

WITHDRAWAL SHEET

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File Folder: JW Cicconi Memos, Jan - Jun 1983 [3 of 11]

Date: 2/18/98

Cicconi

~~OA 10793~~ *Box 2*

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. memo	JW Cicconi to James A. Baker, III re Davis-Bacon Act, 2p.	1/25/83	<i>P5</i>
2. memo	JW Cicconi to James A. Baker, III re Relations with Organized Labor, 1p.	1/27/83	<i>P5</i> <i>CCS 10/18/00</i>

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P-1 National security classified information [(a)(1) of the PRA].
- P-2 Relating to appointment to Federal office [(a)(2) of the PRA].
- P-3 Release would violate a Federal statute [(a)(3) of the PRA].
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].
- C. Closed in accordance with restrictions contained in donor's deed of gift.

Freedom of Information Act - [5 U.S.C. 552(b)]

- F-1 National security classified information [(b)(1) of the FOIA].
- F-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
- F-3 Release would violate a Federal statute [(b)(3) of the FOIA].
- F-4 Release would disclose trade secrets or confidential commercial or financial information [(b)(4) of the FOIA].
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- F-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
- F-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
- F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

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THE WHITE HOUSE
WASHINGTON

20 January 1983

TO: JAB III

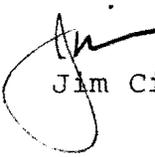
RE: Indian Policy

The attached memo from Red is right on the mark.

After speaking with he and Craig Fuller, I suggested to Larry Speakes that we mention in the briefing that there has been a misrepresentation of the Administration's Indian policy; that we put out a summary of our policy last week; that anyone who did their homework knows the things being said are false; and then make available on request copies of the full statement.

Red is right-- we have a good policy in this area and have no reason to be defensive.

(Unfortunately, right now if Jim Watt endorsed motherhood, seven groups would hold a press conference denouncing him.)


Jim Cicconi

*This will
be done
verbally
in tomorrow's
briefing.
JC*

THE WHITE HOUSE
WASHINGTON
January 20, 1983

BACK TO
CIRCONI -
JAB READ
1/20

MEMORANDUM FOR EDWIN MEESE III
JAMES A. BAKER, III
MICHAEL K. DEEVER

FROM: ELIZABETH H. DOLE 
SUBJECT: Secretary Watt and Indian Policy

The subject outcry as portrayed by the media is highly exaggerated and contrived. The number of the tribal leaders who have spoken out in opposition represent a small segment of the overall Indian community. Additionally, the press's portrayal of Watt's remarks are biased and slanted to fit their storyline. Admittedly, this does little to ease the pain of having to hear that the Administration is anti-Indian and racist.

Our Indian policy and its attendant statement are excellent, and we need not apologize nor be defensive. The Administration has worked closely with responsible Indian leaders and virtually all support this approach and indicate it is an excellent follow-on to Nixon's landmark policy of self-determination, which to this day remains the high-water mark of U.S. Government/Indian relations.

Far and away the largest Indian organization is the National Congress of American Indians (NCAI), who are supportive of our policy initiative and have a very healthy, open relationship with this Administration. On Wednesday, January 26th between 9:00 a.m. and noon, we will be conducting a briefing of long standing for 125 leaders for the NCAI which will further demonstrate our constant and ongoing efforts to work to the benefit of the American Indian. The economy and our budget reductions in government services to Indians make it difficult for Indian leaders to get too far out front in support of the President, however the responsible leaders are not critical of us and are enthusiastic about the impending policy statement.

The sooner we can release our statement the better, in order to enable our supporters to provide a counterpoint to criticism from a primarily radical fringe.

cc: D. Darman
C. Fuller
D. Gergen
E. Harper
R. Williamson
L. Speakes

JSC
memo

THE WHITE HOUSE
WASHINGTON

20 January 1983

TO: JAB III

RE: Personnel Meeting

Discussion points for today's personnel meeting:

1. Rick Abell-- need to assist him into a good position in another agency (now at Peace Corps). You have a memo on this subject.
2. WH Conference on Productivity-- this was forced upon us, and we'll need a good director. Memo from Roger Porter (att'd) indicates that Regan, Harper, and Bill Simon all agree that Bill Seidman would be an excellent choice.

Ji

THE WHITE HOUSE

WASHINGTON

January 12, 1983

MEMORANDUM FOR HELENE A. VON DAMM

FROM: ROGER B. PORTER *RBP*

SUBJECT: White House Conference on Productivity Director

On October 25, 1982, the President signed legislation requiring that he conduct a White House Conference on Productivity within one year to develop recommendations for stimulating productivity growth. He expressed concern in the signing statement "about the need for yet another conference," but stated that he believed that "under the auspices of the National Productivity Advisory Committee, a White House Conference on Productivity could make a significant contribution to the on-going efforts in this area."

The legislation specifies that the Secretary of Commerce will appoint a Conference Director. In his signing statement the President indicated that he will select the Director in consultation with the Chairman of the National Productivity Advisory Committee William Simon, the Secretaries of the Treasury and Commerce, and his other advisors.

The legislation indicates that the Conference Director should be compensated at the rate of an Executive Level V.

At the December 14 meeting of the National Productivity Advisory Committee we made substantial progress in organizing for holding the White House Conference. A paper reflecting the discussion is attached.

Since the Conference is being held under the auspices of the National Productivity Advisory Committee, there is a strong sentiment to have someone closely involved with the Advisory Committee as Director of the Conference.

One of the most active members of the Advisory Committee is L. William Seidman. Seidman was until very recently Vice Chairman of Phelps Dodge Corporation. He is now Dean of the School of Business at Arizona State University. He was Assistant to the President for Economic Affairs in the Ford Administration. More importantly for this particular assignment, he organized and ran the 1974 Summit Conference on Inflation.

Secretary Regan, William Simon, Ed Harper and myself all feel he would be an excellent choice.

Attachment

White House Conference on Productivity

On October 25, 1982 the President signed legislation requiring that he conduct a White House Conference on Productivity within one year to develop recommendations for stimulating productivity growth. The President expressed concern "about the need for yet another Conference," but that he believed that "under the auspices of the National Productivity Advisory Committee (NPAC), a White House Conference on Productivity could make a significant contribution to the ongoing efforts in this area."

Provisions in the Legislation

The legislation requires that the Conference bring together productivity experts and representatives of business, labor, academic and government organizations to develop background and recommendations on improving productivity growth. It also directs that the Conference consider the following policy areas with regard to their role in improving productivity:

1. Reorganizing the Federal Government to promote productivity improvement;
2. Promoting the benefits which result from implementing productivity improvement techniques;
3. Improving the general training and skill level of American labor;
4. Informing American businesses of foreign technology developments;
5. Sharing government research with industry;
6. Establishing awards for businesses and industries that make improvements in productivity;
7. Revising the tax laws to improve productivity;
8. Reviewing the effects of antitrust laws on productivity;
9. Reviewing our patent laws;
10. Improving the accuracy and reliability of productivity measures;
11. Revising Federal civil service laws.

The Conference report and recommendations must be sent to the President and released to the public within 120 days of the Conference. Within 120 days from the date he receives the report, the President must send the Congress his recommendations for legislative and administrative action necessary to implement the Conference recommendations he supports.

The legislation specifies that the Secretary of Commerce will appoint a Conference Director which the President has indicated he will select in consultation with the Chairman of the NPAC, the Secretaries of Treasury and

Commerce, and his other advisors.

While there is no requirement for more than one conference, the legislation also states that the Conference should provide reasonable assistance to organizations conducting regional productivity conferences in preparation for the White House Conference.

Principal Objectives of the Conference

The White House Conference on Productivity will pursue four basic objectives.

1. Develop Recommendations. The legislation has specifically mandated that the Conference develop recommendations for actions to stimulate productivity growth. To assure that it provides the President with the best options available, the Conference will use the recommendations developed already by the NPAC as the basis for Conference proposals and will review additional suggestions submitted by the many outside groups and interested parties.

2. Increase Public Awareness. While many Americans are generally aware of a productivity "problem," most are unaware of the nature of the challenge or the nature of public policies necessary to meet the challenge. Thus, the Conference also will provide an educational forum about productivity, about what must be done to improve it, and about what the Federal Government is doing in this regard.

3. Promote Private Initiatives. In addition to discussing what government has done and can do to promote productivity growth, the Conference will focus on the role of business, labor and private groups in meeting the productivity challenge. Many firms and organizations have been very successful in generating relatively high levels of productivity and in instituting systems for eliminating impediments to productivity. The Conference can provide a forum for making others aware of these initiatives.

4. Facilitate Public Debate. Fundamental reforms in government policies can occur only with broad based public support. The Conference can provide a forum for business, labor and academic leaders to debate such fundamental reforms without committing the Administration or the Congress to a position in advance. Moving to a flat-rate income or consumption tax is an example of an issue that merits further public debate.

Range of Issues the Conference Should Consider

The legislation calling for a White House Conference on Productivity identifies eleven specific issue areas for consideration. Most of these focus attention on policies the government can pursue to enhance productivity. This is similar to the work of the NPAC which, in accordance with its mandate, has focused exclusively on governmental policies.

The White House Conference will broaden this approach to include focusing attention on the role of private sector groups and institutions in improving productivity.

Organization of the Conference

The NPAC will retain overall responsibility for overseeing the White House Conference on Productivity. A steering committee, chaired by William Simon, will provide guidance and review Conference planning and activities.

The Steering Committee would include the chairmen of the six subcommittees identified below; Senator William V. Roth and Congressman John LaFalce, the Congressional sponsors of the Conference legislation; and representatives of the Departments of Treasury, Commerce and Labor.

Six subcommittees, drawn from but not limited to the current members of the NPAC, will be responsible for the eleven issue areas identified in the legislation. These subcommittees will review the suggestions offered by government and public individuals and organizations and develop specific recommendations for consideration by the Conference.

1. Capital Investment L. William Seidman
 - o Revising tax laws to improve productivity.
2. Human Resources John T. Dunlop
 - o Improving training and skill level of labor.
3. Research, Development and Technological Innovation Lewis M. Branscomb
 - o Sharing government research with industry.
 - o Awards for business and industries for productivity improvement.
 - o Reviewing our patent laws.
4. Role of Government in the Economy Paul W. MacAvoy
 - o Reviewing the effect of antitrust laws on productivity.
5. Government Organization and Operations Paul H. O'Neill
 - o Reorganizing the Federal Government to promote productivity improvement.
 - o Informing American business about foreign technology.
 - o Improving productivity measures.
 - o Revising Federal civil service laws.

6. Private Sector Initiatives

C. Jackson Grayson

- o Promoting the benefits which result from implementing productivity improvement techniques.

While the legislation calling for a White House Conference on Productivity does not require them, the NPAC believes that holding a select number of preparatory conferences will enhance the opportunities for achieving the Conference objectives. Preparatory conferences seem most appropriate for the subcommittees on Capital Investment, Human Resources and Private Sector Initiatives.

The final White House Conference on Productivity will be held in Washington, D. C. in September or October 1983. The Conference must be held by October 25, 1983 which is the anniversary of the signing of the legislation calling for it. It will be a two day conference and will consist of presentations by the subcommittees on the recommendations they developed in their own deliberations or through their preparatory conferences.

Representatives of the Congress, the Administration, state and local governments, business and employee organizations, academic institutions and other organizations with relevant experience in productivity will be invited to participate in the White House Conference. Members of the public and other interested individuals will be invited to submit suggestions and recommendations in advance of the preparatory conference and the subcommittee meetings for consideration.

L. WILLIAM SEIDMAN

- CURRENT:** Dean: Arizona State University, College of Business Administration.
Director: Phelps Dodge Corporation; American Seating Company, Amstore
Broadcasting of Aspen, Inc.; Chancellor Funds (Prudential-Bache); Eagle
2000 Corporation; The Conference Board. Member: White House Productivity
Advisory Committee. National Chairman, Leadership Gifts, Dartmouth College.
Chairman, The Washington Campus (Washington, D.C.). Special Adviser, Aspen
Institute for Humanistic Studies.
- PREVIOUS:** Assistant to the President of U.S. for Economic Affairs, 1974-1977
Executive Director, White House Economic Policy Board, 1974-75
Assistant to the Vice President of U.S., 1974
Member, Board of Foreign Scholars, (Fulbright Scholarships), U.S. State
Department, 1977-1980
Managing Partner, Seidman & Seidman, Certified Public Accountants, New
York, 1968-1974
Special Assistant on Financial Affairs to Governor Romney, 1963-1966
Chairman (1970) and Director, Federal Reserve Bank of Chicago-Detroit
Branch 1966-1970
President, General Association of Alumni of Dartmouth College, 1968
Republican Candidate, Auditor General for State of Michigan, 1962
National Chairman, Board of Trustees, Youth for Understanding, 1970-1975
Vice-Chairman, Phelps Dodge Corporation, 1976-1982
- PUBLICA- TIONS:** Numerous articles in business and tax journals. Co-author of Corporations
and Their Critics, 1980.
- ORGANI- ZATIONS:** American Institute of Certified Public Accountants (CPA-Michigan)
American Bar Association (Member of Bar-Michigan & Washington, D.C.)
Beta Theta Pi (Dartmouth)
Beta Gamma Sigma (University of Michigan)
Beta Alpha Psi (Michigan State University) - Honorary
Phi Beta Kappa (Dartmouth)
Chevy Chase Club (Washington, D.C.)
Crystal Downs, C.C. (Michigan)
- EDUCA- TION:** Dartmouth A.B. 1943
Harvard Law School LL.B. 1948
University of Michigan M.B.A. 1949 (Honors)
Western Michigan University) - Honorary Degrees
Grand Valley State Colleges)
Olivet College
- MILITARY:** U.S. Navy: Lieutenant, U.S. Naval Reserves (U.S. Naval Reserves (Destroyers))
1942-1946 11 Battle Stars; Bronze Star
- PERSONAL:** Born: April 29, 1921
Married: March 3, 1944 to Sarah Berry (Sally)
Children: Tom (movie director, California)
Tracy (artist and ranch operator, New Mexico)
Sarah (freelance writer, maple syrup producer, Vermont)
Carrie (reporter, Montana)
Meg (in school)
Robin (in school)
- RESI- DENCE:** 5550 South Marine
Tempe, Arizona 85283

THE WHITE HOUSE
WASHINGTON

January 24, 1983

MEMORANDUM FOR RICHARD DARMAN

FROM: Jim Cicconi 
SUBJECT: Presidential Statement on Amendments to the
Gun Control Act

Regarding the proposed statement on amendments to the Gun Control Act of 1968, I would suggest that the reasons for our support be tied more closely to our general regulatory reform efforts. Accordingly, I would recommend that the first few sentences of the statement be rephrased as follows:

"Since its inception, this Administration has been committed, through our regulatory reform effort, to the removal of unnecessary and burdensome federal red tape. We are also committed to the view that it is the criminal who is responsible for violence and crime in these United States, and not the law-abiding firearms owner. Accordingly, my Administration has supported. . ."

DRAFT

STATEMENT OF THE PRESIDENT OF
THE UNITED STATES OF AMERICA

Since its inception, this Administration has been committed to the view that it is the criminal who is responsible for violence and crime in these United States, and not the law-abiding firearms owner. Accordingly, my Administration has supported the removal of restrictions which operate only to burden the law-abiding. Instead, we are seeking to concentrate law enforcement resources upon criminals.

I was, therefore, pleased to sign into law two amendments to the Gun Control Act of 1968 which remove the requirement of recordkeeping on sales of .22 rimfire ammunition. Prior to this, dealers were required to verify and record the identity, birthdate, and ammunition type for most retail ammunition sales. Since several billion rounds of ammunition are sold to sportsmen and sportswomen each year, there is a tremendous amount of time and paperwork involved in recording these sales. Yet there has been little evidence that these recordkeeping requirements have been of significant use in solving crime.

These amendments will, at least, remove needless recordkeeping requirements for the most popular sporting ammunition, the .22 rimfire, and thus eliminate the paperwork as to well over a billion rounds annually.

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

January 24 1983

JIM S.
good -
pls call

TO: JIM SICCONI
FROM: DAVE GERGEN
SUBJECT: Farmers

DS/de

Arcom +
review w/
him -
Thanks -
Dave
8

Jim in our Friday night session on the SOTU, Ed Harper said it would not be a good idea to include the draft materials on farmers in the address. I had understood that he had agreed to that in his conversations with you. Could you please work that out with him. Could you please work that out with him so that we don't let this issue fall between the cracks.

1/24/83

Thanks.

Dave -

I talked w/ Ed Harper on this, and he's resolved the problem he had on this (i.e. that we speak of relief on a "case by case" basis, not in blanket terms).

I note that there is language on this in the 5th Draft (today) -- I've attached a copy. I'd suggest adding one sentence:

"American farmers should not have to live in fear of losing everything they have worked for over a lifetime because of temporary economic difficulties."

Thanks.

Jim
1/24

-- Re-authorization of the Civil Rights Commission which is due to expire this year. As with past administrations, we have not always agreed with the Commission's findings, but we feel it is an important part in the ongoing struggle for justice and equality in America, and we support its reauthorization.

-- Effective enforcement of our Nation's Fair Housing laws is also essential to ensuring equal opportunity. We will work to develop legislation to strengthen enforcement of the fair housing laws for all Americans.

-- Legislation to eliminate unjust discrimination against women from the U.S. Code. It's about time that all women achieved full equality in the eyes of the Federal legal system. We will also take action to remedy inequities for women in pension systems.

-- Credit relief for America's farmers. I have instructed the Department of Agriculture to work with farm credit sources to seek further ways to help farmers with debt problems. [Note: This item is tentative; final wording to follow.]

-- Action to relieve the skyrocketing cost of health care that is becoming an unbearable financial burden for Government and individual citizens alike.

-- Comprehensive legislation to provide catastrophic illness insurance coverage for older Americans.

Keeping Faith with the Future

So far, I've concentrated mainly on the problems posed by the future. But in almost every home and workplace in America, we are already witnessing reason for great hope -- the first

THE WHITE HOUSE
WASHINGTON

For Jim Cicconi

From Red CAVANEY

FYI

THE WHITE HOUSE

WASHINGTON

January 24, 1983

MEMORANDUM FOR ARAM BAKSHIAN

FROM: ELIZABETH H. DOLE

SUBJECT: State of the Union (Draft #5)

I wish to submit the following for possible inclusion into the State of the Union address:

1. Page 3 (bottom) ... burden on none. I am pleased that at my request, the Social Security package proposed by the Bipartisan Commission includes proposals to correct laws which have imposed hardships on divorced wives and disabled widows. And, in supporting ...
2. Page 15 (bottom) ... support its reauthorization.
- A commitment to legal and economic equity for women. We will support legislation to eliminate, once and for all, unjust discrimination on the basis of sex from the U.S. Code. We will vigorously enforce the Equal Pay Act to assure wage discrimination against women is not tolerated. We will strengthen enforcement of child support laws to assure that the children of single parents, most of whom are women, do not suffer unfair financial hardship. I also intend to submit legislation to remedy inequities in pensions which have resulted in unequal benefits for working women and loss of benefits for the widows of pensioners.
3. Pages 5-6 (wherever appropriate) ... American agriculture, the envy of the world, has become a victim of its own success. With one farmer now producing enough food to feed himself and 77 other people for one year, America is confronted with record surplus crops and commodity prices below the cost of production.
4. Page 16 (with farm credit relief section) ... We will strive, through innovative approaches like the payment-in-kind program, and an aggressive export policy, to restore health and vitality to rural America.

I believe it essential that these additions or language similar to them, be included. The current references to our women's initiatives is inadequate and the omission of any reference to agriculture will provide unnecessary criticism from the agricultural sector.

Thank you.

cc: James Baker
Richard Darman
David Gergen

THE WHITE HOUSE

WASHINGTON

January 24, 1983

MEMORANDUM FOR RICHARD DARMAN

FROM: ELIZABETH H. DOLE 

SUBJECT: SOTU Fact Sheet

I have proposed several changes to the SOTU text in the women's section. If these are accepted, the Fact Sheet would also be modified to reflect these changes.

- The women's section would be moved to the front of the section titled, "Other Domestic Initiatives."
- The women's section would be labeled, "Initiatives to Advance Legal and Economic Equity for Women."
- The section would read as follows:

Initiatives to Advance Legal and Economic Equity for Women

The President underscored his commitment to legal and economic equity for women and outlined several proposals to move toward this objective.

- Support of legislation to eliminate unfair sex bias from the U.S. Code. In December 1981, President Reagan issued Executive Order 12336, requiring the Attorney General to complete the review of all federal laws for sex bias.
- Vigorous enforcement of the Equal Pay Act to insure wage discrimination against women is not tolerated.
- Strengthened enforcement of State child support laws to insure that the children of single parents, most of whom are women, do not suffer unfair financial hardship.
- Submission of legislation to remedy inequities in pensions which have resulted in unequal benefits for working women and loss of benefits for widows of pensioners.

°Support of proposals to correct social security laws which have imposed unfair hardships on divorced wives and disabled widows.

THE WHITE HOUSE
WASHINGTON

19 January 1983

TO: DAVE GERGEN

RE: Farm Foreclosures

The attached is a revised draft re foreclosures for the State of the Union. It reflects changes suggested by OPD and OMB, and has their approval. There is no reason to expect that USDA would have any problem with it.

This section may be more important, because the current draft of the SOTU has nothing on agriculture. Combining the attached with mention of our blended credit and PIK programs might do the trick.

Thanks.


Jim Cicconi

cc: Aram Bakshian
Craig Fuller
Richard Darman

Current economic problems are also hurting America's farmers. After the high inflation rates of the late 1970's drove their costs through the roof, two years of weak prices have squeezed many farmers so badly that they face the agonizing prospect of foreclosure because they cannot keep up loan payments. We are winning the fight against inflation. The increases in farm operating costs have dropped sharply. We have also taken steps that will strengthen farm prices for the next crops. But our farmers are worried that many of them will not be able to wait many more months for conditions to improve.

American farmers should not have to live in fear of losing everything they have worked for over a lifetime because of temporary economic difficulties. Last year, at my direction the Secretary of Agriculture adopted a policy that will give the Farmers Home Administration the flexibility to continue to finance those farmers who, through no fault of their own, fall behind in loan payments. I have instructed the Secretary to strengthen these efforts, using the authority at his disposal to defer and reschedule Farmer's Home Administration loans on a case by case basis to help families who might otherwise be in danger of losing their farms.

Our policies can only help those farmers who have borrowed money from the Federal government. More than four fifths of our farmers have loans made by private financial institutions. I urge these private bankers to follow our example and exercise similar patience. We all need to work together to help America's farmers through this difficult period.

THE WHITE HOUSE

WASHINGTON

January 17, 1983

MEMORANDUM FOR ARAM BAKSHIAN

FROM: Jim Cicconi 

SUBJECT: State of the Union Speech--Farm Foreclosures

Attached is some draft language on the subject of farm foreclosures prepared at Dave Gergen's request.

It is important for the President to express concern over this problem, which has gained increasing media attention. There is general agreement that any type of moratorium on foreclosures would be far too costly. Instead, the President can point out some of the steps USDA has taken, and urge the private sector (which makes the vast majority of farm loans) to follow our example. This is, at heart, a populist approach that should prevent the President from being blamed whenever a private bank forecloses on a farmer.

This statement should be portrayed as "treating the symptoms" in combination with our efforts to treat the main cause--low prices (which the blended credit and PIK programs are aimed at).

cc: James A. Baker, III
Mike Deaver
Dave Gergen
Ed Harper

(In advance of mentioning PIK program, exports, etc.)

Current economic problems are also hurting America's farmers. ^{High inflation and high int rates of past yrs, combined low prices} ~~Low prices and high costs~~ are causing some to face the agonizing prospect of foreclosure and the loss of their farms because they cannot keep up with their loan payments. ^{We are winning the fight against inflation & int rates, but our farmers} ~~Our farmers~~, who feed this country and much of the world, ^{need time to get back on their feet: they} ¹ should not have to live in fear of losing everything they have worked for. Last year, the Secretary of Agriculture adopted a policy that will allow the Farmers Home Administration to continue to finance those farmers who, through no fault of their own, fall behind in their loan payments because of current economic conditions. I have instructed the Secretary to continue and expand these efforts, ~~utilizing~~ [#] other means at his disposal, including deferral and rescheduling, to help FmHA borrowers on a case by case basis who might otherwise be in danger of losing their farms.

Such policies, though, will apply only to farm loans which are underwritten by the government: the vast majority of farm loans are made by private creditors. I would urge them to take similar steps, and exercise similar patience, to help America's farmers through this difficult period.

THE WHITE HOUSE

WASHINGTON

January 17, 1983

MEMORANDUM FOR JAMES W. CICCONI

FROM: ROGER B. PORTER *RBP*

SUBJECT: FmHA Farm Foreclosures

In response to your questions about farm foreclosures I have the following to report:

1. A Six Month Moratorium. There are major problems with attempting to put in place a six month moratorium on all FmHA foreclosures. A FmHA production loan is designed to get a farmer through harvest time when he has a crop to sell and money to repay the loan. Harvest time for most crops is in the fall. Therefore a moratorium would have to be in effect for 9 to 12 months to provide meaningful relief. FmHA has calculated that the cost of a 12 month moratorium could be as much as \$6.5 billion (assuming that all FmHA borrowers stop payments on their loans once they know that FmHA will not take action against them). Announcing a moratorium would likely be viewed dimly by those farmers (the other 88 percent) who are not FmHA borrowers. It would also set a precedent for other moratoriums.

2. \$600 million Economic Emergency Guaranteed Loan Program. I am informed that OMB and USDA lawyers continue to disagree over whether the Administration can implement the \$600 million economic emergency guaranteed loan program. Apparently, OMB may insist that the Justice Department issue an opinion on the question.

If the Administration's position is that it cannot implement the program, USDA believes Congress will mandate a direct loan program that would have a greater budgetary impact than a guaranteed loan program. Burleigh Leonard informs me that implementing a guaranteed loan program would offer little relief to those FmHA borrowers who are on the verge of foreclosure. However, it would assist in stabilizing the financial situation of some middle-sized farm operations for a year or two.

The Office of Legislative Affairs is better able to assess what the Congress is likely to do in the event of our failure to implement an Economic Emergency Guaranteed Loan Program than I am. If the USDA assessment is accurate, and failure to implement an emergency program will result in Congress mandating a

direct loan program, I believe that it is much preferable to implement the \$600 million emergency loan guarantee program. Obviously, this is premised on the notion that by doing so we would be able to withstand the pressure for another mandated program.

This would not only protect the budget against a potentially larger mandated program, but it would enable us to retain the initiative.

If you have any further questions, please don't hesitate to call.

cc: Edwin L. Harper

THE WHITE HOUSE
WASHINGTON
1/13/83

TO: JIM CICCONI

FROM: ED HARPER

Attached - FYI.

BETTY L. AYERS

FmHA Farm Foreclosures: How Bad Is It?

*check
that
fact.*

Since mid-November 1982, a handful of disruptions of farm auctions have attracted considerable nationwide media attention. The most dramatic episode took place in Colorado on January 4, 1983, when members of the American Agricultural Movement attempted to stop the foreclosure sale of a farm. Local authorities used tear gas to disburse the demonstrators.

*owned by
one of their students*

While all of these cases have involved individuals with loans from the Farmers Home Administration (FmHA), none of the auctions resulted from foreclosure actions by FmHA. The farmers had either undertaken voluntarily to liquidate their operations, entered bankruptcy proceedings, or been subjected to foreclosure by prior lien holders.

The FmHA is the lender of last resort for farmers. Approximately 12 percent of all farm borrowers receive financing from FmHA. The remaining 88 percent obtain credit from the Farm Credit System, commercial banks, insurance companies, and individuals.

As of November 30, 1982, FmHA had 270,000 borrowers. Twenty-four percent (64,000) of these borrowers were listed as delinquent. There were approximately 4,200 acceleration notices outstanding. FmHA had recommended foreclosure action on 496 cases and had completed foreclosure actions on another 146 cases during the current fiscal year. A total of 844 foreclosures were completed in fiscal 1982.

In early 1982, Secretary Block announced a policy whereby FmHA would continue to finance existing FmHA borrowers on a case-by-case basis despite any delinquency or negative net worth, provided they met certain rather liberal criteria.

In addition, the Secretary instructed FmHA to use all tools available, including deferral, rescheduling, reamortization, and giving up lien positions to other lenders, in order to further accomodate borrowers under stress.

The Secretary could undertake a number of other measures to provide relief for FmHA borrowers. However, these measures would be very costly and would incur the wrath of farmers who are not FmHA borrowers. Finally, because FmHA borrowers comprise only 12 percent of total farm borrowers, the greater majority of producers would not benefit from relief provided by the federal government through FmHA. There is little that the federal government can do to prevent private creditors from foreclosing on farmers.

Office of Policy Development
January 12, 1983

Impage

THE WHITE HOUSE
WASHINGTON

Roger P
chkg
1/7

Emchman
in El
Paso

Q: Implic of 6 mo. moratorium
on FmHA foreclosures which
are result of current econ.
difficulties?

Q: Implic of releasing \$600M
Congr mandated to guarantee
loans under the econ.
emergency loan program?
(OMB feels program auth. expired)

THE WHITE HOUSE

WASHINGTON

January 6, 1983

MEMORANDUM FOR JIM CICCONI

FROM: ROGER B. PORTER *RBP*
SUBJECT: Farm Foreclosures

Following our discussion last night, I asked Burleigh Leonard to prepare a brief report on:

1. The current situation with respect to farm borrowing and delinquencies (how bad is the situation);
2. Our current policy for dealing with delinquent borrowers who have Federal loans; and
3. Alternatives we might pursue to reassure farmers on the foreclosure problem.

His report details the situation with respect to Farmers Home Administration (FmHA) lending, which is the Federal Government's lender of last resort to farmers. There is also a good deal of borrowing as part of our commodity price support programs but this does not involve real estate or farm machinery.

As he describes in the attached memorandum, the Department of Agriculture is currently pursuing a very measured policy with respect to delinquent Farmers Home Administration loans and foreclosure actions. Of the approximately 64,000 loans listed as delinquent at the end of November, FmHA has recommended foreclosure action on fewer than 500. Another roughly 4,000 have been sent acceleration notices which is the first step in the process that could result in foreclosure.

Of course, the great bulk of borrowing by farmers is from private sources. I have asked Burleigh to prepare another brief report on what is happening with respect to farm foreclosures from these sources.

The most encouraging part of his report is that the situation with respect to farm foreclosures is stabilizing and is not expected to deteriorate during the coming months.

Attachment

cc: Edwin L. Harper

THE WHITE HOUSE

WASHINGTON

JANUARY 6, 1983

MEMORANDUM FOR ROGER B. PORTER

FROM: BURLEIGH LEONARD

SUBJECT: FmHA Loan Foreclosures

The Farmers Home Administration (FmHA) is the lender of last resort for farmers. Approximately 12 percent of all farm borrowers receive financing from FmHA. The remaining 88 percent obtain credit from the Farm Credit System, commercial banks, insurance companies, and individuals.

Of FmHA's 268,663 farm borrowers, 64,303 (24 percent) were listed as delinquent as of November 30, 1982. There were 4,215 acceleration notices outstanding. FmHA had recommended foreclosure action on 496 cases. There are no comparable numbers available for previous years.

In early 1982, Secretary Block announced a policy whereby FmHA would continue to finance existing FmHA borrowers despite any delinquency or negative net worth, provided they:

- o Were unable to repay their loans due to circumstances beyond their control;
- o Had made a good faith effort to repay their loans;
- o Practiced good management;
- o Properly maintained property used to secure loans; and
- o Had a reasonable expectation of repayment of current operating advances.

In addition, the Secretary instructed FmHA to use all tools available including deferral, rescheduling, reamortization and giving up lien positions to other lenders in order to further accommodate borrowers under stress.

Under current policy, and given current economic conditions, FmHA projects that:

- o The delinquency rate will peak at 50 percent in January and then decline to 30 percent by the end of May;

- o Completed foreclosures will total approximately 500 by the end of May; and
- o Outstanding acceleration notices will number about 4,300 by the end of May.

The Secretary has the authority to undertake other measures to provide relief for FmHA borrowers. Those measures include:

- o Forgiveness of interest and/or principal;
- o Moratoria on loan payments for a time certain; and,
- o Further liberalization of loan policy to permit continued financing.

Any of these options could result in substantial budget outlays ranging from \$1 billion to \$23 billion.

It should be noted that in the 1983 Agriculture Appropriations bill, Congress mandated the use of \$600 million to guarantee loans under the economic emergency loan program. OMB's legal counsel has taken the position that the authority for this program expired on September 30, 1982, and, therefore, the Administration need not implement the program. If the Administration adopts this position and does not implement the program, it could detract from any Presidential statements of compassion for the plight of farmers.

There are indications that the new Congress may present the President with legislation mandating a moratorium on FmHA foreclosures. Chances of this will increase as the national media gives more coverage to farm auction sales. Furthermore, failure of the Administration to implement the guaranteed economic emergency loan program may prompt congress to mandate a direct loan program with substantially increased federal expenditures.

Secretary Block advises against having the President announce any new initiatives on farm foreclosures in the Farm Bureau speech. He points out that the Farm Bureau is the only farm group on record opposing an across-the-board moratorium on payment of FmHA loans. For the most part Farm Bureau members are not FmHA borrowers and question the federal government's efforts to provide "easy" credit. However, the Secretary does recommend that if the President wants to say something, he should simply restate current policy with respect to FmHA lending (which is supported by other agricultural lenders and the Farm Bureau) and express his intention to exercise utmost compassion in dealing with FmHA borrowers on a case-by-case basis.

Finally, because FmHA borrowers comprise only 12% of total farm borrowers, the greater majority of producers will not benefit from any relief provided by the federal government through FmHA.

THE WHITE HOUSE
WASHINGTON

January 24, 1983

MEMORANDUM FOR ARAM BAKSHIAN

FROM: Jim Cicconi *etc*
SUBJECT: Agriculture/Farmers Section of SOTU

I would suggest that the agriculture/farmers section of the SOTU (page 14 of the fifth draft) read as follows:

"--Relief for America's farmers. American agriculture, the envy of the world, has become a victim of its own success, and is now confronted with record surplus crops and commodity prices below the cost of production. We will strive, through innovative approaches like the payment-in-kind program, and an aggressive export policy, to restore health and vitality to rural America. Also, we have instructed the Farmers Home Administration to seek further ways to help individual farmers with debt problems, and would urge private sector lenders to follow our example. American farmers should not have to live in fear of losing everything they have worked for over a lifetime because of temporary economic difficulties."

The Office of Public Liaison has also endorsed the above language.

cc: Richard Darman
Dave Gergen
Ed Harper
Red Cavaney

THE WHITE HOUSE

WASHINGTON

January 25, 1983

MEMORANDUM FOR RICHARD DARMAN

FROM: Jim Cicconi *JC*

SUBJECT: International Institute of Kidney Disease

Regarding the invitation for the President to serve on the Board of Governors of the International Institute of Kidney Disease, I would hope the following points could be considered before a final decision is made:

1. The Administration's regulations on Medicare payments for kidney dialysis, while necessary, have drawn a good deal of criticism which can be expected to continue. Acceptance of this invitation might help defuse such criticism.
2. Acceptance would be a demonstration of personal compassion on the part of the President.
3. If we wished to accept, a distinction can be drawn between this and other possible invitations on the basis that this board is designed to include heads of state and is an international body.
4. There is precedent for previous Presidents becoming involved with particular charities, not to mention similar involvement on the part of foreign heads of state. The First Lady's special involvement with Foster Grandparents and drug abuse programs might also be mentioned.
5. We can probably place any conditions we feel necessary on an acceptance.

Thank you.

cc: Red Cavaney

WHITE HOUSE STAFFING MEMORANDUMDATE: January 25 ACTION/CONCURRENCE/COMMENT DUE BY: c.o.b. TOMORROWSUBJECT: INVITATION FOR PRESIDENT TO SERVE ON INTERNATIONAL INSTITUTE
OF KIDNEY DISEASE BOARD OF GOVERNORS

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	FULLER	<input type="checkbox"/>	<input type="checkbox"/>
MEESE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	GERGEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BAKER →	<input checked="" type="checkbox"/>	<input type="checkbox"/>	HARPER	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DEAVER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	JENKINS	<input type="checkbox"/>	<input type="checkbox"/>
STOCKMAN	<input type="checkbox"/>	<input type="checkbox"/>	MURPHY	<input type="checkbox"/>	<input type="checkbox"/>
CLARK	<input type="checkbox"/>	<input type="checkbox"/>	ROLLINS	<input type="checkbox"/>	<input type="checkbox"/>
DARMAN	<input type="checkbox"/> P	<input checked="" type="checkbox"/> SS	WILLIAMSON	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DOLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	VON DAMM	<input type="checkbox"/>	<input type="checkbox"/>
DUBERSTEIN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	BRADY/SPEAKES	<input type="checkbox"/>	<input type="checkbox"/>
FELDSTEIN	<input type="checkbox"/>	<input type="checkbox"/>	ROGERS	<input type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

Remarks:

Please provide your recommendation by c.o.b. tomorrow.

Thank you.

Richard G. Darman
Assistant to the President
(x2702)Response:

THE WHITE HOUSE

WASHINGTON

January 24, 1983

MEMORANDUM FOR THE PRESIDENT

FROM:

CRAIG L. FULLER 

SUBJECT:

HHS RECOMMENDATION REGARDING INTERNATIONAL INSTITUTE OF KIDNEY DISEASE INTERNATIONAL BOARD OF GOVERNORS

Secretary Schweiker has recommended against your accepting this invitation from Tony Adams to serve on the Board of Governors of the new International Institute of Kidney Diseases.

While it is a worthwhile project, other worthwhile health groups will also make similar requests and it may become awkward to choose which ones to accept and which to reject. This will cloud the appearance of being concerned and fair.

To that end, attached are two drafts: one is for your signature declining the honor; the other is for my signature declining on your behalf.

I will decline the honor

and sign the letter myself

and ask you to respond on my behalf

I will accept the honor

Draft acceptance for my signature

DRAFT

Dear Tony,

Thank you for your recent letter alerting me to the formation of the International Institute of Kidney Diseases. I am elated to learn of the extraordinary effort Dr. Bricker and others are making to alleviate the pain and hardships caused by Kidney diseases. Unborn generations as well as citizens across the globe will undoubtedly benefit from the work to be done by the Institute.

Thank you, too, for honoring me with the invitation to serve on the Institute's International Board of Governors. I am deeply appreciate of your consideration. I feel that I must, however, decline your generous offer.

As you may suspect, Tony, many organizations unselfishly dedicated to improving the health and well-being of mankind offer similar invitations to me. Even as the International Institute of Kidney Diseases undertakes a unique effort, I find it difficult to accept some invitations while declining other, worthy requests.

I wish you, Dr. Brickers, the Wadsworth-UCLA Medical Center and all those involved the greatest success in this critical undertaking. Please, keep me informed of your progress.

Sincerely,

Ronald Reagan

Mr. Tony Adams
Chairman, Board of Counselors
International Institute of Kidney Diseases
UCLA School of Medicine
1000 Veteran Avenue
Los Angeles, California 90024

THE WHITE HOUSE

WASHINGTON

DRAFT

January 12, 1983

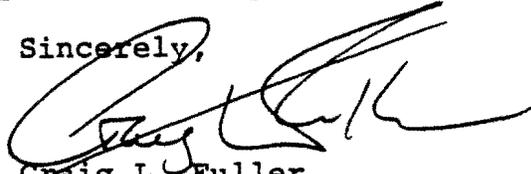
Dear Mr. Adams:

On behalf of the President, let me thank you for your letter requesting that he agree to serve on the International Board of Governors for the International Institute of Kidney Diseases. This action by your organization is indeed most appreciated.

The President receives many requests that he aid in sponsoring worthy causes, as you can well imagine. It would not be possible, however, for him to respond favorably to every such request, and it would be unfair for him to single out one or a few such causes to the exclusion of others. The Institute is clearly a meritorious and commendable undertaking, but for the reasons stated the President must decline your request.

The President wishes you every success in your efforts.

Sincerely,



Craig L. Fuller
Assistant to the President
for Cabinet Affairs

Mr. Tony Adams
International Institute
of Kidney Diseases
UCLA School of Medicine
1000 Veteran Avenue
Los Angeles, California 90024



THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

January 3, 1983

MEMORANDUM TO CRAIG FULLER

SUBJECT: Request for President to join Board of
Governors, International Institute of
Kidney Diseases

Your December 29 memo (073055CA) requests comments on the request of Tony Adams, UCLA School of Medicine, that the President agree to serve on the Board of Governors of the new International Institute of Kidney Diseases.

Dr. Neal Bricker, its director, is outstanding in his field, and certainly brings credibility to the project.

I would, however, advise against accepting this invitation since other worthwhile health groups will make similar requests of the President and it may be awkward to choose which ones to accept and which to reject. In a reply, the President may wish to cite the many similar requests he receives and the difficulty of appearing to be both concerned and fair if he accepts some and rejects others.

A handwritten signature in cursive script, reading "Dick Schweiker", is positioned above the typed name.

Richard S. Schweiker
Secretary



INTERNATIONAL INSTITUTE OF KIDNEY DISEASES
 UCLA School of Medicine • 1000 Veteran Avenue
 Los Angeles, California 90024 • (213) 825-9128

*Dear Dick
 I haven't answered this
 yes & could use some help.
 Can you see any reason why
 I should or shouldn't do as
 he asks?
 Ron*

December 17, 1982

Ronald Reagan
 President of the United States
 The White House
 Washington, D.C.

Dear Mr. President:

Kidney disease is one of the world's best kept secrets and is the fourth most common cause of death in the United States today. Much has been learned about the disease in the last two decades. Yet, in an era characterized by dazzling accomplishments in other fields of medical research, a realistic appraisal of the work on kidney diseases reveals that no major breakthrough has emerged in either prevention or cure. Kidney disease today is very analogous to Poliomyelitis two decades ago. If more and more money had been put into developing better iron lungs and less and less into developing a Polio vaccine, Poliomyelitis would be as deadly in the 1980's as it was prior to the development of the Sabin-Salk vaccines.

Obviously, having the technology available, we must continue to provide dialysis and transplantation for victims of end-stage kidney disease. However, as the costs continue to rise and as more and more patients qualify for treatment, the urgency of doing something about kidney disease, before it becomes end-stage, becomes ever more urgent.

An international center for research, into the causes and reasons for the unrelenting courses of disease of the kidneys, is being created in Los Angeles. The International Institute of Kidney Diseases will be the only facility of its kind in the world. It will be housed in a building on the grounds of the Wadsworth-UCLA Medical Center. Under the Institute's Director, Nobel Prize nominee, Dr. Neal Bricker, world class

Ronald Reagan
President of the United States

December 17, 1982

scientists and physicians representing each of the major disciplines which relate to contemporary and future research in kidney disease will be brought together. Eminent physicians and medical scientists from all over the world will thus work side by side in the major areas of kidney research. The juxtaposition of these groups holds the best promise of eradicating the barriers to communication between the scientists that exist today. Moreover, by assembling a group of "working scholars" from throughout the world, not only will information transfer be facilitated across the laboratory benches or lunch table, but collaborative efforts will flourish, and of critical importance, the environment for senior scientists to spend their sabbaticals for training young physician/scientists will be unique.

Bringing the dream of the Institute to fruition is moving at an ever increasing pace. A Scientific Advisory Board consisting of preeminent specialists in Nephrology from the United States and abroad has been constituted. An outstanding Board of Directors, including members of the performing arts, business, banking, medical and legal communities, has been created. A Medical Advisory Board which includes the leading Nephrologists in the greater Los Angeles area has been formed and will offer ongoing direction and advice to the Board of Directors.

The creation and growth of the Institute now depends only upon the ability to raise sufficient monies to support the recruitment of more of the distinguished scientists who are needed to join those leading scientists from around the world who have already agreed to participate in the program, to provide the equipment and operating funds for them, and to renovate the building. In accepting the role of Chairman of the Institute, I have given my pledge to raise the \$15,000,000 necessary to make this dream become a reality. The funds will be raised via an International Telethon and other multi-cultural fund raising activities.

Our first step in providing the Institute with a truly International status is to form an International Board of Governors consisting of heads of state and leading citizens from around the world. These Governors would not be required to actively participate in any function, but will each be provided with monthly status reports on the Institute's progress. Your presence on this Board will mark a giant step toward the success of the Institute. In making your decision to become a member of this Board, I

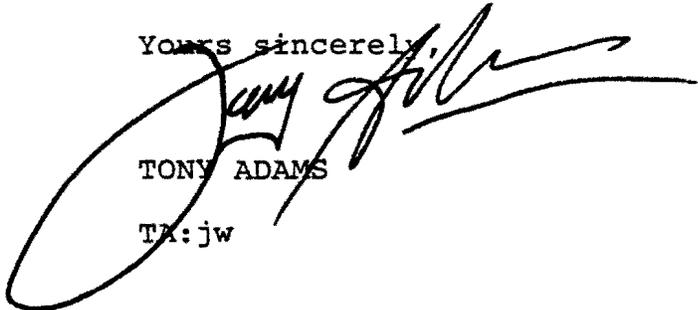
Ronald R. Reagan
President of the United States

December 17, 1982

know that you will realize that you will be involved in what will be a historic prototype program for accelerating the research into the causes of the major diseases inflicting our world today. For if such an international exchange works for the International Institute of Kidney Diseases, there is absolutely no reason why the same framework cannot be utilized in all areas of medical research.

I hope that you will join us in helping to make Dr. Bricker's dream become a reality.

Yours sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'Tony Adams', is written over the typed name and extends across the page.

TONY ADAMS

TA:jw

THE WHITE HOUSE

WASHINGTON

January 25, 1983

MEMORANDUM FOR JAMES A. BAKER, III

FROM: Jim Cicconi

SUBJECT: Davis-Bacon Act

Background

As you know, the Administration has sought to make needed changes in the Davis-Bacon Act by regulation. In December, 1982, Judge Greene of the D. C. District Court overturned the major portion of our regulatory changes.

At present, DOJ is preparing an expedited appeal to the D. C. Circuit (decision by summer-fall of 1983), and, if unsuccessful, could then appeal to the Supreme Court (decision by spring of 1984 at earliest). The issue of Secretarial authority in this area rests, in large part, on an interpretation of congressional intent.

Options

The CCEA today considered three options for handling of this issue:

1. Push an appeal of the lower court ruling, to the Supreme Court if necessary;
2. Seek to make the desired changes in Davis-Bacon primarily through legislation; and
3. Pursue both of the above options.

There seems to be agreement that the court appeal should be vigorously pursued, and there may be a good chance of success in the Supreme Court. There is some disagreement, though, on whether to pursue legislation concurrently.

Discussion

There should be little doubt about pursuing our court appeal of Judge Greene's decision. We have a certain amount of prestige involved, having chosen the administrative route of change, and should not abandon it due to an initial, anticipated setback.

Memorandum for James A. Baker, III
January 25, 1983
Page 2 of 2

Any concurrent and open pursuit of legislation, though, should be approached with more caution. Arguments against this include the following:

1. Prospects of passage in this Congress must be judged as even less likely than last year.
2. Proposing such legislation, and having Congress reject it, shatters our arguments about congressional intent in any court appeal.
3. Proposing such legislation implicitly concedes the argument that the changes we seek in Davis-Bacon cannot be made by regulation.
4. The AFL-CIO would "go to the wall" in opposing such legislation, and would likely use the issue to inflame union opposition to the President.

It must be recognized that, while Senator Nickles and others may well introduce legislation to alter Davis-Bacon, it will probably not go far and would not necessarily lead to the above consequences without open Administration support.

cc: Richard Darman
Red Cavaney
Nancy Risque

CABINET AFFAIRS STAFFING MEMORANDUM

DATE: 1-21-83 NUMBER: 077742 CA DUE BY: _____

SUBJECT: Cabinet Council on Economic Affairs - January 25, 1983

8:45 a.m. in the Roosevelt Room

	ACTION	FYI		ACTION	FYI
ALL CABINET MEMBERS	<input type="checkbox"/>	<input type="checkbox"/>	Baker	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Vice President	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Deaver	<input type="checkbox"/>	<input type="checkbox"/>
State	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Clark	<input type="checkbox"/>	<input type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Darman (<i>For WH Staffing</i>)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Defense	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Harper	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Attorney General	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Jenkins	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Interior	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Commerce	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Labor	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HHS	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HUD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Counsellor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
UN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CCCT/Gunn	<input type="checkbox"/>	<input type="checkbox"/>
CEA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CCEA/Porter	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CEQ	<input type="checkbox"/>	<input type="checkbox"/>	CCFA/Boggs	<input type="checkbox"/>	<input type="checkbox"/>
OSTP	<input type="checkbox"/>	<input type="checkbox"/>	CCHR/Carleson	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	CCLP/Uhlmann	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	CCMA/Bledsoe	<input type="checkbox"/>	<input type="checkbox"/>
			CCNRE/Boggs	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: The Cabinet Council on Economic Affairs will meet Tuesday, January 25, 1983 at 8:45 a.m. in the Roosevelt Room. The agenda and background papers are attached. Papers for Davis-Bacon (CM # 087) to be discussed on Thursday, January 27, 1983 are also attached.

RETURN TO: Craig L. Fuller
Assistant to the President
for Cabinet Affairs
456-2823

Becky Norton Dunlop
Director, Office of
Cabinet Affairs
456-2800

CABINET COUNCIL ON ECONOMIC AFFAIRS

January 25, 1983

8:45 a.m.

Roosevelt Room

AGENDA

1. Report of the Working Group on Unemployment: Experience
Rating (CM#303)

1) Judicial Route
2) Legislation
3) Both
4) Neither

choices
to Pres

CM#87

U.S. DEPARTMENT OF LABOR
SECRETARY OF LABOR
WASHINGTON, D.C.

OFFICE OF
POLICY DEVELOPMENT
1983 JAN 11 A 11:47

JAN 7 1983

MEMORANDUM FOR THE CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM: RAYMOND J. DONOVAN *Raymond J. Donovan*
SUBJECT: Status of Department of Labor's Davis-Bacon Regulations

Background

The Davis-Bacon Act requires payment of "prevailing" wages to workers who are employed on federally financed construction or public works jobs involving contracts in excess of \$2,000. The Secretary of Labor is authorized to determine separate prevailing wage levels for various classes of workers in each city, town or village in which a federally financed construction or public works activity takes place. Since its enactment, approximately 60 other statutes have incorporated the wage requirements under the Davis-Bacon law. In FY 1982, construction activity covered by the Davis-Bacon Act totalled \$30.3 billion.

Prior to the 1980 election the President pledged that he would "not seek repeal of the Act..." The President's promise has been reaffirmed by the Administration on numerous occasions during the last two years. The President, however, also indicated that he would support administrative reform of the Act.

The Labor Department's Regulatory Changes

In accordance with the President's desire to make administrative changes in the law, Secretary Raymond Donovan issued final regulations on May 28, 1982 which revised previous regulations. The package of regulatory reforms was estimated to save \$585 million in federal outlays per year. Four of the Davis-Bacon regulatory changes are especially worth noting. They are

- Calculation of the Prevailing Wage
 - Previous regulations allowed the Department to issue, as a prevailing wage, hourly rates paid to as few as 30% of the employees surveyed. This rule was altered to a majority test. If there is no single wage rate paid to over 50% of the workers in a given trade then the prevailing wage is to be an average of the wages paid, weighted by employment in the job classification in the locality.

- Use of urban wage rates to determine prevailing wages in rural communities.
 - The previous regulations provided that if no similar construction had taken place in the local area during the previous year, wage rates paid on the nearest similar construction project could be used to determine the prevailing wage in the local area. In practice, this regulation meant that metropolitan or urban wages were often used to determine prevailing wages in rural areas. Since urban wages are, in general, higher than rural wages, the regulation had the effect of inflating the cost of federally financed construction work in rural areas.
 - The new regulations prohibited the use of urban wage rates in determining the prevailing wage in rural areas.

- Inclusion of previously established prevailing wage rates in the determination of a new prevailing wage.

The Secretary of Labor periodically revises the prevailing wage in a given area. Under the previous regulation, previously established prevailing wage rates were used as data to determine a new prevailing wage. In practice, this had the effect of "ratcheting-up" the prevailing wage determinations. The new regulations prohibits the use of established prevailing wage rates on certain types of construction projects as data for the calculation of a new prevailing wage.

- The use of "helpers" on federally financed construction projects

Under the Act, the Secretary is to make wage determinations for "various classes of laborers and mechanics." Historically, the Department precluded the issuance of helper or entry level classifications unless the worker was in a Departmentally-approved apprenticeship or trainee program. The new regulations permit a substantial increase in the insuance of wage rates for semi-skilled helpers. The regulations define helpers as a class of mechanics or laborers and allow the use of helpers for 40% of the total of workers in a particular classification.

Legal Challenge

On June 11, 1982 the Building and Construction Trades Department, the AFL-CIO and several other labor unions sued the Department to restrain implementation of the final but not yet effective regulations. On July 22, 1982 Judge Harold Greene of the United States District Court for the District of Columbia issued a preliminary injunction restraining implementation of the new regulations.

On December 23, 1982 the judge issued a final order ruling in favor of the Labor Department's regulation changing the 30 percent threshold to a 50 percent threshold. He ruled against the Department's three other major Davis-Bacon regulatory reforms.

- The Appeals Process

The Labor Department intends to seek an expedited appeal Judge Greene's decision and the Justice Department is currently preparing the materials for the appeal. The Justice Department estimates that the earliest an appellate court decision could be expected is sometime during the summer or early fall of 1983. If the appeal was unsuccessful, and if certiorari were granted by the Supreme Court, a final decision could be handed down as early as the Spring of 1984.

The central issue in the case is the extent of Secretarial authority to revise existing regulations. Thus, a reversal of the decision on the case will set an important precedent on the Administration's ability to accomplish its regulatory reform agenda.

January 21, 1983

MEMORANDUM FOR THE CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM: THE WORKING GROUP ON UNEMPLOYMENT AND UNEMPLOYMENT
COMPENSATION

SUBJECT: Options for Improving the Degree of Experience
Rating

The Federal-State Relationship in the Unemployment Insurance
Program

The Unemployment Insurance (UI) Program was established in 1935 under the Social Security Act. The enabling legislation, termed the Federal Unemployment Tax Act (FUTA), divided responsibilities for the program between state governments and the Federal Government.

Each state is responsible for administering its UI program. States are free to establish benefit levels and benefit durations, determining eligibility requirements, and set employer payroll tax rates to finance benefit payments; all within broad federal guidelines.

The Federal Government acts as a banker for state funds and an overseer of the state programs. In its role as a banker, the Treasury Department administers state UI trust funds which since 1968 have been part of the federal budget. The Treasury's responsibilities include investing the UI funds of states with positive reserves and making loans to states with negative reserves.

In its oversight role, the Department of Labor monitors state programs to ensure compliance with federal guidelines.

Federal Law and Experience Rating in State Programs

Varying employer tax rates based on experience with unemployment is known as "experience rating." Federal law has never required states to adopt experience rating of taxes, but rather has sought to encourage experience rating. Under federal law, a state with an approved unemployment insurance program must impose a "standard" tax rate equal to at least 2.7 percent on the first \$7,000 on wages paid to each employee. The state may then reduce the employer tax rate below 2.7 percent, but only on the basis of the employer's experience "with respect to unemployment or other factors bearing a direct relation to unemployment risk."

Originally, this incentive was designed to be a strong one. Experience rating of taxes was to be the only available method of

reducing employer taxes below 2.7 percent. This incentive was based on a recognition of four main benefits of experience rating:

- o By making individual employers fully accountable for unemployment insurance costs, it provides employers with an incentive to monitor unemployment benefit claims, and contest improper or fraudulent claims.
- o It provides an efficient assignment of tax rates. By making employers accountable for the unemployment insurance costs they generate, experience rating creates incentives to economize on layoffs and stabilize employment, and thereby leads to lower unemployment. Perfect experience rating would provide an incentive for employers to inform workers about when they might be rehired, and to provide assistance to workers in finding new employment.
- o It is a mechanism for improving the long-term solvency of the unemployment insurance system. The unemployment insurance program is currently facing severe financial problems. Simply increasing the taxable wage base or tax rates will only temporarily improve the program's financial status. The long-term solvency problems can best be remedied by reforming the structure of tax rates to improve the degree of experience rating.
- o It provides an equitable distribution of the tax burden: employers are charged only for the unemployment insurance costs they create through their layoff policies.

All states and territories, except Washington, Puerto Rico, and the Virgin Islands, have some form of experience rating. However, because of the broad latitude provided by federal law, the degree of experience rating is minimal.

Socialized Costs

A lack of experience rating results in some employers not being charged for the unemployment insurance costs for which they are responsible. If a state wishes to avoid insolvency, these costs, termed socialized costs, must be spread among all employers. Generally, when costs are socialized a significant interindustry transfer of benefits occurs. Some industries pay consistently for the benefits of workers in other industries. Those industries enjoying a sustained subsidy include agriculture and construction, while those supplying the subsidy include finance, insurance, real estate, and some service and retail trade industries. There are two principal types of socialized costs: overdrafts and noncharges.

*e.g. —
electronics
pays for
steel*

Overdrafts

Overdrafts occur when the benefit costs charged to an employer are greater than his tax liability. Overdrafts occur primarily because states have low maximum tax rates. This problem has been remedied somewhat by enactment of TEFRA which contained a provision raising the federally prescribed lower bound on maximum tax rates from 2.7 percent to 5.4 percent.

Another source of overdrafts is statutory provisions which limit yearly increases in tax rates or those which set maximum tax rates for a specific industry. For example, the Wisconsin law limits the year-to-year increase in tax rates regardless of unemployment experience, and New York has established a maximum tax rate for the garment industry below that charged to other employers.

Other states have more subtle ways of producing overdrafts. California, for example, has a reasonably high maximum tax rate of 6.2 percent, but in 1982 no employers were taxed at this rate. Social costs resulting from overdrafts account for a significant portion of total benefit costs in many states. In New York during the 8 year period 1971-78, \$4.5 billion in UI payments were charged to firms with negative balances. These employers paid \$1.3 billion in taxes. Thus, \$3.2 billion, or 60 percent of all benefits charged to these employers, were paid by other employers. The size of the overdraft problem in New York is not exceptional. In many states, overdrafts as a proportion of total benefits ranged from 20 to 30 percent during the 1970s.

The overdraft problem is exacerbated by the practice of regularly writing off all or some portion of an employer's negative balance. For example, during the period 1971-1978, New York wrote off 60 percent of all negative balances, Rhode Island wrote off 39 percent, and Ohio wrote off 37 percent. In 1972, the Georgia legislature with one bold stroke of an eraser wrote off 90 percent of all negative balances.

Noncharging of Benefits

All states allow benefits paid in certain circumstances to be charged to a social or "common" account rather than to the employer responsible for the benefit payments. The extent and reasons for noncharging to the former employer vary considerably from state to state.

In most states, an individual who has voluntarily left his or her job can, after a waiting period, receive unemployment benefits. In 39 states, these benefits are not charged to the former employer. In 38 states, benefits paid to an individual who was fired for good cause are not charged to the former employer, and

in 15 states benefits paid to an individual who, after some period of unemployment, has refused to accept an offer of suitable work are not charged to the former employer.

Noncharged benefits account for a significant portion of total benefits in many states. During the period 1971-78, noncharged benefits as a proportion of total "regular" benefits were 36 percent in South Carolina, 27 percent in Idaho and Nebraska, and 25 percent in Arkansas, Kansas, Maine, and New Mexico.

Another source of noncharging of benefits is the extended benefit program. This program, which provides up to 13 additional weeks of unemployment benefits to individuals who have exhausted their regular benefits and live in high unemployment states, is financed on a 50-50 basis by the federal and state government. The federal portion is financed by a flat tax equal to .25 percent. Therefore, the federal portion is, in effect, spread among all employers, and thereby socialized. In addition, the state portion is similarly financed by a flat tax on all employers in 18 states. Annual data on total socialized costs as a proportion of total benefits paid in 1971-78 exceeded 40 percent.

OPTIONS

OPTION 1: Require states to reduce socialized costs below specified levels.

Under the proposal, specific limitations would be placed on the allowable levels of socialized costs during a three-year period. The specific limitations would be:

- o A 5 percent limitation on the proportion of total benefits that are noncharged.
- o A 10 percent limitation on the proportion of total benefits that are overdrafts.

All states would be required to meet these limitations, except in extraordinary circumstances. Extraordinary circumstances would include a significant increase in benefits paid to employees of firms with inactive accounts due to bankruptcies or employer migration out of the state.

In addition, all states would be required to finance extended benefits out of experience rated taxes.

*point, economy
could not do before
1985-86 = phase in
why consider now?
raises costs of UI for
industries in most
trouble //*

Required Legislation

Federal legislation is required and many, but not all, states would have to modify their state laws. The limitations would be phased in beginning in calendar year 1985 at the earliest.

Advantages

- o Reduction in socialized costs will lead to greater equity in distributing the unemployment insurance tax burden and tighter employer control over improper claims and over-payments.
- o Increased individual employer accountability will lead to significant reductions in unemployment. Recent analysis indicates that as many as one-fifth of all temporary layoffs result from the current lack of experience rating.
- o Reducing noncharged benefits and overdrafts can lead to a significant improvement in the long-term solvency of state UI programs. Since state UI trust funds are part of the federal budget, improved solvency will lead to a reduction in the federal deficit.

Disadvantages

- o Organized labor has consistently opposed experience rating of taxes in the past and is likely to voice strong opposition to any attempts to increase the degree of experience rating.
- o Requiring states to conform to specific standards may be regarded by some as contrary to the Administration's federalism principles.
- o Under federal law, if a state does not meet the required standards, the federal unemployment payroll tax is automatically increased from 0.8 percent to 5.4 percent as of January 1, 1985. Moreover, the proceeds of this tax cannot be used to pay UI benefits in the state.

OPTION 2: Encourage states to reduce socialized costs below specified levels by providing a tax incentive to do so.

Under this option, the specific limitations on noncharging and overdrafts would be identical to those under Option 1. Option 2 would also include the provision concerning financing of extended benefits and the extraordinary circumstances clause. States that meet these requirements would qualify for a reduction

in the federal unemployment (FUTA) tax equal to .15 percentage points. States that do not meet these requirements would have their FUTA tax raised by .15 percentage points.

Advantages

- o The reduction in the federal tax is a "positive" inducement to states to improve experience rating, and the penalty imposed on those states failing to meet the specified requirements is less drastic than that of Option 1.

Disadvantages

- o If all states met the specified requirements, federal revenues for administrative expenses would be significantly reduced.

OPTION 3: Require employers to finance a portion of unemployment benefits on a reimbursable basis.

Under current law, employers are assigned specific tax rates at the beginning of each year. This option would require states to modify their financing method in two ways:

- o The first four weeks of each recipient's unemployment benefit costs charged to an employer each quarter of the year would be collected from the employers in the subsequent quarter.
- o The remaining unemployment benefit costs would be financed by a separate experience rated tax.

Advantages

- o Financing unemployment benefit costs on a reimbursable basis results in "perfect" experience rating. Since the first four weeks of UI benefits paid to recipients represent a large percentage of total benefits, this option would significantly increase the degree of experience rating.
- o Requiring employers to immediately pay the UI costs resulting from a layoff would significantly reduce their propensity for temporary layoffs.

Disadvantages

- o The option would require a complete revamping of unemployment insurance tax policy, the particular form of which has been in effect in most states for over 40 years. States are likely to balk at such a radical alteration.

- o A state failing to meet the specified limitations would, under current law, face a severe financial penalty. Under law, employers in any state failing to meet federally-mandated guidelines are automatically taxed by the Federal Government at a rate of 5.4 percent (beginning in 1985) instead of the current rate of 0.8 percent.

THE WHITE HOUSE
WASHINGTON



January 27, 1983

MEMORANDUM FOR JAMES A. BAKER, III

FROM: Jim Cicconi *JC*
SUBJECT: Relations with Organized Labor

One suggestion that might be considered:

What about naming Douglas Fraser, soon stepping down as UAW chief, to an Administration post involving international trade negotiations (perhaps as a Special Trade Representative under Bill Brock).

No one can question Fraser's negotiating experience, and, though he is clearly a liberal, there is reason to believe he would be fully supportive of our trade policy as it is now evolving.

Such an appointment would probably be well received, and could be announced during the AFL-CIO's Bal Harbor meeting in late February.

I realize that our conservative friends might object to this, but we should recall that presidents frequently ask members of the opposite party to serve in posts where their policy views are in accord (e.g., FDR's naming of Henry Stimson as Secretary of War, and Frank Knox as Secretary of the Navy). It can serve to immunize those areas from partisan attack.

JC Couldn't be sure of his public statements in this area. Has been too critical, publicly.
JAB

THE WHITE HOUSE
WASHINGTON

TC Cicconi

January 27, 1983

MEMORANDUM FOR JAMES A. BAKER, III

FROM: Jim Cicconi
SUBJECT: Purchase of Hitachi Computers

In short, the facts on the Social Security Administration's purchase of two computers from Hitachi, Ltd. are as follows:

Timetable of Computer Purchase

June 18, 1982	Request for Proposal issued for computer purchase
August, 1982	Proposals received
Dec. 3, 1982	Best and final offer requested from remaining bidders
Dec. 13, 1982	Contract awarded to Hitachi

Additional Facts on Purchase

Hitachi was chosen on the basis that their bid was \$4M less than the next lowest bidder, IBM. There is a requirement to award such contracts to the "lowest responsible bidder" (emphasis added). Since Hitachi's machines were not only cheaper, but were, ironically, judged to be "the functional equivalent to IBM machines," Hitachi was picked.

Facts on Hitachi Prosecution

On June 22, 1982, Hitachi officials were arrested for stealing computer secrets from IBM. Indictments were returned on July 18, 1982.

Discussion

The contract for purchase of computers from Hitachi was awarded six months after Hitachi was indicted for theft of computer secrets. Even though Hitachi was the lowest bidder on the contract, the fact of the indictment might have been used to argue that they were not the lowest responsible bidder, thus denying them the contract.

OMB informs me that, due to the criticism of this computer purchase, GSA is taking another look at it.

Attachment

1/27
JC
Pms. has seen
pls. stay on top
B. Thomas
JAB

FORMER PENTAGON OFFICIAL CONSIDERED FOR MX PANEL

Former Pentagon research chief Dr. William Perry is being sounded out to replace Harold Brown on a special presidential commission studying the MX. Sources close to the commission say they think Perry would restore to the panel some of the technical strength and political influence they lost when Brown resigned unexpectedly last week. (Michael Getler, Washington Post, A3)

U.S. PROTESTS IN GUATEMALAN ARREST

Ambassador Coronado, who has been conducting a campaign to improve his country's relations with Washington, was summoned to the State Department last week to be given a protest over the handling of an arrest of U.S. citizen, because Guatemala failed to allow a U.S. consul see American Michael Ernest within 48 hours as required by international law. (Terri Shaw, Washington Post, A22)

U.S., FRANCE SIGN PACT ON PRISONER SHIFTS

The U.S. and France signed a treaty allowing citizens of each country convicted of crimes in the other to serve prison sentences in their homeland. (Washington Times, A2)

HITACHI SELLS TWO COMPUTERS TO U.S.

The Social Security Administration has purchased two multimillion-dollar computers made by Japan's Hitachi Ltd., which faces federal charges of computer piracy. (Washington Times, A2)

2 KEY ISSUES AWAIT SHULTZ IN PEKING

PEKING — Shultz comes to China next week aiming to put Sino-American relations back on course after two years of squalls over Reagan's Republic of China policy and more recently over trade. (Washington Times, A7)

- June 18, 1982 - RFP
- Aug 1982 - prop's rec'd
- Nov '82 - neg'd -
- Dec 3 - best & final offer
- Dec 13 - award

- GSA looking at this again due to heat rec'd / Ken Clarkson (ours) chkg 1/27
- \$ 4 M less than next lowest
- 'funct'l equiv. to IBM machines'
- reg'd to choose "lowest responsible bidder"

Dos/DeCain chkg date lawsuit filed v. Hitachi

arrest June 22, 1982
indictments July 18, '82

FBI almost did same thing awhile back.
thru Jay Stephens
633-4674

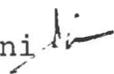
THE WHITE HOUSE

WASHINGTON

January 27, 1983

MEMORANDUM FOR JAMES A. BAKER, III

FROM:

Jim Cicconi 

SUBJECT:

Bankruptcy Reform Proposal

There now appears to be some prospect of agreement on a proposal to reestablish a system of bankruptcy courts that will pass constitutional muster.

The new plan was proposed by the Chief Justice, and would create 115 new Article III district judges who could handle other matters when not occupied with bankruptcy cases. The plan would also set up a bankruptcy administrator in each judicial district to handle administrative matters.

In addition to the Chief Justice, the new proposal is supported by Senator Thurmond and by the Justice Department. Representative Rodino has filed a very different bill (similar to the one we supported last year) that would set up 227 new judges, but they would be strictly limited to bankruptcy matters.

cc: Richard Darman

THE WHITE HOUSE

WASHINGTON

January 31, 1983

MEMORANDUM FOR ANNE HIGGINS

FROM: Jim Cicconi
SUBJECT: Former Governor Bill Clements

I learned today that former Governor Bill Clements is in the hospital in Dallas after having had a successful hip operation performed last week. He will be in the hospital until this Sunday, February 6, 1983.

I am sure he would appreciate a short "get well" note from the President if this could be arranged. His address is:

The Honorable William P. Clements, Jr.
c/o Gaston Episcopal Hospital
Room 420
3505 Gaston
Dallas, Texas 75246

Thank you.

THE WHITE HOUSE
WASHINGTON

January 31, 1983

TO: MICHAEL K. DEEVER

RE: Vietnam Memorial

FYI--

Red and I spoke with Craig Fuller and Ed Meese about the mini-flap over flag placement at the Vietnam memorial. Apparently Watt brought the whole thing into the open with some remarks he made last Friday to veterans groups (he said there was more to the issue than met the eye, and that he wasn't going to move on it for a while).

Ed asked Craig to talk with Watt and get something worked out that would avoid controversy. While he said we do not want to cave in to the Fine Arts Commission, he feels there is room for compromise.

Jim Cicconi