

October 4, 1976

Dear Senator Mondale:

You no doubt will benefit from the high priced consultants to the Carter-Mondale effort as you approach your debate with Senator Dole. However, as a longtime admirer, I have some ideas on those debates that I would like to offer, if not for implementation at least for consideration. Ideas are no good to anyone until they are considered by the people who could benefit. In that spirit, I'd like to roll out some "truths" that I think are "self-evident".

To hedge a bit further I must confess I am not privy to the negotiations in putting on the debates and therefore do not know what the specific ground rules are. Some of what I suggest may fly in the face of rules established by the League of Women Voters. So, this may really be coming from left field.

First, much of the discussion following the first Carter-Ford debate centered on "control". For whatever reasons, neither candidate seemed to be on top in that respect, either with words or actions.

May I suggest that you prepare a question or two of your own... questions where you feel Dole is most vulnerable. They are giving you a specified time to respond to questions...and a specified time to follow up and a specified time to rebut. Why not answer, follow up or rebut quickly and say specifically, "I'd like to use the rest of my time to ask Senator Dole..." By doing that you may force the newsman to pick up on it. That's control. If he doesn't pick up the question, Dole will not let the question go unanswered...perhaps in his "time remaining" on another question. You can rebut in good time. Save some facts for your rebuttal. Again, such an exchange could not go unnoticed in summaries of your debate...almost certainly it should translate to "control".

Second, when your responses are directed toward Dole you should look directly at him. The public craves face-to-face debate and you will create something resembling that by looking at him. Be as demonstrative as you can. The television news business has abhorred the so-called talking head for years. Your dramatic gestures should be made toward Dole. I cannot conceive of a television director overlooking something more than a talking head. He'll pull out the camera to capture the gestures.

Third, and following up on the previous suggestion, inspite of what your consultants tell you about facing the camera to respond, I think that's phony. If the television audience asked the question, you'd look at them through the camera. The questions, though, come from the panel. You should look at them to respond. The viewers are merely witnesses. It's unnatural to look at them. To me, answering questions to viewers draws attention the medium and detracts from the substance of what is being said. Straight on-camera moments should be left to opening and/or closing statements where you are, in fact, permitted to address the viewers.

Fourth, on matters of appearance. You should fix your hair so that those two or three spears of hair fall over your forehead now and again. It lends character to your appearance...gives your appearance some movement.

Fifth, on matters of substance, you should try to work into your responses some examples or names of people who exemplify your positions. If you say, "John Smith of Charleston, West Virginia, earned only \$3,500 dollars last year and just can't support his family of five..." You'd have to clear that with John Smith, naturally, but I'll bet my bottom dollar the news media will race to Charleston on the following day to talk with Smith. You have prolonged your impression by at least the following news day. If you use a town or neighborhood as an example during your responses, the media will flock to that locale on the day after...mark my words. Maybe you identify it as typical of a given problem.

Sixth, it would have been gentlemanly of Governor Carter to seek a hand shake with President Ford following the first debate...maybe it was forbidden by the rules. In any event, you should avoid a handshake with Senator Dole. It would draw attention to his unfortunate handicap. Gee, that sounds cruel...but it's true.

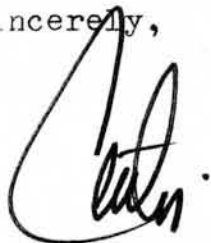
The League of Women Voters format is one that puts the candidates on the defensive, trying to answer unknown questions. There can never be a clear winner under that format. For that reason I urge you to provoke a response by Senator Dole to a question of your own selection, my first suggestion. Such a tactic may have its risks... but I truly think the benefits would far outweigh those risks.

These suggestions are out of character for me, the news director of a great radio station. But I'm a professional who also votes. If they can be of some help, I'm delighted. If not, my reward is knowing I have tried.

It goes without saying these words from me, the voter, should be kept in confidence...perhaps forever. I'm sure you understand.

Good luck to you in your debate with Senator Dole...and in November.

Sincerely,

A handwritten signature in black ink, appearing to read "Curtis Beckmann". The signature is stylized with a large, sweeping initial "C" and a trailing flourish.

Curtis Beckmann

Peter D. Hart Research Associates, Inc.
1529 O Street, N.W.
Washington, D.C. 20005
202/234-5570

October 8, 1976

To: Senator Walter Mondale
From: Peter Hart and Michael Barone
Subject: Overall Debate Strategy

- I. This debate must relate to the important issues, rather than the trivial ones. The election has revolved around everything but the things that count, and the errors of the campaign have been nothing more than slips of the tongue. Senator Mondale cannot allow the debate to get sidetracked into the minutiae. The decisions about the next four years have to do with major problems, with the concerns and the priorities of the Administration, and this debate should focus on these priorities.
- II. The central point which must be emphasized is that 1976 presents an alternative between the "status quo" position of the Ford Administration and the "change" position offered by the Carter Administration. The voters are unhappy with the way the country has been directed and they are looking for a change; Senator Mondale must set the stage for instigating these changes. At this point, many voters feel that no one is going to change things and it really doesn't make any difference who is elected. The voters need to be shown that there is no reason to accept the overlapping and unresponsive attitude of the federal government, and that the Carter Administration is going to begin a re-organization of the government. They must see that there is no reason to accept the present tax code, which provides benefits for the few at the expense of the many, and that the Carter Administration

can begin to make the tax codes more equitable. Senator Mondale must convince them that there is no reason to accept the abuse of regulatory agencies which are designed to protect the public interest, but are, in fact, controlled and dominated by the special interests. The Carter Administration can make the regulatory agencies work in the manner in which they were designed to work. The same is true for health care, an energy policy, and unemployment.

III. The Senator must make this debate a choice between the Republican Party and the Democratic Party. The only reason this election is not already decided is because voters have been allowed to decide on a whole series of ancillary issues. The Democrats hold 45 percent of the voters, the Republicans 20 percent; it is to the advantage of Senator Mondale to nail Ford and Dole on their solidly Republican record, which is abominable.

IV. The key difference is between Dole's record of coldness and insensitivity and Mondale's record of compassion and concern. The voters may know the names of Dole and Mondale, but this debate will provide the only substantive impression of the two men. Senator Mondale should talk about those issues he cares most about. It is important that the voters understand Walter Mondale, the man; through a discussion of what Senator Mondale cares about, his inner self will be revealed. One must remember that the statistics are people.

V. In reviewing the Kennedy-Nixon debates and comparing them to the Carter-Ford debates, the most striking difference between them is the way in which John Kennedy kept reinforcing his basic message. Jimmy Carter failed to do this in his first debate, but did much better in the second. The Senator should not hesitate to reinforce the same message, using

different issues and statistics. Avoid being caught in cul-de-sacs, i.e., positions which even if handled correctly get you no closer to your goals.

VI. It is important to use the theme of 44 years in Washington for the Republican ticket, versus 12 years for the Democratic ticket. This reinforces the theme of the new generation of leadership.

VII. Finally, we urge the Senator to be himself! Walter Mondale has gotten as far as he has because he is a good human being. He must believe in himself and in his basic instincts. If he does not have the answer, he should say so. If he is nervous, he should remember that Robert Dole is twice as nervous and that he is trying to be someone other than who he really is.

I. Priorities for 1976

There has been a lot of talk during this campaign about things that are basically trivial. Tonight let's focus on the things that are important.

It's not really important whether one of the candidates stumbles on a step or makes a slip of the tongue. What is important is the direction of our country over the next four years.

That is something that will be shaped by the basic concerns and priorities of the man who will be elected President on November 2.

That is what we should focus on here tonight: the basic concerns and priorities of the Democratic and the Republican candidates. Let's look at some of these basic differences.

Take the issue of taxes.

The Republican candidates, by their record, have shown that they think that the present tax system is basically alright. Only with reluctance have they gone along with the tax cuts initiated by the Democratic Congress.

The Democratic candidates, Jimmy Carter and I, believe we can do better. We know it is possible to change our tax system, so that average people can pay lower taxes and those who today enjoy unfair advantages will pay their fair share.

Or take the issue of government reorganization.

The election of the Republican candidates this November 2 would mean a retention in office of those who have supported the basic structure of the federal government for the past eight years.

The election of the Democratic ticket would mean the installation of an administration committed to a thoroughgoing reorganization of the federal government, to make it work for the people more efficiently and productively.

Take the issue of energy.

The Republican Administration under Gerald Ford, as under Richard Nixon, has supported--almost down the line--the energy policies advocated by the big oil companies. There is no reason to expect any change if Mr. Ford is elected November 2.

The Democratic ticket, on the other hand, has a specific energy program which would require the oil companies to bear their fair share of the burdens imposed on the American people.

As you go down the list, on important issue after important issue, the basic difference between the Republican candidates and the Democratic candidates is clear.

The basic thrust of the Republicans, if Mr. Ford is elected, will be four more years of what we have had for eight long years. The Republicans stand for the status quo.

The basic thrust of a Democratic Administration, if Jimmy Carter is elected, will be change--reasoned, careful and intelligent change, in the interests of the average American.

II. Unemployment

If there were only one issue I could use to show the difference between the Republican ticket and the Democratic ticket this year, that issue would be unemployment.

The Republican answer is clear: let's do nothing. Today we have nearly 8½ million people unemployed. We say this number as though it were an insignificant percentage, but the fact is that 8½ million people is equivalent of every man, woman, and child in the states that stretch from Washington state through North Dakota. This is unacceptable to the Democrats, and we will do something. Today 500,000 more Americans are unemployed than three months ago. It is a bad record--and it is getting worse.

The only answer the Republicans offer is to give tax breaks to big business. They tell us that these benefits will somehow trickle down to the ordinary person. Yet the facts show that the only thing which trickles down is larger profits to stockholders.

We Democrats don't agree with that approach. We have been out around the country, listening to people's problems. We know what unemployment--what not having jobs--is doing to this country.

What the Republicans don't realize is that it is not just a matter of statistics. When people don't have jobs, their whole lives can fall apart. Families often split up. Sometimes children lose respect for their parents.

It is all so unnecessary. For the fact is, that with sensible fiscal and monetary policies, with programs aimed at areas of high joblessness, with needed public service jobs performing needed work, we can vastly increase the number of jobs in America today.

Unemployment is not just a matter of statistics--it is a matter of people's lives. We Democrats believe that government has a moral obligation to see that there are useful, worthwhile jobs for all who want to work. The Republicans, it is clear from the record, don't agree.

III. On What Can Be Changed

Jimmy Carter and I don't say that if you elect a Democratic Administration, all your troubles are going to disappear. We don't make such promises, and you wouldn't believe us if we did. But we do say that things don't have to stay the way they are today.

For example, we don't have to have a tax system which provides benefits for the few at the expense of the ordinary person.

The Republicans want such a tax system--and Gerald Ford and Robert Dole have fought every effort to change it.

We Democrats know we can have a tax system that is fairer, and we have the will and determination to do something about it.

We don't have to have a government with 1,900 different agencies, with overlapping jurisdictions, which confuses ordinary citizens and local government officials.

The Republicans have presided over the federal government for eight years--during which time it has only become more complicated and inefficient.

We Democrats know we can have a government reorganization plan that makes the federal government more rational, more efficient, and more productive, and we are going to do something about it.

The Republicans would have you believe that no changes are possible, that the best we can do is to continue things the way they are.

We Democrats say that is nonsense. We don't have to put up with things the way they are today.

Both parties now have pretty well let you know where they stand. The Republicans stand for more of the same, for the status quo. We Democrats stand for change--for the kind of reasonable, thoughtful changes we have been discussing with you during this campaign.

Hart Research Associates, Inc.

WEDNESDAY, NOVEMBER 17, 1976

ATTENDEES AT CONGRESSIONAL LEADERSHIP MEETING, SENATOR TALMADGE'S FARM,
LOVEJOY, GEORGIA

Senate

1. Mike Mansfield
2. Robert Byrd
3. Hubert Humphrey
4. Gaylord Nelson
5. Edmund Muskie
6. Alan Cranston
7. Russell Long
8. Floyd Haskell

House

1. Thomas O'Neill
2. George Mahon--Appropriations Committee Chair
3. James Delaney--Ranking member, Rules Comm, 95th Congress
4. Al Ullman--Chair of Ways and Means Committee
5. Brock Adams--Chair, Committee on Budget

December 9, 1976

TO: JIMMY CARTER

FROM: WALTER F. MONDALE

RE: THE ROLE OF THE VICE PRESIDENT IN THE CARTER ADMINISTRATION

I. Background

Defining an appropriate and meaningful role for the Vice President has been a problem throughout the history of this country. While custom and statute have changed the office gradually over 200 years, generally speaking, the Vice President has performed a role characterized by ambiguity, disappointment, and even antagonism. Arthur Schlesinger, Jr. concludes "history has shown the American Vice Presidency to be a job of spectacular and, I believe, incurable frustration."

Other commentators as well as former Vice Presidents have focused on particular problems of the office. Competition with the President, conflict with the White House staff, lack of meaningful assignments, lack of authority, and inadequate access to vital information are most frequently mentioned.

I have spoken at length with Vice President Rockefeller, former Vice President Humphrey, and their staffs to try to understand more fully the many dimensions of the position. Further, through other conversations and reading what literature is available, I have tried to supplement my understanding.

Finally, my staff prepared a Constitutional history of the office and a comparison of the duties and staffing of the Humphrey and Rockefeller Vice Presidencies.

It is my hope in this memorandum that I can outline a set of relationships, functions and assignments that will be workable and productive for the administration. I am committed to do everything possible to make this administration a success. I fully realize that my personal and political success is totally tied to yours and the achievements of your administration.

I. Our Basic Relationship -- General Adviser

I believe the most important contribution I can make is to serve as a general adviser to you. I would hope my experience in government and politics would assist me in giving you advice on the major questions facing you.

The position of being the only other public official elected nationwide, not affected by specific obligations or institutional interests of either the Congressional or Executive branch, and able to look at the government as a whole, does put me in a unique position to advise. Further, my political role around the country as well as my established relationships in Washington should allow me to keep in close touch with many different groups and viewpoints.

The biggest single problem of our recent administrations has been the failure of the President to be exposed to independent analysis not conditioned by what it is thought he wants to hear or

often what others want him to hear. I hope to offer impartial advice and help assure that you are not shielded from points of view that you should hear. I will not be the only source of such advice. Yet, I think my position enables me to help maintain the free flow of ideas and information which is indispensable to a healthy and productive administration.

In order to fulfill the role of a general advisor satisfactorily, I think the following are necessary:

1. Frequent and comprehensive intelligence briefings from the CIA and other intelligence agencies of similar depth to those you receive. Advance warning of major issues to be discussed at meetings of the NSC and other significant groups is necessary as well as the ability to request additional briefings and responses on areas of special concern.

Senator Humphrey emphasized the importance of this point to me repeatedly. He was not given adequate briefings and was, therefore, unable to participate effectively on the NSC or in this general arena of foreign and defense policy.

2. A special relationship with other members of the Executive branch. I would hope that I could expect the same or nearly the same level of responsiveness from key administration officials in seeking information that you

would receive. Providing sound advice to you requires from them complete candor and cooperation in providing information. I do not believe I could evaluate and/or assess key problems without this relationship. I think it would be important to make this point to the Cabinet and other key officials at the very beginning of the administration.

3. Participation in Meetings of Key Groups.

Participation in Cabinet meetings, discussions with the Congressional leadership, meetings of the National Security Council, Domestic Council and the economic policy group (whatever form it takes) would be extremely valuable in fulfilling the advisory role.

4. A seasoned, experienced staff representative on the NSC and Domestic Council who I can call on to meet my needs. I think it is terribly important that I have a staff capability on these two Councils whose priority is to assist me in performing my functions. Humphrey was not given staff support which combined with the lack of briefings made his role on the NSC almost insignificant.

5. Relationship with White House Staff. I think it is critical that my office be well informed on the activities of the White House. I believe it would be helpful if representatives of my office could participate in

appropriate White House staff meetings. I hope we can maintain the excellent relationship our two staffs developed during the campaign and have maintained during the transition. Also, my staff is available to you or the White House staff for any assignments or tasks for which they may be needed.

6. Access to you.* I suggest that we plan to meet once per week at a minimum of 30 minutes to an hour. Rockefeller currently has this arrangement with President Ford and recommends it highly. This would be a time for me to report on my activities, offer advice and get assignments from you. We, of course, could cancel the meeting if we did not need the time. In addition to our regular meeting, I would hope I could depend on having access whenever necessary. Of course, I would be available whenever you might want to meet.

III. General Functions

A. Trouble-Shooting. As problems arise, I would like to be available to respond to your direction and help solve them as quickly as possible. Within this general category, two areas emerge:

* Historically, there has been substantial variation in access and proximity. It was not until President Kennedy that the Vice President had an office in proximity to the White House (EOB). On one occasion (Agnew) the office of the Vice President was actually in the White House. I prefer to think of access in the terms expressed here and would prefer to maintain the space with adequate staff offices in the Executive Office Building.

1. Investigation. I believe I could perform a very valuable function in attempting to provide background and analysis for you in special areas of concern. This function could range from gathering information on an issue or area of government about which you are restless or uncomfortable to conducting a full-scale, formal investigation such as Rockefeller did in the case of the CIA. An example of one area well suited for this approach is that of task force on hard crime and official lawlessness suggested in the campaign.

2. Arbitration. The sometimes conflicting and sometimes parallel assignments of governmental functions to different departments and agencies produces inefficiency and interdepartmental disputes, as you well know. With your support, I think I could play an important role in resolving such problems. This would probably be done in an assignment-by-assignment basis.*

B. Foreign Representation. Nearly everyone, most notably the former Vice Presidents I have spoken with, agrees that the

* Humphrey felt he could be very effective in this area. He noted that the President did not have sufficient time to consider many of the problems that arose between departments and agencies.

Vice President can play a very significant role through foreign travel. The foreign travel I do can be used to express your interest in selected foreign policy areas, give us an additional presence abroad, and provide you with a first-hand assessment of foreign leaders and situations.

I would tentatively suggest (subject to conversations with the Secretary of State) that in the early weeks of the administration we consider the advantages of short trips to the industrialized nations (Canada, Western Europe and Japan). Such trips would enable me to reassure our allies, discuss the objectives of a possible economic summit, and assess the internal economic prospects of our leading economic partners. I am advised that travel in the early days can be very productive in part because it is too soon for the host countries to expect specific responses to their problems.

It would be made clear, both publicly and privately, that such a trip was an information gathering mission, not a negotiating mission. The itinerary would be worked out with your senior Cabinet officials and advisors. It would be conducted with minimum publicity from the standpoint of the United States but with appropriate attention to dramatizing the Vice President's visit as a gesture of your interest in the countries concerned.

IV. Specific Function

The Constitution mandates that I serve as President of the Senate. The duties are ceremonial with the exception of casting

tie-breaking votes. I assume this responsibility will take a minimum amount of time.

V. Possible Additional Functions

Based on my analysis of the history of the office, the following are functions which are the most promising or in this situation seem to merit serious exploration.

A. Congressional Relations. I think I can be helpful to you in your relations with the Congress in two important respects:

1. I think I can advise you on what to expect from the Congress on significant issues, how to interpret their actions, and what approaches will be most productive.

Twelve years in the Senate gives me a substantial background for analysis and interpretation.

2. I can advise and assist your Congressional liaison office. This should be done on an informal basis so that my role is not thought of as a lobbyist. Yet, on major initiatives, I could conduct key conversations and become more operational.

B. Political Action. Every Vice President in recent history has played a significant political role for the President. I assume I would do the same. I can be helpful through keeping our administration on the offensive politically and representing us around the country, with the Party, and with special constituencies such as labor. I would assume this would be a continuing role, meshed

with the off-year election campaigns and the re-election campaign of 1980.

On an allied point, an immediate assessment of election laws, together with recommendations for Congressional action, is very much needed before the next election. Campaign finance, primary laws, voter registration, and other critical areas are much in need of review. I would be interested in conducting such a review and recommending a legislative package if you would find it valuable.

C. Liaison with Special Groups. The Vice President has served in the past as a special liaison to elected officials (particularly Mayors and Governors). Agnew established an office of intergovernmental relations for a time which was disbanded. Humphrey served as a point of contact and advocate for the elected officials.

The key danger in regard to this function is that the Vice President's office is devoted to doing agency work for local and state government which could be handled better through direct contact between the elected official and the agency concerned.

I suggest maintaining the Vice President's office as a key contact point for Mayors and Governors with adequate safeguards against the danger noted above. The proper execution of this possible function will require additional discussion.

D. Special Role with Domestic Council. Depending on the functions of the Domestic Council, a leadership role with the

Council might be considered. The Council is currently the only group concerned with a long-range policy planning function and with the integration of domestic policy recommendations. These functions would be consistent with the domestic overview required as an adviser to the President and with the possible role as an arbitrator in interdepartmental conflicts. Your determination of the functions of the Council will bear directly on what role would be appropriate for me to play.

E. Special Role with Economic Policy Board. The coordination of domestic and international economic policy will be extremely important. A special role with the Economic Policy Board could be considered.

VI. Additional Commitments

A. Minnesota. I would like very much to be able to continue to devote some time and attention to my special relationship to the people of Minnesota. Special projects, some liaison work, concern about appointments, and regular contacts in Minnesota and Washington would be included. That time would not be substantial, but this private commitment to be able to continue to serve the people of my state would be very meaningful to me.

B. A Role for Joan with the National Foundation on the Arts and Humanities. I would like to assist Joan in structuring a useful and rewarding role with the National Foundation as the primary vehicle for her continued involvement in the arts. She is

extremely effective in this area. In the early stages, this might involve my showing a special interest in this agency.

VIII. Conclusion

I am optimistic that we can develop a relationship and a set of functions which will allow me to contribute to the administration in a substantial way. That optimism has been maintained and nourished from our first conversation in Plains through the campaign and further reinforced in the past month of working together. I look forward to a productive working relationship and a close friendship throughout the administration and beyond.

The role outlined above would, in my judgment, clearly fulfill the most important constitutional obligation of the office -- that is, being prepared to take over the Presidency should that be required. The relationship and assignments suggested were not focused on that obligation, but I think they do meet the test.

TO: PRESIDENT-ELECT CARTER

FROM: BO CUTTER
JERRY JASINOWSKI
JACK WATSON

RE: MEETING WITH CHAIRMAN BURNS

DATE: NOVEMBER 20, 1976

IT IS ESSENTIAL IN YOUR MEETING WITH CHAIRMAN BURNS THAT YOU SET THE AGENDA FOR WHAT SHOULD BE DISCUSSED AND THAT HE NOT BE ALLOWED TO DOMINATE THE DISCUSSION. HE COULD EASILY DOMINATE BECAUSE HE IS ONE OF THE BEST ECONOMISTS IN THE COUNTRY, WITH GREAT DISCUSSION AND NEGOTIATING SKILLS. HE HAS A VAST KNOWLEDGE OF HOW THE ECONOMIC AND POLITICAL SYSTEM WORKS.

I. APPROACH TO THE MEETING

WE RECOMMEND THAT YOU HAVE THE FOLLOWING OBJECTIVES IN MIND FOR THIS INITIAL MEETING WITH ARTHUR BURNS:

1. TO TAKE THE MEASURE OF BURNS' INTELLECT AND STYLE AND TO ESTABLISH A BASIS FOR FUTURE COOPERATION BETWEEN THE WHITE HOUSE AND THE FEDERAL RESERVE. SUCH COOPERATION -- DESIRABLE AS IT MAY BE -- REQUIRES CERTAIN UNDERSTANDINGS: SPECIFICALLY, THAT THE FEDERAL RESERVE'S MONETARY INDEPENDENCE DOES NOT EXTEND TO INDEPENDENCE IN SETTING NATIONAL ECONOMIC GOALS; AND THAT THE PRESIDENT HAS EVERY RIGHT TO EXPECT ARTHUR BURNS' ECONOMIC POLICY ADVICE TO BE CONVEYED TO HIM IN PRIVATE RATHER THAN THROUGH THE PRESS.
2. TO SEEK BURNS' VIEW OF THE CURRENT STATE OF THE ECONOMY AND THE OUTLOOK FOR NEXT YEAR;
3. TO DISCUSS WITH BURNS YOUR ECONOMIC GOALS FOR NEXT YEAR AND TO DETERMINE THE EXTENT TO WHICH HE WILL SUPPORT THEM;

4. TO SOLICIT HIS VIEWS ON THE APPROPRIATE FISCAL POLICY ACTIONS THAT SHOULD BE TAKEN NEXT YEAR IF THE ECONOMIC RECOVERY CONTINUES TO BE SLUGGISH;

5. TO SOLICIT BURNS' VIEWS ON THE COURSE OF MONETARY POLICY NECESSARY TO SUPPORT THE ECONOMIC RECOVERY; AND

6. TO DISCUSS WITH BURNS HOW MONETARY AND FISCAL POLICY CAN BE PROPERLY COORDINATED. THIS WOULD INCLUDE A DISCUSSION OF YOUR POSITION THAT THE FED CHAIRMAN SHOULD SERVE A TERM COTERMINOUS WITH THE PRESIDENT.

IN DISCUSSING ALL OF THE ABOVE, WE SUGGEST THAT YOU PRESS BURNS FOR HIS JUSTIFICATION FOR THE POSITIONS HE TAKES. INDICATE YOU WOULD LIKE YOUR STAFF TO WORK WITH HIS STAFF ON THE TECHNICAL ASPECTS OF THE ISSUES YOU WILL BE DISCUSSING. YOU SHOULD ALSO ASK BURNS FOR A CONFIDENTIAL MEMORANDUM ON THE ISSUES YOU WILL BE DISCUSSING. WE STRONGLY URGE YOU NOT TO MAKE ANY COMMITMENTS TO BURNS' VIEWS IN THIS FIRST MEETING.

II. ECONOMIC OUTLOOK AND THE PROSPECTS FOR CONTINUED RECOVERY

EARLY THIS YEAR THE ADMINISTRATION PREDICTED THAT THE ECONOMY WOULD GROW BETWEEN 6-6½% AND THAT THE UNEMPLOYMENT RATE WOULD BE REDUCED A FULL PERCENTAGE POINT. IT IS EXTREMELY UNLIKELY THAT THIS FORECAST WILL NOW BE REALIZED.

AFTER A VERY STRONG FIRST QUARTER THIS YEAR, REAL GROWTH, AS MEASURED BY GNP, HAS SLOWED CONSIDERABLY. GROWTH RATES OF 4.5 PERCENT IN THE 2ND QUARTER AND 3.8 PERCENT IN THE THIRD, WHILE ADEQUATE IF WE WERE AT FULL EMPLOYMENT, WERE TOO WEAK TO PERMIT ANY REDUCTION IN THE EXTREMELY HIGH UNEMPLOYMENT RATE. IN FACT, THE

UNEMPLOYMENT RATE WAS HIGHER IN OCTOBER THAN IN JANUARY, 1976.

ALTHOUGH THE REASONS FOR THIS SLOWER GROWTH ARE NOT ENTIRELY CLEAR, SEVERAL SECTORS HAVE BEEN WEAKER THAN EXPECTED. FIRST, THE GOVERNMENT SECTOR, BECAUSE OF THE SHORTFALL IN SPENDING DURING BOTH FY 1977 AND THE TRANSITION QUARTER, DID NOT PROVIDE AS MUCH STIMULUS TO THE ECONOMY AS CONGRESS INTENDED. SECONDLY, THE LONG ANTICIPATED RECOVERY IN BUSINESS INVESTMENT CAME LATE AND HAS THUS FAR BEEN VERY WEAK. BUSINESS HAS TAKEN A CAUTIOUS APPROACH TO EXPANSION IN PLANT AND EQUIPMENT, PERHAPS IN PART BECAUSE OF THE SEVERITY OF THE 1974-75 RECESSION, AND IN PART BECAUSE OF THE POLITICAL UNDERTAINTIES IN AN ELECTION YEAR.

THE OUTLOOK FOR THE FOURTH QUARTER OF THIS YEAR IS NOT ENCOURAGING. THE FEW INDICATORS FOR OCTOBER WHICH ARE ALREADY AVAILABLE, EMPLOYMENT, INDUSTRIAL PRODUCTION AND RETAIL SALES, SUGGEST ANOTHER WEAK QUARTER OF GROWTH, IN THE RANGE OF 3-4%. SUCH A RATE OF GROWTH COULD LEAD TO FURTHER SMALL RISES IN THE UNEMPLOYMENT RATE.

YOU SHOULD SOLICIT BURNS' VIEWS ON THE CURRENT STATE OF THE ECONOMY AND HIS EXPLANATION OF WHY THE RECOVERY HAS FALTERED.

WITH RESPECT TO 1977, WHILE MANY FORECASTERS ARE SCALING DOWN THEIR ESTIMATES FOR GROWTH IN 1977, NO ONE IS PREDICTING ANOTHER RECESSION NEXT YEAR. HOWEVER, A GROWTH RATE OF ONLY 4 PERCENT IN 1977 (A NOT UNLIKELY PROSPECT GIVEN CURRENT POLICIES) WOULD LEAVE UNEMPLOYMENT STUCK ON ITS ALREADY HIGH PLATEAU AND WOULD FURTHER LIMIT YOUR ADMINISTRATION'S ABILITY TO FINANCE NEEDED SOCIAL PROGRAMS.

THE APPROXIMATE PARAMETERS OF THE POLICY DEBATE ARE THAT A LIKELY GROWTH RATE OF 4-4½% (OR LESS) IN THE FOURTH QUARTER AND THE EARLY PART OF NEXT YEAR WOULD BE A CLEAR SIGNAL OF THE NEED FOR

IMMEDIATE ADDITIONAL STIMULUS IN EARLY 1977.

BURNS HAS SAID HE BELIEVES WE WILL HAVE A STRONG RECOVERY NEXT YEAR. HIS PREDICTIONS IN THE PAST HAVE NOT ALWAYS BEEN GOOD -- HE MISSED THE TIMING AND MAGNITUDE OF THE 1974 RECESSION. YOU SHOULD ASK FOR THE SPECIFIC REASONS HE BELIEVES WE WILL HAVE A GOOD RECOVERY NEXT YEAR.

III. ECONOMIC GOALS AND COOPERATION ON MONETARY AND FISCAL POLICY

YOU SHOULD MAKE CLEAR TO BURNS IN YOUR CONVERSATION THAT YOUR TENTATIVE GOALS FOR 1977 ARE A 6 PERCENT GROWTH RATE IN REAL GNP, WHICH WILL PERMIT A REDUCTION IN THE UNEMPLOYMENT RATE TO THE 6½% RANGE BY THE END OF THE YEAR. YOU SHOULD FURTHER STRESS THAT THESE TARGETS CAN AND SHOULD BE ACHIEVED WITHOUT ANY SIGNIFICANT ACCELERATION OF THE INFLATION RATE, GIVEN CURRENT UNDER-UTILIZATION OF BOTH LABOR AND PLANT CAPACITY.

THIS IS THE MOST IMPORTANT AREA OF DISCUSSION FOR YOUR FIRST MEETING. IT WOULD BE USEFUL AT THIS POINT TO ASSURE BURNS THAT YOU WANT TO AVOID A SITUATION IN WHICH THERE IS EITHER AN APPARENT OR ACTUAL CONFLICT OVER INCOME GOALS AND THE COORDINATION OF MONETARY AND FISCAL POLICIES.

AS PRESIDENT, YOU WILL WANT TO CONSULT REGULARLY WITH THE SECRETARY OF THE TREASURY, THE COUNCIL OF ECONOMIC ADVISERS, THE OMB DIRECTOR AND THE CHAIRMAN OF THE FEDERAL RESERVE. YOU WILL ALSO WANT TO ESTABLISH A WORKING RELATIONSHIP WITH THE FED CHAIRMAN TO INSURE INFORMAL AND CONTINUING DISCUSSIONS OF IMPORTANT PROBLEMS AS THEY ARISE. YOUR DESIRE FOR A PRODUCTIVE AND COOPERATIVE RELATIONSHIP SHOULD BE MADE CLEAR; AS SHOULD YOUR INTENTION TO ASK FOR AND VALUE HIS ADVICE. IN THIS REGARD, THE FOLLOWING ITEMS SHOULD BE DISCUSSED.

FIRST, YOU SHOULD STATE YOUR BELIEF THAT IT IS THE RESPONSIBILITY OF THE ADMINISTRATION AND THE CONGRESS -- NOT THE FEDERAL RESERVE SYSTEM -- TO ESTABLISH ECONOMIC GOALS. BURNS SHOULD BE ASKED ABOUT THE PROCESS OF SETTING GOALS AND THE FEDERAL RESERVE'S ROLE IN IMPLEMENTING THEM; HE SHOULD ALSO BE ASKED WHAT HE THINKS OUR PRESENT ECONOMIC GOALS OUGHT TO BE.

SECOND, YOU SHOULD ASK HIM WHAT MECHANISMS SHOULD BE USED TO COORDINATE MONETARY AND FISCAL POLICY. DOES HE BELIEVE THAT THE QUADRIAD MECHANISM (TREASURY, OMB, CEA AND THE FED) SHOULD BE REESTABLISHED AS THE MEANS FOR FOSTERING COOPERATION? YOU SHOULD CONVEY TO BURNS YOUR BELIEF THAT YOU HAVE A RIGHT TO RECEIVE HIS POLICY ADVICE IN PRIVATE AND BEFORE AN ISSUE IS RESOLVED, RATHER THAN THROUGH THE PRESS AND AFTER YOU HAVE MADE A DECISION.

THIRD, IT WOULD BE APPROPRIATE TO BRING UP THE QUESTION OF THE FED CHAIRMAN'S TERM OF OFFICE. THROUGHOUT THE CAMPAIGN YOU PROPOSED THAT THE CHAIRMAN'S TERM BE MADE COTERMINOUS WITH THAT OF THE PRESIDENT. IN THE PAST, BURNS HAS SUPPORTED THE CONCEPT OF A 4 YEAR TERM FOR THE FED CHAIRMAN, LAGGED ONE YEAR AFTER THE PRESIDENT TAKES OFFICE. IN OTHER WORDS, IF A PRESIDENT ASSUMES OFFICE IN JANUARY, 1977, HE COULD APPOINT A NEW CHAIRMAN IN JANUARY, 1978. BURNS CLAIMS THAT THE PRESIDENT NEEDS AT LEAST A SHORT PERIOD OF CONTINUITY IN ECONOMIC POLICY FROM ONE ADMINISTRATION TO THE NEXT. WHILE REASSURING BURNS THAT HIS OWN TERM WOULD BE UNAFFECTED BY ANY LEGISLATION YOU INTRODUCE, IT WOULD BE USEFUL TO DRAW HIM OUT IN MORE DETAIL ON HIS VIEWS ON A COTERMINOUS TERM. (INCIDENTALLY, FORMER FED CHAIRMAN WILLIAM McCHESNEY MARTIN SUBMITTED HIS RESIGNATION PRO-FORMA TO PRESIDENT-ELECT EISENHOWER, KENNEDY, JOHNSON AND NIXON.)

IV. MONETARY POLICY AND THE FEDERAL RESERVE'S SUPPORT OF THE RECOVERY

ON FRIDAY, THE FED ANNOUNCED A REDUCTION IN THE DISCOUNT RATE (THE RATE WHICH BANKS PAY WHEN THEY BORROW FROM THE FEDERAL RESERVE) FROM $5\frac{1}{2}\%$ TO $5\frac{1}{4}\%$. THIS IS A DEFINITE SIGN THAT THE FED IS CONCERNED ABOUT THE STRENGTH OF THE ECONOMY. ITS TIMING IMMEDIATELY BEFORE YOUR MEETING WITH BURNS SUGGESTS THAT HE IS SEEKING TO AVOID CONFLICT AND THAT HE SHARES YOUR CONCERN ABOUT THE ECONOMIC RECOVERY.

IN THE LAST 6 MONTHS, THE MONEY SUPPLY, AS DEFINED BY M_1 HAS INCREASED SLIGHTLY MORE THAN 5 PERCENT (M_1 CONSISTS OF CURRENCY AND CHECKING ACCOUNTS). THIS RATE OF INCREASE HAS PERMITTED THE TREASURY BILL RATE TO FALL SLIGHTLY (IT IS NOW BELOW 5 PERCENT) AND THE PRIME RATE TO DROP TO $6\frac{1}{2}\%$. AT THE PRESENT TIME IT WOULD BE FAIR TO SAY THAT WHILE MONETARY POLICY IS NOT IMPEDING THE RECOVERY, NEITHER IS IT PROVIDING STRONG SUPPORT.

IT WOULD BE COUNTERPRODUCTIVE FOR YOU TO ENGAGE BURNS IN A DEBATE ABOUT THE LEVELS OF M_1 OR M_2 AT THIS TIME. HE HAS EFFECTIVELY THWARTED CONGRESSIONAL OVERSIGHT OF HIS MONETARY POLICIES IN THE PAST BY LITERALLY SNOWING CONGRESS WITH HIS MONEY SUPPLY NUMBERS. YOU SHOULD, HOWEVER, EXPLORE WITH HIM WHAT SUPPORT HE WILL GIVE TO YOUR REAL GROWTH AND EMPLOYMENT OBJECTIVES FOR NEXT YEAR THROUGH AN ACCOMMODATIVE MONETARY POLICY.

V. FISCAL POLICY AND TAX CUTS

YOU SHOULD SOLICIT BURNS' VIEWS ON WHETHER HE WOULD SUPPORT ADDITIONAL FISCAL STIMULUS IF THE ECONOMY CONTINUES TO FALTER. THE RECENT STATEMENTS THAT HE IS OPPOSED TO A TAX CUT HAVE BEEN EXAGGERATED

BY THE PRESS. WE UNDERSTAND THAT HE OPPOSES A TAX REBATE BECAUSE HE BELIEVES MOST OF THE MONEY IS SAVED RATHER THAN SPENT, BUT MAY SUPPORT A BROAD-BASED, PERMANENT TAX CUT.

WE SUGGEST YOU ASK HIM:

- a) HOW MUCH THE ECONOMY WOULD HAVE TO FALTER BEFORE HE WOULD CONSIDER A TAX CUT;
- b) THE FORM OF A TAX CUT HE WOULD SUPPORT AND WHY; AND
- c) WHAT EXPENDITURE INCREASES, IF ANY, WOULD BURNS SUPPORT TO STIMULATE THE RECOVERY.

VI. BURNS' PHILOSOPHY

ALTHOUGH CONSERVATIVE, BURNS IS NOT A DOCTRINAIRE MAN. IN THE PAST HE HAS SUPPORTED:

- a) THE GOVERNMENT AS EMPLOYER OF LAST RESORT;
- b) SOME FORM OF VOLUNTARY WAGE AND PRICE POLICIES; AND,
- c) THE USE OF TARGETTED EMPLOYMENT PROGRAMS.

IF THERE IS TIME, YOU MAY WANT TO DRAW HIM OUT ON SOME OF THESE QUESTIONS.

VII. THE NEW YORK CITY SITUATION

IF TIME PERMITS, IT WOULD BE USEFUL FOR YOU TO SOLICIT BURNS' VIEWS ON THE NEW YORK SITUATION, AND WHAT IMPACT THE RECENT NEW YORK COURT ACTION TO INVALIDATE THE \$1 BILLION DEBT MORITORIUM MAY HAVE ON THE FINANCIAL MARKETS AND THE ECONOMY AS A WHOLE.

VIII. RECOMMENDATIONS ON APPOINTMENTS

WHILE THIS HAS LESS PRIORITY THAN THE ABOVE ITEMS, BURNS IS A

PROUD MAN AND HE WOULD BE FLATTERED TO BE ASKED ABOUT RECOMMENDATIONS
FOR SECRETARY OF THE TREASURY AND CHAIRMAN OF THE COUNCIL OF
ECONOMIC ADVISERS.



MINNESOTA HISTORICAL SOCIETY

Copyright in the Walter F. Mondale Papers belongs to the Minnesota Historical Society and its content may not be copied without the copyright holder's express written permission. Users may print, download, link to, or email content, however, for individual use.

To request permission for commercial or educational use, please contact the Minnesota Historical Society.



www.mnhs.org