing for three years that the best way to fight both recession and inflation at the same time would be to link corporate tax policy to price restraint. I think we might be even bolder than the Okun plan and seek actual price reductions through

making the tax cuts generous enough. I have also argued that wage restraints probably are not politically feasible and would not in fact be economically essential if the tax cuts are generous. But at least the idea is there, and some good may come of it.

What I cannot understand in the Newsweek account is the alleged worry of Treasury Secretary Michael Blumenthal "about using the tax system for purposes other than collecting revenues." Apart from the fact that we already do that through many provisions of the tax laws, the important point is that both he and President Carter have been talking for weeks now about a possible business tax cut to stimulate the economy. A corporate tax cut surely is in the works—the only thing that's new about my idea or Dr. Okun's is to require that corporations qualify for the lower tax by reflecting it in their price policies. If we are going to lower taxes to stimulate the economy, why not do it in a way that is most likely to produce the result? Price stability would surely encourage both business confidence and higher production.

If President Carter does accept the idea of linking tax cuts to price restraint, at least I will have to stop writing columns complaining that his economic policies lack coherence, for they will have all the coherence I can offer. I can't think of a better way both to please business and to create jobs for workers without inflation—and it's been the inability to find a way to do all these things at once that has blurred the image of what the president is trying to do.

But I still have enough pessimism to believe that somewhere along the line, whether because of Blumenthal's missing the point or Okun's messing with wages, our government will manage to botch this one up, too. I can only be sure of one thing—that there is an alternative in our present economic situation which doesn't involve either government spending to create non-productive jobs or sitting back and doing nothing. It's at least worth a try, and if Dr. Okun's version has some bugs in it, maybe they can be worked out if we just get started.

I would love to be able to write that Jimmy Carter recognized a great idea when he saw one—even if he thinks it's Dr. Arthur Okun's.

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for Preservation Purposes

THE PRESIDENT HAS SEEN.

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for Preservation Purposes

THE WHITE HOUSE
WASHINGTON

December 3, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Jack Watson *Jack*
Jane Frank

SUBJECT: PROPOSED AGENDA
CABINET MEETING
Monday, December 5, 1977

1. Announce plans for Cabinet meetings and weekly reports from mid-December through the first of the year. (December 19th, December 26th, January 2)
2. Outline the dates, itinerary and general purpose of your foreign trip.
3. Report from Joe Califano on status of the Social Security legislation markup.
4. Comments from Charlie Schultze and Ray Marshall on Ray's anti-inflation proposals (Charlie does not want to have a wide-ranging discussion on the subject at this time and has talked to Ray about limiting their comments on Monday).
5. Comments from Mike Blumenthal on Tony Solomon's steel report (as of Saturday afternoon, the plans are for the report to be released on Tuesday, with Tony briefing members of the Congressional steel caucus at The White House at 10:00 a.m. and doing a press briefing at 11:30 a.m.) I will distribute a copy of the final report to the Cabinet on Tuesday. You might ask how many Cabinet members would be interested in a briefing on the matter by Tony on Tuesday or Wednesday.
6. Report from Jim Schlesinger on results of his meetings with Senator Long and Congressman Ashley on Saturday and a general prospectus on the energy legislation.
7. Go over Stu's draft of the Administration's "first year accomplishments." I think Stu plans to suggest that we distribute the draft at the Cabinet meeting and ask for their comments, additions, deletions, etc. by the end of the week. We would then put the list in publishable

form and distribute it to Cabinet members and others the following week.

7. Report from Juanita Kreps on her trip to Poland to attend the meeting of the joint American/Polish Trade Commission.
8. For your information, I am attaching an invitation issued by the Department of Commerce (specifically, Anne Wexler) to all of the city officials participating in the National League of Cities meeting in San Francisco this week. I think it is an extraordinarily good idea that you might commend to other Cabinet members for their consideration at similar meetings.

cc: The Vice President



U.S. Department of Commerce

**COMMERCE IN THE CITIES:
Resources and Services**

December 6, 1977

**National League of Cities 1977 "Congress of Cities"
San Francisco, California**

Representatives from the following
U.S. Department of Commerce agencies will participate in
"Commerce in the Cities"

Economic Development Administration
Domestic and International Business Administration
Maritime Administration
National Fire Prevention and Control Administration
Bureau of the Census
National Bureau of Standards
National Weather Service
National Technical Information Service
Bureau of Economic Analysis
Office of Science and Technology
Office of Coastal Zone Management
National Marine Fisheries Service
United States Travel Service
Office of Minority Business Enterprise
Title V Regional Commissions

You are cordially invited to visit
at your convenience
a continuous information session

COMMERCE IN THE CITIES: Resources and Services

Tuesday, December 6, 1977
Senior officials of Commerce Department Agencies
will be available to meet with you
any time from 9 a.m. to 5 p.m.

Anne Wexler
Deputy Under Secretary of Commerce
will describe

"New Directions in Commerce Programs for Cities"

9 and 10:30
in the morning

1:30, 3:00 and 4:30
in the afternoon

St. Francis Hotel

Victorian and Windsor Rooms

THE WHITE HOUSE
WASHINGTON
December 5, 1977

Charles Schultze

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

Rick Hutcheson

WHO ARE THE UNEMPLOYED?

THE WHITE HOUSE
WASHINGTON

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| | ENROLLED BILL |
| | AGENCY REPORT |
| | CAB DECISION |
| | EXECUTIVE ORDER |
| | Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day |

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| | WARREN |

THE PRESIDENT WAS SEEN.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

Electrostatic Copy Made
for Preservation Purposes

*Charlie -
Excellent info -
Distribute widely
JC*

December 1, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze
SUBJECT: Who are the unemployed?

This memo responds to your recent request for data and analysis on the unemployed. It is, unfortunately, lengthy, but I have provided a summary.

Summary

- . Among white adult males, age 35-54, the unemployment rate is now about 2 percent, very little higher than it was in 1973, a year of only 5 percent overall unemployment. But this group comprises only 19 percent of the labor force.
- . Among most other groups, unemployment is now quite a bit higher than in 1973.
- . Even in good times, the unemployment rates of women, minorities and teenagers remain well above that of white adult males.
- . Among white adult women and white teenagers, rapid job turnover and entry into the labor force explain a good bit of the higher unemployment; but among black adults and black teenagers the rates are too high for this to be the major cause.
- . More than half of the adult unemployment occurs in families where someone else holds a full-time job. But this is true for less than half of the black unemployed.
- . In October 1977, 54 percent of unemployed white teenagers were in school, while 46 percent of unemployed black teenagers were in school; presumably, students who say they are unemployed are looking for part-time jobs.

- . During high unemployment periods, like 1975, over 60 percent of the unemployed drew unemployment insurance. In good times, a higher fraction of the unemployed are recent entrants to the work force, and are not covered by unemployment insurance.
- . While most blacks live in central cities, their unemployment rate there is not much higher than their unemployment rates elsewhere. Central cities are not the "cause" of the relatively high black unemployment rate.
- . Surprisingly, the unemployment rate among very low wage workers is not sharply higher than average.

1. The overall level of unemployment

In September 1977 there were 6.8 million people unemployed -- some 6.9 percent of the labor force. Another 1 million people reported that they had dropped out of the labor force -- i.e., had stopped actively looking for work -- because they "could not get a job." Counting this "disguised" unemployment brings the overall rate up to almost 8 percent. In addition, many people reported that they were working short hours, not because they wanted to or because of ill health, but because of economic reasons. The full-time equivalent of these lost hours (e.g., two people involuntarily working 20 hours count as one full-time unemployed person) amounted to another 0.5 percent of the labor force. Table 1 summarizes the extent of unemployment today when all these factors are considered.

Table 1

| | <u>% of civilian labor force</u> |
|--|--------------------------------------|
| Reported unemployed | 6.9 |
| "Discouraged" workers ^{1/} | 1.0 |
| Short-time work (equivalent unemployment) ^{1/} | 0.5 |
| Total | <u>8.4</u> |

^{1/} These data may not be wholly reliable since they depend upon what people say is the reason for being out of the labor force or on short-time work. It is always better to make inferences from what people do, rather than what they say.

2. Who are the unemployed?

Table 2 provides a broad overview of the distribution of today's unemployment among Americans. It clearly indicates that the burden of unemployment falls disproportionately on black adults and on teenagers of all races.

Table 2

Unemployment Rate and the Share of
Unemployment and Labor Force,
by Race, Age and Sex, 1977-III

| | <u>Unemployment rate</u> | <u>Percent share of:</u> | |
|------------------|------------------------------|--------------------------|------------------------|
| | | <u>Unemployment</u> | <u>Labor force</u> |
| <u>Adults</u> | | | |
| White males | 4.4 | 30.7 | 48.2 |
| White females | 6.2 | 28.4 | 31.7 |
| Black males | 10.7 | 8.7 | 5.6 |
| Black females | 11.5 | 8.2 | 5.0 |
| <u>Teenagers</u> | | | |
| White | 15.0 | 18.2 | 8.4 |
| Black | 39.5 | 5.8 | 1.0 |

Table 3, in more detail, presents the distribution of unemployment and employment by race, age and sex. A number of facts stand out:

- Age. Up to age 55, unemployment rates decline with age for both men and women, white and black. (The black male unemployment rate in the 45-54 age group is slightly higher than in the 35-54 age group.)
- Race and Sex. In virtually every age group, white unemployment rates are lower than blacks, and male unemployment lower than female (except for older black women).
- Participation by Black Men and Teenagers. The unemployment situation of black men and black teenagers is worse than the unemployment data above indicate. Labor force participation among these black groups is far lower than among their white counterparts. After age 45, participation

Table 3

Unemployment Rates, Civilian Labor Force Participation Rates,
and Employment/Population Ratios by Age, Race, and Sex
September 1977

| Age | Whites | | | Black and Other | | |
|----------------|------------------------|-------------------------|---------------------------|------------------------|-------------------------|---------------------------|
| | Unemploy- ment Rate | Participa- tion Rate | Employment/ Population | Unemploy- ment Rate | Participa- tion Rate | Employment/ Population |
| <u>Males</u> | | | | | | |
| 16-17 | 16.3 | 50.6 | 42.3 | 38.7 | 25.0 | 15.4 |
| 18-19 | 13.7 | 70.5 | 60.9 | 33.2 | 53.4 | 35.7 |
| 20-24 | 7.8 | 85.7 | 79.1 | 22.2 | 77.2 | 60.1 |
| 25-34 | 3.8 | 96.1 | 92.5 | 9.5 | 89.3 | 80.8 |
| 35-44 | 2.1 | 96.4 | 94.1 | 4.2 | 89.4 | 85.5 |
| 45-54 | 1.8 | 92.2 | 90.5 | 4.4 | 80.6 | 77.0 |
| 55-64 | 2.8 | 84.0 | 81.7 | 5.1 | 64.7 | 61.3 |
| 65+ | 4.5 | 20.7 | 19.8 | 5.2 | 17.7 | 16.8 |
| <u>Females</u> | | | | | | |
| 16-17 | 18.4 | 45.1 | 36.8 | 53.3 | 18.2 | 9.0 |
| 18-19 | 16.2 | 59.8 | 50.4 | 42.8 | 47.1 | 27.0 |
| 20-24 | 9.2 | 58.6 | 53.2 | 25.9 | 61.4 | 45.0 |
| 25-34 | 7.4 | 59.8 | 55.4 | 12.0 | 68.9 | 60.7 |
| 35-44 | 6.4 | 59.8 | 56.0 | 8.5 | 63.0 | 57.6 |
| 45-54 | 5.0 | 55.7 | 52.9 | 7.4 | 61.1 | 56.7 |
| 55-64 | 4.1 | 40.9 | 39.2 | 4.6 | 44.9 | 42.9 |
| 65+ | 4.5 | 8.0 | 7.6 | 4.0 | 10.6 | 11.6 |

Note: These data are not seasonally adjusted. It should be realized that September is a month of relatively high employment levels.

rates among black men drop off sharply, compared to white men. For the past 20 years, participation rates among black male adults and black teenagers have been falling, both absolutely and relative to whites.

- . Participation by Black Women. Participation rates are quite a bit higher for adult black women than for white women. There are more female-headed black families, and among unbroken black families a decent living standard depends more heavily on the wife working than is the case with white families. Despite high unemployment rates, therefore, 25 to 55 year old black women are more likely to be working or looking for work than their white counterparts.
- . Teenage Female Blacks. The very low employment to population ratio of teenage black females compared to white females illustrates the difficulty that black women have in finding a job. Although a job is more "necessary" to black women than to white, early job experiences are much harder to come by.
- . Adult White Males. Even in periods when the overall unemployment rate is high, the unemployment rate among established and experienced white males -- those in the 35-55 year old age group -- is quite low; it amounted to only 2 percent in September, when the overall unemployment rate was 7 percent.

3. Unemployment in tight labor markets

In 1973, when the overall unemployment rate was 4.9 percent, the unemployment rate among adult white males aged 25-64 averaged 2.3 percent. When sales and production are high and rising, employers seek to increase their work force. Given the growing complexity of production processes, employers search particularly for experienced workers who will provide a stable work force. There are two reasons:

(1) It is expensive to lose an experienced worker and to train a new one. As a consequence, when hiring additional labor, employers tend to put a premium on evidence of prior experience, a stable job history, and the likelihood that the new worker will remain on the job. But as overall unemployment rates decline, such workers become increasingly scarce.

(2) High minimum wages and union rules about firing also make it expensive for employers to "take a chance" on young people who have no history of stable job experience.

Employers' preference for experienced workers causes wage rates to be bid up during periods of high employment as employers scramble to fill vacancies from precisely the groups in scarce supply, rather than from the groups whose unemployment is still high. This is one reason why low unemployment can lead to inflationary pressures.

4. Why are the unemployed out of work?

Table 4 identifies the reasons given for unemployment by different age and sex groups within the labor force.

Table 4

Unemployment Rates Classified by Reasons for Unemployment,
September 1977* (percent)

| | <u>Total</u> | <u>Males, 20+</u> | <u>Females, 20+</u> | <u>Teenagers</u> |
|------------------------------------|--------------|-----------------------|-------------------------|------------------|
| <u>Total</u> | <u>6.6</u> | <u>4.1</u> | <u>7.3</u> | <u>18.3</u> |
| Of which: | | | | |
| Job losers | 2.6 | 2.4 | 2.5 | 3.4 |
| Job leavers | 1.0 | 0.7 | 1.2 | 2.3 |
| New entrants to the labor force | 0.9 | 0.2 | 0.5 | 7.3 |
| Reentrants | 2.1 | 0.8 | 3.1 | 5.4 |

*Not seasonally adjusted.

The percentage of women and teenagers in the labor force who lost their jobs is only slightly higher than the percentage of adult males who lost their jobs. The higher unemployment rates of women and teenagers are principally attributable to the greater frequency with which they leave a job, or enter or reenter the labor force, undergoing some unemployment as they make these moves. Table 5 illustrates the greater rate of turnover for these groups.

Even if the period of unemployment, after entry or reentry into the labor force, were short, the average unemployment rates for women and teenagers would be higher. Moreover, young people change jobs more frequently than adults. To some extent, at least for whites, this reflects a trial and error search for a permanent career job. Again, even if the period of unemployment during this search is short, the average unemployment rate for these young people will be higher than for adults.

Table 5)

Average Percentages of Persons Who,
in a Given Month, Move from Employment
to "Out of the Labor Force," 1967-1973

| | Age | | |
|----------------|--------------|--------------|--------------|
| | <u>16-19</u> | <u>20-24</u> | <u>25-59</u> |
| <u>Males</u> | | | |
| White | 12.1 | 3.8 | 0.4 |
| Black | 15.5 | 3.3 | 1.1 |
| <u>Females</u> | | | |
| White | 14.9 | 5.4 | 4.8 |
| Black | 19.8 | 5.9 | 4.3 |

In short, the American work force is very mobile, and this tends to press upward on the rate of unemployment. In good times, with low unemployment rates, about 33 percent of the manufacturing work force voluntarily quits a job each year. Even in periods of high unemployment voluntary quit rates are surprisingly high -- from April to August 1977 the manufacturing quit rate, on an annual basis, averaged 23 percent of the manufacturing work force. Most of these people move to another job, without ever being unemployed. Others, particularly women, frequently leave the labor force, and later reenter.

5. Unemployment and economic hardship

The degree of hardship associated with unemployment depends on a number of factors. Among the major elements involved are: (A) the receipt of unemployment insurance and other assistance, (B) the duration of unemployment, and (C) the employment status of other members of the family.

(A) Unemployment insurance. In periods of low overall unemployment, more than half of the unemployed are not covered by unemployment insurance (see Table 6). Unemployment rates among experienced workers, who are entitled to unemployment insurance, are very low, and the bulk of the unemployed are those who have little or no entitlement -- women and youngsters just entering the labor force. In times of high unemployment, experienced workers form a higher share of the unemployed, and they do receive unemployment insurance benefits. Moreover, during recent recessions, the Congress has enacted measures to extend the length of unemployment benefits.

Table 6

Relationship of Insured Unemployment
to Total Unemployment

(thousands of unemployed)

| | <u>Good years</u> | | | <u>Bad years</u> | | | <u>Current Sept. 1977</u> |
|--------------------|-------------------|-------------|-------------|------------------|-------------|-------------|-----------------------------------|
| | <u>1956</u> | <u>1966</u> | <u>1973</u> | <u>1958</u> | <u>1974</u> | <u>1975</u> | |
| Total unemployed | 2750 | 2875 | 4304 | 4602 | 5076 | 7830 | 6773 |
| Insured unemployed | 1323 | 1129 | 1793 | 3269 | 2558 | 6116 | 3055 |
| Insured ÷ Total | .48 | .39 | .42 | .71 | .50 | .78 | .45 |

(B) Duration of unemployment. The burden of unemployment depends heavily on the length of time that an individual is out of work. Table 7 below illustrates the differences among population groups in the incidence and duration of unemployment during good times. As a rough generalization, adult white males have a very low probability of being unemployed, but their unemployment lasts longer. Youths, minorities, and to a lesser extent, adult women are more likely to be unemployed, but on average their unemployment is of shorter duration.

Table 7

Frequency and Duration of Unemployment
When the Overall Rate is 5 Percent

| <u>Group</u> | <u>Unemployment rate (%)</u> | <u>Average duration (weeks)</u> | <u>Number of unemployed spells per year</u> |
|---------------|--------------------------------------|---|---|
| <u>Male</u> | | | |
| 16-19 | 13.9 | 4.0 | 1.8 |
| 20-24 | 7.3 | 4.5 | 0.9 |
| 25-44 | 2.7 | 5.7 | 0.3 |
| 45-64 | 2.2 | 6.6 | 0.2 |
| 65+ | 3.0 | n.a. | n.a. |
| <u>Female</u> | | | |
| 16-19 | 15.2 | 4.0 | 2.0 |
| 20-24 | 8.4 | 4.1 | 1.1 |
| 25-44 | 4.9 | 4.3 | 0.6 |
| 45-64 | 3.1 | 5.2 | 0.3 |
| 65+ | 2.9 | n.a. | n.a. |

As one would expect, the average duration of unemployment is shorter in periods of low overall unemployment than it is during periods of economic slack. There are two reasons: (i) all groups tend to find it easier to get jobs when unemployment is low, and (ii) the great bulk of the unemployed in good times are teenagers and women whose average duration of unemployment tends to be short.

Table 8 below shows the distribution of unemployment by duration for a low unemployment year (1973), a recession (1976), and currently (October 1977).

Table 8

Unemployment by Duration

| Year | Total unemployed (thous.) | Percent of total unemployed | | | |
|-----------|---------------------------|-----------------------------|------------|-------------|-------------------|
| | | Less than 5 weeks | 5-14 weeks | 15-26 weeks | 27 weeks and over |
| 1973 | 4304 | 51 | 30 | 11 | 8 |
| 1976 | 7228 | 38 | 30 | 14 | 18 |
| Oct. 1977 | 6872 | 42 | 32 | 13 | 14 |

(C) Employment status of other family members. The hardship associated with unemployment also depends on whether there is no other employed person in the family. The rather complicated tables (Tables 9 and 10) on the next two pages present data on this aspect of unemployment for the third quarter of 1977.

- . The most striking fact about these data is that 57 percent of the unemployed were attached to family units that had at least one person employed full time.
- . This does not mean that persons in families in which there is already a full-time worker do not need the additional income from a job. But it stands to reason that many of the unemployed in such families are likely to be more selective about the jobs they take. This is also a major reason for the high rate at which teenagers and women periodically leave the labor force entirely.
- . The proportion of the black unemployed who are attached to families with at least one full-time earner is, as shown in Table 10, much lower than it is for whites -- only 49 versus 59 percent. This implies that the burden of a given rate of unemployment is greater for blacks than it is for whites. Indeed, the fraction of the black

Table 9

Unemployed Persons by Family Relationship and
Presence of Employed Family Members, 1977-III

| | Total unemployed (thous.) | Percent of Unemployed | | |
|--|---------------------------------|--|--|--|
| | | With no employed person in family | With at least one employed person in family | With at least one person in family employed full time |
| Unemployed, Total | 6,712 | 37 | 63 | 57 |
| <u>Unemployed, in families</u> | <u>5,837</u> | <u>28</u> | <u>72</u> | <u>65</u> |
| Husbands | 1,168 | 53 | 47 | 37 |
| Wives | 1,462 | 13 | 87 | 82 |
| Relatives in husband/wife families | 1,970 | 10 | 90 | 87 |
| Women who head families | 449 | 80 | 20 | 12 |
| Relatives of female heads | 788 | 34 | 66 | 52 |
| <u>Unemployed, not in families</u> | <u>875</u> | -- | -- | -- |

Table 10

Percentage Distribution of Total Unemployment by Family Relationship and Presence of Full-Time Employed Family Members for Whites and Blacks, 1977-III

| | White | | Black and other | |
|------------------------------------|---------------------------------|---|---------------------------------|---|
| | No full time employed in family | At least one full time employed in family | No full time employed in family | At least one full time employed in family |
| <u>Unemployed, in families</u> | | | | |
| Husbands | 11.9 | 6.9 | 7.4 | 4.8 |
| Wives | 3.8 | 20.5 | 4.3 | 9.0 |
| Relatives in husband/wife families | 3.3 | 26.9 | 5.7 | 20.6 |
| Relatives of female heads | 3.7 | 4.1 | 12.8 | 13.4 |
| <u>Unemployed, not in families</u> | 13.8 | -- | 9.5 | -- |
| Total | 40.7 | 59.3 | 51.1 | 48.9 |
| | = 100% | | = 100% | |

civilian labor force that is unemployed and has no full-time employee in the family unit is 7.4 percent as compared to 2.4 percent for whites.

- . Employment of second earners is more important to black families than to white. A good part of the improvement in the ratio of black to white family income during the 1960s occurred not because the earnings of black husbands increased, but because more black wives found jobs.

6. Location of the unemployed

Table II presents the basic unemployment situation in the third quarter of 1977 for metropolitan and nonmetropolitan areas.

- . Unemployment rates are higher for both blacks and whites in central cities than in suburbs or non-metropolitan areas. The black unemployment rate is roughly the same value relative to the white unemployment rate in each of the three locational categories (between 2.1 and 2.3 to one).
- . Fifty six percent of the black population resides in central cities as compared with 25 percent of the white population. Thus, 59 percent of the black unemployed are located in central cities versus only 29 percent of the white unemployed. Central city unemployment, however, is not exclusively a black phenomenon, for only 38 percent of the unemployed in central cities are black.
- . If blacks were distributed among cities, suburbs and other areas in the same proportion as whites, but kept the same unemployment rate in each locational category, their overall unemployment rate would fall only from 13.6 to 13.0 percent. Black unemployment is a central city problem only because most blacks live in central cities, not because black unemployment in central cities is much worse than black unemployment elsewhere.

Table 11

Population Over Age 16 and Unemployment (in millions) in Metropolitan and Nonmetropolitan Areas by Race, 1977-III

| | <u>Total</u> | <u>Central cities</u> | <u>Suburbs</u> | <u>Non-metropolitan</u> |
|------------------------|--------------|-----------------------|----------------|-------------------------|
| <u>White</u> | | | | |
| Civilian population | 137.88 | 34.70 | 57.53 | 45.65 |
| Unemployed | 5.13 | 1.47 | 2.12 | 1.54 |
| Unemployment rate (%) | 6.1 | 6.9 | 5.7 | 5.5 |
| <u>Black and Other</u> | | | | |
| Civilian population | 18.89 | 10.51 | 3.98 | 4.40 |
| Unemployed | 1.56 | .92 | .32 | .34 |
| Unemployment rate (%) | 13.6 | 14.6 | 12.2 | 12.8 |

Another locational perspective is the distribution of unemployment by geographic region. This is presented in Table 12.

Table 12

Population over Age 16 and Unemployment (in millions) by Region and Race, 1977-III

| | <u>North-east</u> | <u>North Central</u> | <u>South</u> | <u>West</u> |
|------------------------|-------------------|----------------------|--------------|-------------|
| <u>White</u> | | | | |
| Civilian population | 32.72 | 38.56 | 41.04 | 25.55 |
| Unemployed | 1.50 | 1.27 | 1.23 | 1.15 |
| Unemployment rate (%) | 7.4 | 5.1 | 4.8 | 6.9 |
| <u>Black and Other</u> | | | | |
| Civilian population | 3.31 | 3.63 | 8.97 | 2.99 |
| Unemployed | .31 | .33 | .69 | .23 |
| Unemployment rate (%) | 15.5 | 15.1 | 12.5 | 12.0 |

- In 1977-III the highest unemployment area for both blacks and whites was the Northeast. The South and North Central regions had the lowest unemployment rates for whites, the South and West the lowest unemployment rates for blacks.
- If the distribution of the black population by region were the same as the white population, the black unemployment rate would not change significantly.

7. Unemployment by size of wage rate

It is generally assumed that unemployment rates among low wage workers are much higher than among high wage workers. While there is some tendency in this direction, it is much less than most people think. Table 13 provides a special tabulation of data from 1974, giving unemployment rates among workers at different wage rates.

Table 13

Unemployment Rates, by Wage Rate,
for Adults by Race and Sex, 1974

| <u>Wage Category</u> | <u>Males</u> | | <u>Females</u> | |
|----------------------|--------------|--------------|----------------|--------------|
| | <u>White</u> | <u>Black</u> | <u>White</u> | <u>Black</u> |
| <u>All</u> | <u>3.2</u> | <u>6.4</u> | <u>3.6</u> | <u>6.2</u> |
| 1.50-2.00 | 4.6 | 5.9 | 4.7 | 6.9 |
| 2.00-2.50 | 4.9 | 5.6 | 4.9 | 6.8 |
| 2.50-3.00 | 8.3 | 9.8 | 3.8 | 6.6 |
| 3.00-3.50 | 5.0 | 10.5 | 3.6 | 6.1 |
| 3.50-4.00 | 5.2 | 5.8 | 3.5 | 6.1 |
| 4.00-4.50 | 3.9 | 3.6 | 2.5 | 4.0 |
| 4.50-5.00 | 3.1 | 5.7 | 3.3 | 2.6 |
| 5.00-6.00 | 2.7 | 6.2 | 2.8 | 5.4 |
| 6.00-7.00 | 2.4 | 5.2 | 3.6 | 6.9 |
| 7.00-8.00 | 1.7 | 5.5 | 4.1 | 1.9 |
| 8.00+ | 2.4 | 6.8 | 4.8 | 9.7 |

In 1974, a wage of \$2.20 was about equal to 50 percent of the manufacturing straight-time wage, the standard we have endorsed for the minimum wage in the future. For groups with wage levels equal to or lower than that minimum standard, unemployment in 1974 was not substantially greater than unemployment rates for higher wage workers, and in fact was generally lower than unemployment among male workers in wage brackets just above the minimum.

This set of facts has important implications for the welfare reform program. If the 1.4 million welfare reform jobs drew upon a pool of low wage workers with very high unemployment rates, they would put people to work without increasing upward pressure on wage rates. The welfare reform job program would be a good way of reducing unemployment to low levels without adding to inflationary pressure. In fact, however, the welfare reform program will probably draw from a pool of people whose unemployment rates are not much different from other groups of workers. This doesn't imply that such jobs are not a desirable part of the welfare program. But it does suggest that they are not the solution to achieving 4 percent unemployment without inflation.

8. Youth unemployment

Once the overall unemployment rate is down to the neighborhood of 5 percent, the youth unemployment problem is principally one of black youth.

Table 14 shows the unemployment rates of 18 and 19 year olds by age, race and sex in 1973, a year of 5 percent overall unemployment. In that year, white youth unemployment was only slightly above the level that might be expected from a society in which young people try several different jobs before settling in to an established career.

For example, assume that the average young person gets two different jobs in the first two years after high school. If he or she spends one month searching for each job, and if there were no other youth unemployment, the unemployment rate for 18-19 year olds would be 8.2 percent (60 days out of 730) -- not much lower than the 10-11 percent actually experienced by white youth.

For black youth, however, the unemployment rates are far higher than could be explained by the "search" for a career job. Here is where the real youth unemployment problem lies.

Table 14

Labor Market Conditions for 18-19 Year Olds
by Race and Sex, 1973
(percent)

| | White | | | Black | | |
|--------------------------------|-------|--------|-------|-------|--------|-------|
| | Male | Female | Total | Male | Female | Total |
| Unemployment rate | 10.0 | 10.9 | 10.4 | 22.1 | 33.3 | 27.2 |
| Labor force participation rate | 72.3 | 58.9 | 65.4 | 61.4 | 45.1 | 52.7 |
| Employment/population ratio | 65.1 | 52.4 | 58.6 | 47.9 | 30.0 | 38.4 |

Another way to look at youth unemployment is to differentiate between those who are in school and those who are not. Most of those teenagers who are unemployed while in school report that they are searching for part-time work; most of those who are out of school are looking for full-time work. The data on unemployment and employment divided by population broken down by schooling status and race are shown in Table 16.

One of the most startling facts is that black teenagers are slightly more likely to be enrolled in school than whites -- 71 percent versus 67 percent of the civilian noninstitutional population.

Teenage unemployment rates are roughly the same for those in and out of school for each race, but the black teenage rates are about 2.7 times the white teenage rates.

The employment/population ratio of black teenagers is less than half that for white teenagers, and the differential is acute for both in-school and out-of-school youths. The fact that the employment situation for out-of-school black teenagers is so bad may be one explanation why their school attendance rate is higher than for whites.

Table 15

Unemployment and Employment/Population Ratios for Teenagers by Schooling Status and Race, October 1977*

| | Unemployed (thous.) | | Unemployment rate | | Employment/ population | |
|---------------|------------------------|-------|----------------------|-------|---------------------------|-------|
| | White | Black | White | Black | White | Black |
| Total | 1133 | 347 | 14.0 | 37.8 | 49.7 | 22.8 |
| In school | 608 | 158 | 13.7 | 35.8 | 40.8 | 15.9 |
| Out of school | 525 | 189 | 14.4 | 39.7 | 67.8 | 39.8 |

*Not seasonally adjusted.

9. Labor market policies to reduce structural unemployment

The obvious next question is: What can we do about these structural problems? Much of the difficulty in answering this question stems from the fact that we have been attempting to ameliorate this problem for the past 16 years, but we have little hard evidence on what the impact of the various programs has been.

We are in the process of introducing two programs that are specifically addressed to this problem:

1. The Youth Employment and Demonstration Projects Act of 1977 will be coming into place early in 1978. YEDPA will attempt a variety of approaches to employing and training disadvantaged young persons, and its most favorable aspect is that much emphasis has been placed in finding out which approaches are successful and which are not.

2. A proposal for a private sector youth initiative, now being developed by Stu Eizenstat's task force, will focus on attempting to learn how we gain access for younger disadvantaged persons to good jobs in the private sector. We have had similar programs in the 1960s, but we learned very little about their impact and about the kind of institutional arrangements that give effective results. By itself, the program will have a relatively modest effect, but if we can find out how to run such a program effectively, we can expand it to have a larger quantitative impact.

Other potential policies that the Administration might consider over the next year concern the modification of practices that restrict youth employment. These include minimum wages, seniority systems, and the possibility of longer-term wage subsidies for disadvantaged persons. These are, of course, politically sensitive policies and would require careful research and consultation before being put forward.

THE WHITE HOUSE
WASHINGTON
December 5, 1977

Hamilton Jordan

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

Rick Hutcheson

cc: Jim Gammill

RE: CHAIRMAN, POSTAL RATE
COMMISSION

THE WHITE HOUSE
WASHINGTON

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| | FOR STAFFING |
| | FOR INFORMATION |
| / | FROM PRESIDENT'S OUTBOX |
| | LOG IN/TO PRESIDENT TODAY |
| | IMMEDIATE TURNAROUND |

| ACTION | FYI | |
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| | ENROLLED BILL |
| | AGENCY REPORT |
| | CAB DECISION |
| | EXECUTIVE ORDER |
| | Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day |

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| | WARREN |

COMMENTS ON AL GANDAL

James McIntyre:

"Gandal has a good understanding of the role of the Postal Rate Commission. He has a very level head on his shoulders and understands the problems facing the Postal Service. He would be acceptable as a Chairman of the Commission without question.

When questioned about the current labor contract, Gandal expressed concern that postal management is not taking advantage of the flexibility inherent in the contract to improve the efficiency of the work force and lower costs".

Mike Berman:

"I have known Al since 1968 when we worked together on the Humphrey campaign. Since then, I have seen him socially often. He was a superb worker during the campaign, and has a strong bias towards efficiency. He is very professional and can withstand strong lobbyist pressure and make objective decisions. He is a very solid, loyal person".

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

*Ham - Need
to hold line on
costs -
JC*

October 5, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Hamilton Jordan *H.J.*
SUBJECT: Chairman, Postal Rate Commission

When the United States Postal Service was reorganized in 1970, the Postal Rate Commission was established to regulate postal rates and classifications. The Commission has never taken an aggressive approach to the rate structure and revenue questions facing the Postal Service because past Presidents have often appointed Commissioners with little interest in the problems of the Postal Service.

The Postal Rate Commission has a key role in determining what methods of accounting the Postal Service should follow in the allocation of costs, and the Commission also has discretion in assigning non-attributable costs to the different service-rate classes. A major part of the Administration's policy towards the Postal Service will be implemented by these decisions.

Earlier this year you nominated Mr. Simeon Bright to be a member of the Commission. At this time, the position of Chairman, a five year term, is vacant. Members of the Domestic Policy staff and the Presidential Personnel staff together have been reviewing candidates for this position.

I recommend that you appoint Mr. Alvin Gandal as Chairman of the Postal Rate Commission. Mr. Gandal is an experienced labor lawyer who has been working with the Postal Service since reorganization. He is currently the Director of the Office of Contract Analysis, and he is considered to be extremely knowledgeable on all aspects of postal operations. He will enter the rate-making process with an open mind and he does not rule out subsidies. In light of the fact that we have not fully determined how the cost allocation issues should be resolved, the nomination of Mr. Gandal, who is sympathetic to many of our concerns but who is not identified with any

one side of the cost allocation issues, will be less controversial than the nomination of someone of comparable stature but who is clearly identified with a firm position on the cost allocation issues.

RECOMMENDATION:

Appoint Alvin Gandel Chairman of the Postal Rate Commission

_____ Approve

_____ Disapprove

THE WHITE HOUSE
WASHINGTON

December 5, 1977

Frank Moore

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

Rick Hutcheson

TELEPHONE CALL TO REP. DINGELL

THE WHITE HOUSE
WASHINGTON

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| | FOR STAFFING |
| | FOR INFORMATION |
| ✓ | FROM PRESIDENT'S OUTBOX |
| | LOG IN/TO PRESIDENT TODAY |
| | IMMEDIATE TURNAROUND |

| ACTION | FYI | |
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| | ENROLLED BILL |
| | AGENCY REPORT |
| | CAB DECISION |
| | EXECUTIVE ORDER |
| | Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day |

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| | ARAGON |
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| | VOORDE |
| | WARREN |

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

December 2, 1977

Frank
Not done
J

MEMORANDUM FOR THE PRESIDENT

FROM:

FRANK MOORE *J.M.*
JIM FREE *J.F.*

SUBJECT:

Telephone call to Rep. John Dingell

Rep. John Dingell has made a very firm, personal request to meet with you either Saturday or Monday. He is concerned about the progress of the Energy Conference Committee, but, unlike us, he is afraid that it is moving too fast and, thereby, hurting your programs.

We feel that you need to call Rep. Dingell either at home tonight or early tomorrow morning.

**Electrostatic Copy Made
for Preservation Purposes**

Newport News

THE WHITE HOUSE
WASHINGTON

*Alvin
W. J.*

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| | FOR STAFFING |
| | FOR INFORMATION |
| ✓ | FROM PRESIDENT'S OUTBOX |
| | LOG IN/TO PRESIDENT TODAY |
| | IMMEDIATE TURNAROUND |

note to Califano

| ACTION | FYI | |
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| | ✓ | MONDALE |
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| | ENROLLED BILL |
| | AGENCY REPORT |
| | CAB DECISION |
| | EXECUTIVE ORDER |

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

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| | ARAGON |
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| | WARREN |

THE WHITE HOUSE
WASHINGTON
December 5, 1977

The Vice President
Stu Eizenstat
Jack Watson

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

Rick Hutcheson

LETTER TO CALIFANO RE STANDARD
EDUCATION TESTS

ADMINISTRATIVELY
CONFIDENTIAL

THE WHITE HOUSE

WASHINGTON

12-5-77

To Joe Califano

Your memo on testing
does not answer the question.
What can we do (without
deliberate evasion or delay)
to provide local and state
governments with funds &
satisfactory tests, and to
encourage - not require - their
use? Just a brief (one
page) answer -

J.C.



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

December 2, 1977

MEMORANDUM FOR THE PRESIDENT

FROM JOE CALIFANO *J. Califano*

SUBJECT: Development of National Standard Achievement Tests

In your note of November 28, 1977, you suggested that either HEW or NSF develop national standard achievement tests to be used at the option of states or school districts. As you know, in a speech on October 24 to the College Entrance Examination Board, I discussed the Federal role in testing. In line with our conversation, I emphasized the vital importance of ensuring that achievement tests, and information about them, are available for use by all states and school districts. (A copy of thst speech is enclosed.)

In responding to your suggestion, let me deal with several distinct issues.

1. Do We Need Additional National Standardized Achievement Tests?

There is no shortage of standardized achievement tests. Commercial test publishers and non-profit groups have generated a great variety of nationally-used achievement tests in areas like reading, writing, mathematics, science, and history.

These tests are of high quality, and are widely used by schools throughout the country. Most schools do test and have little trouble obtaining appropriate instruments.

Consequently, I see no educational need for development of additional tests of this nature, with one possible exception. At the high school level, there may be a shortage of achievement tests in some subjects, particularly for students not in a college-oriented program. This is a gap that the government can help to fill, and we are moving to fill it. But beyond this area, I can see few benefits, and significant potential costs, from the government's displacing a private system that is functioning effectively.

2. Should the Government Establish Minimum Levels of Performance on National Standardized Achievement Tests?

Most national tests permit schools to compare their students' scores against a national norm. Thus, a school that administered the Stanford Test of Educational Progress, for example, might find that its fifth graders ranked in the 60th percentile nationally in reading. Although these tests provide a relative statistical measure of student performance, they do not establish a minimum level of performance for students at each grade level -- that is, they do not provide an absolute standard that a student (and his teacher) is expected to meet.

I think it would be a grave mistake for the Federal government to set minimum levels of achievement. In my speech to the College Board, I expressed opposition to the establishment of a single national test of achievement in basic skills. The reasons underlying that opposition, which I sketched for you in my Weekly Report of October 14, also apply to the establishment of minimum levels of performance. Such a step raises the spectre of questionable power in the Federal government. There would be great political opposition in the educational community and in the Congress to the perceived infringement of local control.

Moreover, it makes little practical sense to set a single standard for all schools. Standards right for Westchester County schools, for example, would seem unrealistic in the South Bronx; teachers and students would be discouraged by their certain failure, and the standards would be either ignored or counterproductive. On the other hand, there would be a serious risk that minimum standards at the right level for the South Bronx would be transformed into a maximum in Westchester County, thereby discouraging able students from realizing their full potential.

3. Is There a Need to Develop New, Curriculum-Specific Tests for State and Local Use?

States and school districts are increasingly interested in identifying what abilities a student who has studied a particular state or local curriculum should possess, and measuring achievement in those areas. By their nature, such tests are not appropriate for national use, because they are geared to a specific curriculum actually selected for use by a state or local school board.

Developing tests for a state or local curriculum would seem to be easy, but I am told that the test technology here is surprisingly primitive. The National Institute of Education in HEW has already funded research to develop this test-writing technology. Though I do not wish to underestimate the difficulties in this area, I do not believe them to be insurmountable. NIE has the experience and expertise to do this job, and I will expand its efforts. My goal is to develop the ability to design tests to match whatever educational goals a state or school district adopts. That way, for example, a specialized magnet school -- whether its emphasis is vocational education, drama, science, or business -- can adopt a test that in fact measures the skills taught.

4. Should HEW or NSF Carry Out the Necessary Test Development Activities?

I believe that HEW is the appropriate agency to carry out the further test development in the two areas described above:

- (1) helping to devise additional national standardized achievement tests for the high school level, and
- (2) development of the test technology to match tests to state and local curricula.

NIE has the necessary experience and expertise to undertake both of these projects, and is already involved in research activities on the second.

Moreover, HEW is uniquely equipped not merely to perform the technical work in test development, but at the same time to provide information and assistance to state and local educators. This point seems critical to me. Tests are only a tool; simply administering a reading test does not make a student more literate. I fear that, to some extent, tests are being seized upon as an easy political response to concern about the quality of education. Tests can help upgrade quality if -- and only if -- they are properly interpreted to identify educational problems, and are followed by earnest efforts to improve teaching, maintain standards, and establish better regular and remedial programs. We are funding a major new study of tests by the National Academy of Sciences to help give educators a greater understanding of how to interpret test results and use them to improve instruction.

In addition to this study, I announced in the enclosed speech a number of steps that HEW is taking in the area of testing and basic skills:

- o We will expand programs that NIE currently operates to provide information, assistance, and training to educators, to help them design more effective testing and remedial education programs.
- o We are launching a major new study of the causes of student failure and success, to identify where resources should be targeted in order to raise achievement.
- o We have established a Task Force on Basic Skills which, in collaboration with the National Academy of Education, is seeking new ways to improve achievement in fundamental areas.
- o We have established in the Office of Education a Project on Fundamental Skills, to link together 13 different Federal programs (with a total funding over three billion dollars) that in some way deal with basic skills achievement.

This last initiative is an administrative preview of a more far-reaching legislative proposal that I will discuss with you on Tuesday. As part of a new Educational Quality Act, HEW would be given a broad, flexible authority to conduct research, fund demonstration projects, and assist states and local schools in developing ways to raise achievement levels in the basic skills. This proposal would give the Federal government, for the first time, a general authority to exercise leadership in improving the quality of education.

Enclosure

HEW



NEWS

U. S. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

REMARKS OF
JOSEPH A. CALIFANO, JR.
SECRETARY OF HEALTH, EDUCATION, AND WELFARE

BEFORE THE
COLLEGE ENTRANCE EXAMINATION BOARD ANNUAL MEETING
SAN FRANCISCO, CALIFORNIA
MONDAY, OCTOBER 24, 1977

THANK YOU FOR INVITING ME TO JOIN YOU ON THE 25TH
ANNIVERSARY OF THE COLLEGE BOARD.

IT'S A GREAT PLEASURE TO BE HERE; TO ADDRESS AN
ORGANIZATION WITH AN ABIDING COMMITMENT TO THE THEME OF
THIS FORUM -- "EXCELLENCE AND EQUITY IN THE SEARCH FOR
STANDARDS."

IN KEEPING WITH THAT THEME, I WANT TO DISCUSS TWO SUBJECTS WITH WHICH ALL OF YOU ARE FAMILIAR AND TO WHICH THOSE OF US IN GOVERNMENT MUST GIVE CAREFUL THOUGHT.

THEY ARE EDUCATIONAL TESTING AND EDUCATIONAL OPPORTUNITY IN AMERICA. I WANT TO ASK -- AND SUGGEST SOME ANSWERS -- TO THESE QUESTIONS:

-- FIRST, WHAT ARE THE PROPER USES OF TESTS AS WE SEEK TO TRAIN STUDENTS IN CERTAIN FUNDAMENTAL SKILLS THAT EVERY CITIZEN IN A DEMOCRACY SHOULD POSSESS?

-- SECOND, SHOULD WE HAVE NATIONAL TESTS AND STANDARDS?

THESE QUESTIONS ARISE, AMID THE GROWING CONCERN OF OUR PEOPLE THAT EDUCATIONAL QUALITY IN AMERICA, DESPITE THE BEST EFFORTS OF PARENTS, TEACHERS AND GOVERNMENT OFFICIALS, IS GOING, NOT UP, BUT DOWN, AND SHARPLY DOWN.

- EACH YEAR FROM 1963 TO 1976, SCORES ON THE VERBAL AND MATHEMATICS SCHOLASTIC APTITUDE TESTS WENT DOWN. DURING THOSE THIRTEEN YEARS, THE OVERALL DECLINE WAS NEARLY 50 POINTS ON THE VERBAL TEST MORE THAN 30 POINTS ON MATHEMATICS.

- A SURVEY OF THE NATIONAL ASSESSMENT OF EDUCATIONAL PROGRESS SHOWED THAT IN 1975, MORE THAN TWELVE OUT OF EVERY 100 17-YEAR OLD HIGH SCHOOL STUDENTS WERE FUNCTIONALLY ILLITERATE; AND THAT ONLY TEN OF EVERY HUNDRED COULD CALCULATE A SIMPLE TAXI FARE.

- ONLY 34 PERCENT OF 17-YEAR OLDS COULD DETERMINE THE MOST ECONOMICAL SIZE OF A PRODUCT.

- ONLY 53 PERCENT KNEW THAT EACH STATE HAD TWO SENATORS.

- ONLY 53 PERCENT WERE AWARE THAT THE PRESIDENT DOES NOT APPOINT MEMBERS OF CONGRESS.

THESE STATISTICS OF DECLINING COMPETENCE ARE DAILY AND SADLY CONFIRMED BY STORIES WE READ IN THE NEWS:

-- LAST YEAR IN WASHINGTON, D.C., A HIGH SCHOOL GRADUATE WAS REJECTED BY A LOCAL UNIVERSITY; HIS SCORES ON REPEATED TESTS FELL FAR BELOW THE MINIMUM RANGE FOR ACCEPTABLE APPLICANTS. THE STORY MADE HEADLINES -- BECAUSE THE YOUNG MAN WAS THE VALEDICTORIAN OF HIS HIGH SCHOOL CLASS.

-- HERE IN SAN FRANCISCO, A YOUNG MAN SUED SCHOOL OFFICIALS -- BECAUSE UPON GRADUATION FROM HIGH SCHOOL IN 1972, HE DISCOVERED THAT HIS READING SKILLS WERE THOSE OF A FIFTH GRADER.

AMID REPORTS OF FALLING TEST SCORES AND SEMI-LITERATE HIGH SCHOOL GRADUATES, IT IS NO WONDER THAT PUBLIC CONFIDENCE IN OUR EDUCATIONAL SYSTEM IS MORE OFTEN WANING THAN WAXING. IN THE PAST THREE YEARS, THE NUMBER OF AMERICANS RATING THEIR PUBLIC SCHOOLS AS GOOD OR EXCELLENT HAS FALLEN ALMOST 25 PERCENT. AND THIS YEAR, 83 PERCENT OF PERSONS POLLED FAVORED A RETURN TO BASICS -- A RETURN TO THE THREE Rs, TAUGHT IN MORE ORDERLY CLASSROOMS.

THERE IS AN INSISTENT MESSAGE FOR ALL OF US IN THIS INTENSE CONCERN ABOUT AMERICAN EDUCATION: THE AMERICAN PEOPLE -- IN RETURN FOR THE BILLIONS OF TAX DOLLARS THEY SPEND ON EDUCATION; IN RETURN FOR THE GREAT HOPE THEY INVEST IN THEIR CHILDREN'S FUTURE -- ARE DEMANDING THAT A BASIC LEVEL OF COMPETENCE, A SET OF MINIMUM SKILLS, BE TRANSMITTED BY OUR ELEMENTARY AND SECONDARY SCHOOLS TO THEIR STUDENTS.

AS YOU KNOW, MANY REASONS HAVE BEEN SUGGESTED FOR THE DECLINE IN TEST SCORES: THE CHANGING COMPOSITION OF TEST-TAKING STUDENTS; INSUFFICIENT CLASSROOM TIME ON THE THREE RS; THE EROSION OF ACADEMIC STANDARDS; INSTABILITY IN FAMILY STRUCTURE; THE IMPACT OF TELEVISION.

THE EXPLANATIONS OF DECLINING SCORES MAY BE ARGUABLE, BUT THE RESULT IS NOT:

GROWING CONCERN ABOUT EDUCATIONAL QUALITY AND BASIC SKILLS HAS SET OFF AN EXPLOSION OF INTEREST IN TESTING.

ALL OVER THE NATION, PARENTS, LEGISLATORS AND EDUCATORS ARE DEMANDING MORE TESTING AS A WAY TO ENSURE THAT THE SCHOOLS ARE TEACHING AND THE STUDENTS ARE LEARNING. AT LAST COUNT, 26 STATES HAD ADOPTED SOME FORM OF COMPETENCY TESTING PROGRAM; EVERY OTHER STATE BUT ONE WAS CONTEMPLATING SOME KIND OF PROGRAM FOR TESTING BASIC SKILLS.

IN THE FACE OF THIS PASSIONATE CONCERN, IT IS IMPORTANT THAT WE, AS PUBLIC OFFICIALS AND EDUCATORS, EXCHANGE OUR VIEWS ON THE PROPER USE OF TESTS -- AND THEIR LIMITATIONS. AND IT IS EQUALLY IMPORTANT THAT ALL OF US COMMUNICATE THOSE VIEWS TO THE AMERICAN PEOPLE -- WHO ARE VITALLY INTERESTED IN BASIC EDUCATIONAL COMPETENCE.

TO BEGIN WITH, I SHOULD EMPHASIZE THAT THE TESTS I AM DISCUSSING THIS MORNING -- BASIC COMPETENCY TESTS -- ARE MEASURES OF BASIC SKILLS LIKE READING, WRITING OR ARITHMETIC: ESTIMATES, AT A GIVEN MOMENT, OF ACHIEVEMENT, OF LEARNING. THEY DO NOT ATTEMPT TO MEASURE I.Q., INTELLIGENCE, OR NATIVE ABILITY. USED PROPERLY, BASIC COMPETENCY TESTS ARE DIAGNOSTIC TOOLS -- NOT DEVICES FOR LABELING OR STIGMATIZING STUDENTS.

ACHIEVEMENT TESTS PLAY A VITAL ROLE IN OUR EDUCATIONAL SYSTEM. THE PROCESS OF EDUCATING SUCCESSIVE GENERATIONS -- OF TRAINING THE PARENTS, THE VOTERS, THE PROFESSIONALS OF TOMORROW -- IS TOO IMPORTANT TO BE SET LOOSE ON UNCHARTED SEAS, WITH NO COMPASS TO DISCOVER WHETHER THAT PROCESS IS GOING IN THE RIGHT DIRECTION. I SHARE A VIEW WHICH MOST OF YOU HOLD: TESTING IS NOT THE ONLY WAY, BUT IT IS AN IMPORTANT WAY, OF GETTING INFORMATION TO POINT -- AND KEEP -- US ON THE RIGHT COURSE.

LET ME INDICATE WHAT I BELIEVE TO BE SOME VALID USES OF TESTING.

THE FIRST USE OF TESTS IS TO DIAGNOSE INDIVIDUAL LEARNING PROBLEMS. A SINGLE TEST CAN HARDLY GIVE A COMPLETE PICTURE OF HOW MUCH A STUDENT HAS LEARNED, BUT IT IS ONE INDICATOR, TO BE COMBINED WITH OTHERS SUCH AS CLASSROOM PERFORMANCE, THAT CAN HELP US EVALUATE A CHILD'S PROGRESS. THE PURPOSE IS NOT TO ATTACH A LABEL, BUT TO IDENTIFY STUDENTS TO WHOM TEACHERS -- AND PARENTS -- SHOULD GIVE SPECIAL ATTENTION, AND THEN ENSURE THAT ACHIEVEMENT IS BROUGHT UP TO PAR. TESTS ARE ONLY THE BEGINNING; THE KEY IS TO HAVE CAREFULLY CRAFTED REMEDIAL PROGRAMS READY TO FOLLOW. AND THE EARLIER IN SCHOOLING THAT THE PROCESS OF TESTING, DIAGNOSIS, AND REMEDY STARTS, THE MORE EFFECTIVE IT WILL PROVE.

A SECOND USE OF TESTS IS TO CERTIFY THAT STUDENTS AT A PARTICULAR LEVEL -- AND HIGH SCHOOL GRADUATES -- POSSESS CERTAIN BASIC ABILITIES. FEWER THAN HALF THE 18 YEAR OLDS IN THIS COUNTRY GO ON TO COLLEGE. IT IS IMPORTANT FOR SOCIETY TO KNOW THAT OUR FUTURE GENERATIONS ARE EQUIPPED WITH CERTAIN BASIC SKILLS. AND IT IS IMPORTANT FOR THESE TEENAGERS TO HAVE A RELIABLE JOB CREDENTIAL. IF A DIPLOMA DOES NOT SIGNIFY ANY GENUINE ACHIEVEMENT, GRADUATES MAY BE LOCKED OUT OF JOBS. UNEMPLOYMENT OF OUR YOUTH REMAINS OVER 15%; THE RATE FOR CERTAIN GROUPS -- BLACK YOUTH IN OUR CENTRAL CITIES, FOR EXAMPLE -- IS A STAGGERING 38%. THESE TEENAGERS NEED THE CHANCE TO EARN A DIPLOMA THAT WILL BE REGARDED AS EVIDENCE OF ACHIEVEMENT, NOT A WORTHLESS TICKET TO UNEMPLOYMENT AND THE CITY STREETS.

THE THIRD PURPOSE OF TESTING IS THE ONE THAT HAS GENERATED THE GREATEST INTEREST AND CONTROVERSY: THE IDEA THAT BASIC SKILLS TESTING WILL MAKE OUR SCHOOLS MORE RESPONSIVE TO PARENTS AND TAXPAYERS WHO ARE VITALLY CONCERNED WITH EDUCATIONAL QUALITY. OUR SCHOOLS MUST BE RESPONSIVE TO THE PUBLIC; THE MISSION OF EDUCATION, LIKE THE MISSION OF GOVERNMENT, IS TOO IMPORTANT TO BE IMMUNE FROM OUTSIDE SCRUTINY. USED PROPERLY, STANDARDIZED TESTS CAN PROVIDE A VIEW FROM OUTSIDE; THEY PROVIDE ONE IMPORTANT PERSPECTIVE FOR EVALUATING HOW WELL STUDENTS AND SCHOOLS ARE DOING.

THE MERE FACT THAT A SCHOOL'S TEST SCORES SEEM LOW, HOWEVER, DOES NOT MEAN SCHOOL OFFICIALS ARE DOING A BAD JOB. THE CONCERN EXPRESSED BY SOME TEACHERS AND SCHOOL OFFICIALS THAT THEY WILL AUTOMATICALLY -- AND UNFAIRLY -- BE BLAMED FOR LOW TEST SCORES IS A LEGITIMATE ONE. IT IS UNREALISTIC TO EXPECT TEST SCORES IN A DISTRICT THAT IS LONG ON SOCIAL ILLS AND SHORT ON MONEY TO MATCH THOSE FROM THE BEST AND MOST AFFLUENT SUBURBAN SCHOOLS. AND TESTS ARE BUT ONE WAY OF ASSESSING PERFORMANCE.

BUT IT IS FAIR TO ASK SCHOOL OFFICIALS WHAT RESPONSES TO THE TEST SCORES SEEM APPROPRIATE. FOR AS ALL OF YOU ARE WELL AWARE, TESTS ARE ONLY ONE STEP IN MAKING SCHOOLS RESPONSIVE AND, ULTIMATELY, MAKING THEM BETTER. THEY MUST BE PART OF AN EFFORT SHARED BY TEACHERS, PARENTS, AND OFFICIALS -- TO IMPROVE OUR SCHOOLS. TESTING DOES NOT EDUCATE CHILDREN; IT CAN ONLY HELP US TO PERFORM THAT TASK MORE EFFECTIVELY. EVEN THE BEST PROGRAMS OF BASIC SKILLS TESTING WILL BE WORTHLESS -- UNLESS WE CONNECT THEM WITH PROGRAMS DESIGNED TO REMEDY THE SHORTCOMINGS AND CAPITALIZE ON THE ACHIEVEMENTS TESTS UNCOVER.

TESTING FOR BASIC COMPETENCY CAN SERVE IMPORTANT PURPOSES IN OUR EDUCATIONAL SYSTEM. BUT BASIC COMPETENCY TESTING WILL BE ACCEPTABLE AND EFFECTIVE ONLY IF WE STRESS, ALONG WITH ITS BENEFITS, THE CRITICAL LIMITATIONS AND DANGERS OF TESTING.

FIRST, LIKE OTHER METHODS OF ASSESSING EDUCATIONAL ACHIEVEMENT, TESTS ARE FAR FROM PERFECT. THE BEGUILING PRECISION OF TEST SCORES DISGUISES MANY DIFFICULT QUESTIONS ABOUT WHAT TESTS MEASURE AND HOW WELL THEY SUCCEED. TESTS ARE TOOLS -- NOT MAGIC WANDS. EVEN WITH THE MOST SOPHISTICATED TESTS, THE ASSESSMENT OF LEARNING WILL STILL REQUIRE SENSITIVE JUDGMENTS ABOUT A CHILD'S HUMAN DEVELOPMENT; TESTS CAN HELP INFORM SUCH JUDGMENTS; TESTS CANNOT MAKE THEM.

SECOND, THERE IS THE ISSUE OF CULTURAL BIAS. TESTS CAN PROVE ESPECIALLY DIFFICULT FOR PARTICULAR GROUPS OF CHILDREN. A QUESTION ABOUT THE STOCK MARKET RELATES MORE CLOSELY TO THE LIFE EXPERIENCES OF ONE CULTURAL GROUP THAN ANOTHER. CLEARLY STUDENTS WHOSE NATIVE TONGUE IS NOT ENGLISH WILL FIND STANDARDIZED TESTS MORE DIFFICULT. SCHOOL CHILDREN FROM POOR OR BROKEN FAMILIES MAY HAVE FACED OBSTACLES MAKING SUCCESS IN SCHOOL FAR MORE DIFFICULT TO ATTAIN.

BUT THESE ARE REASONS FOR IMPROVING TESTS -- NOT DISCARDING THEM. WE MUST CONTINUE OUR EFFORTS TO DEVELOP TESTS WHOSE CONTENT DOES NOT PLACE AN EXCESSIVE PREMIUM ON CULTURAL BACKGROUND. EVEN THESE WILL PROVE HARDER TO CHILDREN FROM DEPRIVED BACKGROUNDS OR WITH LESS FACILITY IN ENGLISH, BUT THIS DOES NOT MAKE THE TESTS UNFAIR.

FOR THERE ARE SOME SUBJECTS -- I WOULD INCLUDE THE THREE RS AMONG THEM -- THAT EVERY CHILD MUST KNOW TO SHARE FULLY IN THE OPPORTUNITIES OF AMERICAN LIFE. A LOW TEST SCORE DOES NOT MEAN A STUDENT IS INFERIOR OR UNEDUCABLE; IT MEANS ONLY THAT TO DATE HIS PROGRESS IN THE SUBJECTS TESTED SHOWS CONSIDERABLE ROOM FOR IMPROVEMENT. WE MUST IDENTIFY CHILDREN WHO LACK THESE BASIC SKILLS, SO THAT WE CAN HELP THEM. NOT TO DO SO WOULD BE THE ULTIMATE INJUSTICE.

THE THIRD BASIC LIMITATION ON THE USE OF TESTS IS THAT THEY MEASURE PROGRESS TOWARD BUT A FEW OF THE MYRIAD GOALS WE ASK OUR SCHOOLS TO PURSUE. NOT ALL SKILLS ARE BASIC SKILLS; IN FOCUSING ON MINIMAL COMPETENCY, WE CANNOT LET THE MINIMUM BECOME THE MAXIMUM. WE MUST ENSURE THAT STUDENTS OF ABILITY ARE GIVEN THE CHANCE TO DEVELOP TO THE FULLEST, AND THAT IMPORTANT SUBJECTS BEYOND THE THREE RS ARE NOT OVERLOOKED.

ACADEMIC ACHIEVEMENT IS BUT ONE OBJECTIVE OF OUR SCHOOLS. FEW OF US WOULD BE HAPPY TO SEE HIGH SCHOOL GRADUATES WHO HAD MASTERED ENGLISH LITERATURE AND TRIGONOMETRY -- BUT WHO LACKED MATURITY, SELF-DISCIPLINE, HONESTY, AND JUDGMENT. STANDARDIZED TESTS CAN HELP US MEASURE WHETHER STUDENTS ARE LEARNING CERTAIN SKILLS; THEY CANNOT TELL US HOW WELL SCHOOLS ARE PERFORMING OTHER LARGE AND IMPORTANT PARTS OF THEIR JOBS.

THIS LAST LIMITATION IS A CLEAR WARNING WHICH ALL OF US MUST SOUND TO THE PUBLIC AGAINST PREOCCUPATION WITH TESTING. THE PURPOSE OF SCHOOLS IS NOT MERELY TO PRODUCE HIGH SCORES ON ACHIEVEMENT TESTS; IT IS TO EDUCATE CHILDREN, TO HELP TEACH THEM TO APPRECIATE WHAT IS WORTHWHILE, TO GIVE THEM THE ABILITY TO EXTRACT MEANING FROM FUTURE EXPERIENCES.

TO TEACH TO THE TESTS: TO FOCUS OBSESSIVELY ON TEST SCORES, WOULD BE STULTIFYING -- AND UNLIKELY IN THE END, TO IMPROVE STUDENT ACHIEVEMENT. OUR GREAT AND URGENT NEED GOES FAR BEYOND TESTS AND TESTING PROGRAMS -- IT IS TO IMPROVE DRAMATICALLY THE WHOLE PROCESS OF EDUCATION. IF WE DO THAT, TEST SCORES WILL REFLECT THAT IMPROVEMENT.

IN SHORT, BASIC COMPETENCY TESTS, USED SKILLFULLY AND SENSITIVELY, ARE USEFUL AND NECESSARY -- THEY ARE A LIMITED, BUT VERY IMPORTANT TOOL FOR CHARTING AND IMPROVING THE PROCESS OF EDUCATION. WE NEED TO DO MORE TESTING AND WE NEED TO DO BETTER TESTING.

HAVING SAID ALL THIS, AM I ADVOCATING, ON BEHALF OF THE DEPARTMENT I HEAD AND THE FEDERAL GOVERNMENT, A PROGRAM OF NATIONAL TESTS, OR NATIONAL STANDARDS OF SCHOLASTIC ACHIEVEMENT?

ABSOLUTELY NOT.

I BELIEVE THAT PROPOSALS FOR FEDERAL TESTING PROGRAMS, HOWEVER WELL-INTENTIONED, ARE MISGUIDED; THAT EVEN A WHOLLY VOLUNTARY NATIONAL TEST OR SET OF STANDARDS WOULD BE A STEP IN PRECISELY THE WRONG DIRECTION.

THERE ARE SEVERAL REASONS I OPPOSE SO STRONGLY THE IDEA OF TESTS AND STANDARDS IMPOSED FROM WASHINGTON:

-- IF A TEST IS GIVEN LARGELY BECAUSE SOMEONE IN WASHINGTON SEEMS TO THINK IT IS A GOOD IDEA, LOCAL COMMITMENT MAY BE WANTING. THE TESTS MAY END UP AS LITTLE MORE THAN A DISTRACTING WASTE OF TIME AND MONEY, RATHER THAN PART OF AN ENTHUSIASTIC EFFORT TO SPUR INDIVIDUAL EDUCATIONAL ACHIEVEMENT.

-- THERE IS NO SINGLE TEST THAT IS RIGHT FOR EVERY SCHOOL. BASIC QUESTIONS ABOUT TEST COVERAGE ARISE EVEN IN TESTING THE THREE RS: SHOULD MATHEMATICAL REASONING OR COMPUTATION BE STRESSED? SHOULD A READING TEST MEASURE UNDERSTANDING OF A NARRATIVE PARAGRAPH OR AN ADVERTISEMENT? SHOULD THE EXAMPLES USED TO TEST COMPETENCY IN ARITHMETIC BE DIFFERENT FOR FARM CHILDREN THAN FOR THOSE WHOSE EXPERIENCE IS LIMITED TO URBAN STREETS? WHAT KIND OF TEST BEST MEASURES EARLY BASIC COMPETENCY IN A BILINGUAL EDUCATIONAL SITUATION?

-- THERE ARE MANY UNANSWERED QUESTIONS ABOUT THE QUALITY, VALIDITY, AND CHARACTERISTICS OF DIFFERENT TESTS THEMSELVES. TESTS WHOSE MAIN PURPOSE IS INDIVIDUAL DIAGNOSIS MAY BE WRONG FOR EVALUATING CURRICULUM. STATES AND LOCALITIES HAVE ENCOUNTERED SURPRISING DIVISION IN DECIDING HOW TO DESIGN A BASIC COMPETENCY TEST. IN THE NEXT FEW YEARS, EDUCATORS AND RESEARCHERS WILL BE ABLE TO TEST THESE TESTS AND DETERMINE WHETHER SOME ARE SIMPLY BETTER THAN OTHERS -- AND UNDER WHAT CIRCUMSTANCES. THESE QUESTIONS DO NOT LEND THEMSELVES TO NATIONAL ANSWERS -- CERTAINLY NOT AT THIS TIME.

-- MOST IMPORTANTLY, IN THIS COUNTRY CONTROL OF CURRICULUM HAS ALWAYS RESTED WITH STATES AND LOCALITIES, NOT WITH WASHINGTON. ANY SET OF TEST QUESTIONS THAT THE FEDERAL GOVERNMENT PRESCRIBED SHOULD SURELY BE SUSPECT AS A FIRST STEP TOWARD A NATIONAL CURRICULUM. THAT WOULD NOT MERELY RUN COUNTER TO STRONGLY HELD VIEWS ABOUT LOCAL CONTROL OF EDUCATION; IT WOULD STIFLE LOCAL EXPERIMENTS WITH A VARIETY OF APPROACHES TO LEARNING.

IN ITS MOST EXTREME FORM, NATIONAL CONTROL OF CURRICULUM IS A FORM OF NATIONAL CONTROL OF IDEAS. WE SHOULD BE VERY WARY OF TREADING IN THAT DIRECTION; THE TRADITIONAL ROLE OF FEDERAL SUPPORT FOR EDUCATION HAS BEEN TO ENCOURAGE DIVERSITY -- NOT RIGID UNIFORMITY.

IT IS ONE OF THE CHIEF VIRTUES OF OUR FEDERAL SYSTEM THAT WE HAVE FIFTY POTENTIAL LABORATORIES FOR INNOVATION IN EDUCATION; FIFTY DIFFERENT CENTERS FOR DEVELOPING IDEAS AND PROGRAMS. I BELIEVE THAT EVERY STATE SHOULD HAVE A PROGRAM FOR DEVELOPING AND MEASURING BASIC SKILLS THAT INCLUDES COMPETENCY TESTING; BUT I THINK EACH OF THE FIFTY STATES -- AND EACH OF THE SCHOOL DISTRICTS WITHIN THOSE STATES -- SHOULD DECIDE HOW IT CAN MAKE MOST EFFECTIVE USE OF COMPETENCY TESTING IN ITS PROGRAM. THE FEDERAL GOVERNMENT SHOULD SUPPORT, BUT NOT DIRECT, THEIR EFFORTS.

ALTHOUGH I OPPOSE ANY PROGRAM OF NATIONAL TESTING, THERE IS AN IMPORTANT ROLE FOR THE FEDERAL GOVERNMENT. THIS ADMINISTRATION CAN AND SHOULD TAKE SOME MAJOR STEPS TO HELP THE STATES AND LOCALITIES, AND I HAVE SEVERAL TO ANNOUNCE TODAY:

- FIRST, EDUCATORS NEED TO KNOW EXACTLY WHAT DIFFERENT TESTS MEASURE; HOW THEY COMPARE; WHAT THEIR STRENGTHS AND LIMITATIONS ARE. WE WILL JOIN IN SUPPORTING A MAJOR NEW STUDY OF TESTS BY THE NATIONAL ACADEMY OF SCIENCES. WE WILL EXPAND EXISTING RESEARCH EFFORTS TO EVALUATE NOT ONLY THE TECHNICAL PROPERTIES OF TESTS, BUT ALSO THE WAYS THEY ARE BEING USED IN PRACTICE BY DIFFERENT SCHOOL SYSTEMS.

- SECOND, THE INFORMATION WE DEVELOP MUST BE COMMUNICATED SPEEDILY TO EDUCATORS AND LOCAL OFFICIALS IN THE STATES. WE WILL THEREFORE PROVIDE BROAD SUPPORT FOR ORGANIZATIONS LIKE THE EDUCATION COMMISSION OF THE STATES, WHICH RUNS WORKSHOPS AND PROVIDES TECHNICAL ASSISTANCE TO STATES AND LOCALITIES. WE WILL ENSURE THAT TRAINING AND INFORMATION ARE AVAILABLE TO HELP STATE AND LOCAL DECISIONMAKERS TO ANSWER A BAFFLING ARRAY OF TECHNICAL AND POLICY QUESTIONS ABOUT BASIC COMPETENCY TESTING.

-- THIRD, AS WE GAIN EXPERIENCE WITH BASIC COMPETENCY TESTING, WE MUST EVALUATE THE RESULTS FROM THE BROADEST POSSIBLE PERSPECTIVE. THE NATIONAL ACADEMY OF EDUCATION, WHICH CAN PROVIDE JUST THAT PERSPECTIVE, HAS ACCEPTED OUR INVITATION TO ESTABLISH A COMMITTEE ON TESTING AND BASIC SKILLS, WHICH WILL ADVISE US ABOUT THESE QUESTIONS ON A CONTINUING BASIS.

-- FOURTH, AS PART OF A NEW EMPHASIS ON BASIC SKILLS, WE ARE ESTABLISHING IN HEW'S OFFICE OF EDUCATION A PROJECT ON FUNDAMENTAL SKILLS. THIS WILL BE THE FIRST TIME THAT 13 DIFFERENT FEDERAL PROGRAMS DEALING WITH BASIC SKILLS -- PROGRAMS WHICH TOGETHER SPEND THREE AND ONE-HALF BILLION DOLLARS ANNUALLY -- HAVE BEEN LINKED TOGETHER. THIS INNOVATION WILL SHARPEN GOALS, STRENGTHEN PROGRAMS, AND ENSURE BETTER TARGETING OF FUNDS BY HEW AS WE WORK TO HELP STATES AND LOCALITIES DEVELOP EFFECTIVE PLANS FOR IMPROVING BASIC SKILLS.

- FIFTH, I HAVE ASKED THE NATIONAL INSTITUTE OF EDUCATION TO LAUNCH A MAJOR STUDY OF THE REASONS WHY STUDENTS FAIL TO PERFORM WELL ON TESTS AND BASIC SKILLS. WE NEED TO KNOW WHO IS NOT PERFORMING WELL, WHY THEY ARE NOT PERFORMING WELL, HOW THIS FAILURE AFFECTS STUDENTS' LIVES, AND WHAT WE CAN DO TO IMPROVE THEIR BASIC SKILLS. THE KNOWLEDGE WE GAIN WILL PERMIT STATES AND LOCALITIES TO DESIGN EFFECTIVE REMEDIAL PROGRAMS AS AN INTEGRAL PART OF THEIR TESTING EFFORT.

- SIXTH, WE WILL SUPPORT DEMONSTRATION PROJECTS AIMED AT DEVELOPING A LIBRARY OF EDUCATIONAL TV AND VIDEO-DISK PROGRAMS THAT COULD TRANSFORM THESE MODERN TECHNOLOGIES INTO IMPORTANT EDUCATIONAL RESOURCES. OUR BEST ESTIMATES INDICATE THAT BY THE TIME STUDENTS ENTER FIRST GRADE THEY HAVE WATCHED 3,000 TO 4,000 HOURS OF TELEVISION; WHEN THEY LEAVE HIGH SCHOOL, THEY HAVE SPENT MORE TIME IN FRONT OF A TELEVISION SET THAN IN THE CLASSROOM. TELEVISION IS OFTEN BLAMED FOR EDUCATIONAL SHORTCOMINGS. WE INTEND TO EVALUATE AND DEVELOP ITS EDUCATIONAL POTENTIAL, AND TO BUILD EFFECTIVE BRIDGES BETWEEN THESE NEW LEARNING RESOURCES AND THE CLASSROOM TEACHER.

-- SEVENTH, WE WILL SEEK TO STRENGTHEN THE CRITICAL ROLE OF PARENTS IN EDUCATING THEIR CHILDREN. IT IS EASY FOR PARENTS TO CRITICIZE TEACHERS. BUT WHEN ACHIEVEMENT LEVELS ARE BELOW PAR, PARENTS MUST HOLD THEMSELVES EQUALLY ACCOUNTABLE AND EXAMINE WHAT THEY CAN DO TO HELP THEIR CHILDREN. WE WILL SUPPORT MODEL PARENT-TEACHER PROJECTS AND PARENT ADVISORY BODIES TO FIND NEW WAYS TO KEEP PARENTS INFORMED ABOUT THEIR CHILDREN'S PROGRESS, THE SIGNIFICANCE OF TEST SCORES, AND WHAT THEY CAN DO TO ASSIST TEACHERS. WE WILL ALSO SUPPORT DEVELOPMENT OF EDUCATIONAL MATERIALS THAT PARENTS CAN USE WITH THEIR CHILDREN IN THE HOME, ESPECIALLY DURING THE SUMMER MONTHS TO COUNTERACT THE FALLOFF IN ACHIEVEMENT THAT SEEMS TO OCCUR DURING THE SUMMER VACATION.

IN ALL THESE EFFORTS, LET ME EMPHASIZE THE FEDERAL GOVERNMENT WILL PLAY A LIMITED, SUPPORTING ROLE. WE WANT TO SUPPLEMENT AND STRENGTHEN THE EFFORTS OF THE STATES AND LOCAL SCHOOLS -- NOT TO SUPPLANT THEM. THE VITAL ENERGY, THE COMMITMENT TO DESIGN EFFECTIVE PROGRAMS AND TO SEE THAT THEY WORK, MUST PERCOLATE UP FROM THE LOCAL SCHOOLS -- NOT TRICKLE DOWN FROM WASHINGTON.

NOW, HAVING SPOKEN ABOUT TESTING AS A TOOL FOR ENSURING EXCELLENCE, I WANT TO TOUCH BRIEFLY ON THE OTHER COMMITMENT YOU AND I SHARE: A COMMITMENT TO FAIRNESS IN EDUCATIONAL ADMISSIONS.

THE STRIKING LACK OF MINORITY PARTICIPATION IN OUR MEDICAL, LAW, GRADUATE AND OTHER PROFESSIONAL SCHOOLS HAS BEEN AMPLY DOCUMENTED. FIVE FACTS ILLUSTRATE THE PROBLEM:

- IN 1950, 10 PERCENT OF OUR TOTAL POPULATION WAS BLACK, YET ONLY 2.2% OF ALL PHYSICIANS WERE BLACK. BY 1970, 11.1 PERCENT OF THE TOTAL POPULATION WAS BLACK, YET THE PERCENTAGE OF BLACK PHYSICIANS REMAINED UNCHANGED.

- THE NUMBER OF BLACK LAWYERS IN THIS NATION HOVERS JUST ABOVE 2 PERCENT OF THE PROFESSION -- A PERCENTAGE WHICH HAS NOT CHANGED MARKEDLY IN TWENTY YEARS.

- LESS THAN 5 PERCENT OF ALL DOCTORAL DEGREES AWARDED BETWEEN 1973 AND 1976 WENT TO MINORITY CANDIDATES.

- IF ALL THE BLACK PH.D'S EVER EDUCATED IN THIS COUNTRY WERE PLACED ON OUR UNIVERSITY CAMPUSES, THERE WOULD BE LESS THAN THREE PER CAMPUS.

- THE NUMBER OF WOMEN FACULTY MEMBERS DECLINED FROM 1974-5 TO 1975-6.

OBVIOUSLY, WITHOUT SPECIAL EFFORTS TO RECRUIT AND INCLUDE MORE MINORITY STUDENTS, THIS GLARING UNDER-REPRESENTATION IN THE PROFESSIONS AND THE DOCTORAL RANKS WILL ONLY CONTINUE.

AS WE GO FORWARD IN OUR EFFORTS TO INCREASE MINORITY PARTICIPATION IN HIGHER EDUCATION, WE SHOULD RECOGNIZE THAT THE ADMISSIONS PROCESS HAS NEVER BEEN A TOTALLY OBJECTIVE ONE. IT HAS, WITH GOOD REASON, BEEN LEFT TO THE DISCRETION OF OUR INSTITUTIONS OF HIGHER LEARNING. THROUGH THE YEARS, GRADUATE AND PROFESSIONAL SCHOOLS -- AND COLLEGES TO AN EVEN GREATER DEGREE -- HAVE LOOKED TO A NUMBER OF FACTORS BEYOND MERE TEST SCORES AND GRADES IN DETERMINING FITNESS FOR ADMISSION, FOR

EXAMPLE: GEOGRAPHICAL MIX; MOTIVATION; PERSONAL INTERESTS; SPECIALIZED INTERESTS; EXTRA-CURRICULAR ACTIVITIES AND WORK EXPERIENCE; WHETHER A PARENT WAS AN ALUMNUS OR ALUMNA; WHETHER THE PARENT OR APPLICANT HAS BEEN, OR WILL BE, A SUBSTANTIAL CONTRIBUTOR. THE SEARCH FOR DIVERSITY IS NOTHING NEW.

ON THIS POINT, I WOULD EMPHASIZE THAT WE MUST CONTINUALLY SEEK NEW WAYS OF MEASURING TRUE HUMAN POTENTIAL: WAYS THAT REACH BEYOND THE TRADITIONAL YARDSTICKS. THIS IS A TASK THAT YOU ESPECIALLY CAN LEAD. WE MUST DISCOVER HOW TO DISCOUNT THE EFFECTS OF EARLY DISADVANTAGE ON THE DEVELOPMENT OF ACADEMIC COMPETENCE. WE MUST BROADEN THE RANGE OF TALENTS MEASURED IN ADMISSIONS TESTS. WE MUST FIND WAYS TO DISCOVER VITAL PERSONAL QUALITIES -- MOTIVATION, INTEGRITY, IDEALISM -- THAT BEAR UPON APTITUDE AND ACHIEVEMENT.

THIS QUEST IS COMPELLED, I BELIEVE, BY THE HUMANE PURPOSE OF AFFIRMATIVE ACTION PROGRAMS WHICH SEEK, NOT TO EXCLUDE, BUT TO INCLUDE; NOT TO SET RIGID AND ARBITRARY QUOTAS BUT TO ESTABLISH FLEXIBLE AND REASONABLE NUMERICAL GOALS THAT OPERATE AS NEITHER A FLOOR NOR A CEILING; NOT TO FORCE THE UNQUALIFIED UPON UNWILLING FACULTIES, BUT TO BRING IN MINORITY APPLICANTS WHO ARE FULLY QUALIFIED TO PASS THE COURSE OF STUDY AND BECOME RESPONSIBLE PROFESSIONALS.

GREAT RESERVES OF HUMAN TALENT HAVE BEEN LOCKED UP BY OUR NATIONAL LEGACY OF SLAVERY AND DISCRIMINATION. OUR MISSION IS TO ENSURE THAT THIS POTENTIAL CAN BE RELEASED -- YOUR MISSION, AS LEADERS IN EDUCATIONAL ADMISSIONS, IS TO ENSURE THAT THIS POTENTIAL WILL BE RECOGNIZED.

LAST WEEK, A NOBEL PRIZE WAS AWARDED TO AN AMERICAN WOMAN, THE MEDICAL PHYSICIST DR. ROSALYN YALOW. IN SPEAKING OF HER CAREER, DR. YALOW RECALLED THAT WHEN SHE FINISHED COLLEGE, SHE WAS TOLD THAT A WOMAN COULD NEVER GET INTO GRADUATE SCHOOL IN PHYSICS. SO FOR A TIME, UNTIL SHE FINALLY WON AN ASSISTANTSHIP AT A UNIVERSITY IN THE MIDWEST -- SHE WENT TO WORK AS A TYPIST. SHE WAS A VERY GOOD TYPIST -- BUT AN EVEN BETTER PHYSICIST.

OUR GOAL, YOURS AND MINE, IS A NATION IN WHICH NO PERSON WHO HAS GREAT DREAMS AND NATIVE ABILITY WILL BE BARRED FROM THE TRAINING HE NEEDS, OR SHE NEEDS, TO FULFILL THOSE DREAMS AND PERFECT THAT ABILITY. OUR GOAL IS A NATION IN WHICH THE TWIN IDEALS OF EXCELLENCE AND EQUITY ARE NOT MERE DREAMS, BUT ACTUALITIES.

I BELIEVE THAT, WITH EARNEST EFFORT, WE CAN ACHIEVE THAT GOAL -- AND FOR ALL THAT YOU ARE DOING TO BRING THAT ACHIEVEMENT NEARER, YOUR NATION IS IN YOUR DEBT.

THANK YOU.

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