



OFFICE OF THE VICE PRESIDENT

WASHINGTON

July 9, 1979

Central
MC15
NR 2-5
Memo ✓

MEMORANDUM FOR: THE VICE PRESIDENT

FROM: GAIL HARRISON

SUBJECT: RECAP OF SUNDAY'S CAMP DAVID MEETING
WITH OIL EXPERTS

Per Stu's report the following were the basic points raised at the meeting:

- There was agreement that the President needs to articulate clear 5 and 10 year goals for reducing imports and that he should make clear his willingness to back up those goals with import quotas if necessary.
- There was a general consensus that the ceiling of 8.5 million barrels per day of oil imports through 1985 was reasonable and that we should strive to reduce that level as much as possible by 1990.
- Most experts were agreed that a 2 million barrel per day synthetics program was about the maximum achievable by 1990 and that additional import savings would have to be achieved through conservation, coal conversion and other measures.
- There was universal agreement that at best we could look forward only to maintaining existing U.S. conventional crude oil production, and many believed that domestic oil production would continue to decline.
- On synthetics there was agreement that there should be one entity (disagreement was expressed over whether it should be independent or within DOE) with broad flexibility to use a variety of financing techniques and that the mandate of the new corporation or entity should include production of gas as well as synthetic liquids.

The following is a brief synopsis of the discussion on specific alternatives.

Shale

There was clear agreement that shale oil is the cheapest synthetic to produce but that it is water limited. Maximum production given water limitations was estimated at 500,000 to 700,000 barrels per day by 1990.

Coal Conversion

There was agreement that utilities with coal burning capability that are now burning oil should be required to shift to coal through mandatory legislation. This would save an estimated 400,000 barrels per day by 1985. (Note: I would treat this finding with caution since EPA reports that many of these burners are located in places like Queens, New York which could not shift to coal without endangering public health.)

Some expressed the view that we should accelerate the conversion of oil and gas utility boilers to coal for plants that are not presently coal capable. Two constraints were raised: the massive expense and the higher rates that customers would be required to pay.

There was agreement that no utilities should be building new oil burning boilers, but there was disagreement on how to treat new natural gas boilers. Some participants were very optimistic about future natural gas supplies; others felt that we might find ourselves with shortages within 5 to 10 years.

Coal Gasification

A number of people felt that coal gasification was much cheaper than liquifaction and that conversion of coal to methane was particularly promising. There is also fairly broad agreement that we should decontrol unconventional gas (e.g. gas from tight sands, Devonian shale, etc.)

Heavy Crudes

One of the most hotly disputed issues is the potential for production of heavy crudes including tar sands. There are major environmental problems (emission of steam in Southern California) and great uncertainties over the cost of refining this material.



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MEMORANDUM FOR: THE VICE PRESIDENT

FROM: GAIL HARRISON

SUBJECT: EPG MEETING: CAMP DAVID AGENDA

Attached are a copy of "draft" talking points prepared by Lyle Gramley to provide a brief overview of the economic outlook for this evening's meeting at Camp David. It will also serve as a reference point for tomorrow's discussion at which outside economists will be asked to provide their assessment of the economic outlook and options ahead.

Following Lyle's presentation this afternoon, Mike Blumenthal will probably lay out the alternatives:

- 1) continue present top priority on energy and inflation;
- 2) look at options to elevate concern about unemployment;
- 3) among the alternatives to help strengthen employment, options to maintain priority on anti-inflationary approaches such as: (1) reviving Real Wage Insurance; (2) adopting a social security tax cut; or (3) tax cuts aimed at stimulating business investment.

There appeared to be virtual unanimity at the EPG session on:

- 1) The inadvisability of a major new spending thrust apart from options that would provide relief against inflation and apart from the possibility of stepping up jobs under the CETA program and providing the fiscal aid proposed in the countercyclical revenue sharing bill;
- 2) The danger of easing monetary policy in view of potential negative impact on the dollar.

Memorandum for the Vice President
Re: EPG Meeting: Camp David Agenda
July 9, 1979
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There was some disagreement over the question of whether the President should move quickly to get ahead of the curve with an anti-recession proposal or wait until September when we have had confirmation of our forecasts through a couple of months of actual data. Lyle Gramley is inclined to move early. Blumenthal argues that we should wait in view of the radical change in budget policy that would be required.

Background Notes on the Economy

1. The economy in the second quarter was much weaker than we had expected.

- o Real consumer spending is declining sharply further.

- May retail sales are off 5 percent from December in real terms.

- Auto sales fell 15 percent in June.

- Large car sales are down 40 percent from the fourth quarter of 78 to June.

- Department store sales were also weak in June.

- o Principal reason for weakness of consumer spending is the squeeze on real wages.

- Average hourly earnings rose at about a 6-1/2 to 7 percent annual rate in the second quarter.

- Consumer prices up about 13 to 14 percent, annual rate. *7 to 7 1/2 percent*

- o Gas lines are also a negative factor.

- We can't quantify the effect.

- o Weakness in consumer spending is radiating back quickly to production and employment.

- Industrial production did not increase between March and May and probably declined moderately in June.

- Employment growth has moderated substantially

- Payroll employment rose 450,000 from March to June, vs. almost 1 million in the first quarter.

- Employment in manufacturing has declined in each of the last 3 months.

- o Unemployment has not yet risen

- The drop in the unemployment rate June to 5.6 percent affected only teenagers.

- Labor demand has been held up partly because of declining productivity.

2. Near-term outlook

- o Near-term outlook is not good.

- Only modest progress in reducing inflation, and the squeeze on real wages, likely in coming months.

- Employment growth may weaken further.

- Cuts in auto production have already occurred.

- Production schedules are being adjusted downward in other industries.

- If businesses begin strenuous efforts to improve productivity, labor demand could weaken substantially.

- o Real GNP apparently declined in the second quarter, and may drop again in the third.

- o A recession may already be underway; we can't be sure.

- If a recession occurs, it is likely to be mild.

- No overhang of excess inventories, except for large cars.

- No credit crunch.

- Business capital investment may hold up reasonably well; businesses are planning for the long run.

- Exports likely to show considerable strength.

3. Recent news on prices offers a ray of hope.

- o Producers' prices of finished goods were up 0.4 percent in May, 0.5 percent in June, compared an average monthly rise of 1 percent earlier this year.

- Food prices fell about 1-1/4 percent each month.

- Energy prices rose dramatically.

- Prices of finished goods excluding food and energy were up 0.6 percent in both months. vs. 0.8 percent average in first 4 months of the year.

- o Wage rates have not accelerated.

- Average hourly earnings rose at a 6-1/2 to 7 percent annual rate in the second quarter.

4. Longer-run outlook for inflation is worrisome.

- Spillover of price increases into wages a major concern.

- Rubber contract well over the guidelines. Other large contracts (especially autos) may pattern after the rubber contract.

- Nonunion employers are talking to us about need for a "catch up" for their workers in 1980.

- Some want 2 to 4 percent.

- We will need to adjust pay standards somewhat to maintain viability. Too large an adjustment would be damaging; but no adjustment might destroy the pay standard .

- Productivity growth continues to be dismal -- a further decline apparently occurred in the second quarter.

- Energy prices a major problem.
- Food prices next year may be up as much or more than in 1979. Grain crops abroad are not good; higher grain prices will feed through to meat prices next year.

Aspen, Colo.

July 6, 1979

John
5/13/79

DEAR Mr. Vice President:

When you called this morning to ask me to come to Camp David I was confronted with a dilemma. Two of my children have arrived here and this has long been planned to be a special weekend for us. My desire to be a good citizen and respond to the President was at odds with my desire also to be a good father. The latter won out only because I realized that the President would have his choice of good advisers by my kids (alas) have only one father. I regret that I cannot be there this weekend but am sure that you of all people will understand the choice I made.

With best regards,

Richard

July 23, 1979

MC15

Mr. Bill ^XMoyers
Aspen Institute for Humanistic
Studies
Aspen, Colorado 81611

Dear Bill,

Thanks very much for your note. I
certainly understand your feelings. It is
often easy to forget those ~~what~~ are closest
to us.

Hope to see you soon.

Warmest personal regards.

Sincerely,

Walter F. Mondale

MC16

July 18, 1979

X
Ms. Marilyn Gell, Director
X White House Conference on Libraries
and Information Services
1717 K Street, N. W.
Washington, D. C. 20036

Dear Ms. Gell:

It is our understanding that you are in the process of selecting delegates to the White House Conference on Libraries and Information Services. At this time we would like to call to your attention the name and background information of Mrs. Ling Yu and strongly recommend her selection as a delegate-at-large.

Mrs. Yu is presently supervisor and coordinator of the media department for the Reading Public Library, Reading, Pennsylvania. She holds memberships in the American Library Association, the Pennsylvania Library Association, the Pennsylvania Music Library Association, the Chinese-American Library Association, and is active on numerous committees pertaining to the above, as well as being active in Reading community affairs. She is also president of the Reading Chinese Association and principal of the Chinese Reading Club.

Mrs. Yu is well qualified for this position because of both her publishing and library experiences. She has strong management capabilities and has the ability to identify issues. She is not only familiar with traditional library services but also works closely with the latest information hardware, including A/V devices and films. She is familiar with the full range of print and non-print materials and has a special interest in the service of minorities relating to learning materials.

Mrs. Yu has authored numerous articles about library science and has been a consultant to Chinese publishers as well as a consultant to Lerner Publications Company. She has attended the Frankfurt Book Fair, the Jerusalem International Book Fair, and the Asia-Pacific Publications Conference, as well as the American Library Association conferences for the past six years.

We believe Mrs. Yu would be an excellent participant and hope that you will give her favorable consideration.

With good wishes.

Sincerely,

Michael S. Berman
Counsel to the Vice President

OFFICE OF THE VICE PRESIDENT

WASHINGTON, D.C.

July 9, 1979

TO: Monique

From: Mike



Please give this a strong
push...see who is doing it
here and what the deadlines
are, etc.

634-1527

653-6252
left word with Peggy's
office

Marilyn Gell, Director
WH Comp on Libraries & Info Ser.

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July 3, 1979

Vice President Walter F. Mondale
Attn: Michael S. Berman
Office of the Vice President
Old Executive Office Building
Washington, D.C. 20560

Dear Vice President Mondale:

One of our distinguished authors, Mrs. Ling Yu (COOKING THE CHINESE WAY), is desirous of being selected as a delegate-at-large to the White House Conference on Libraries and Information Services. Mrs. Yu would be an excellent participant and I urge that you recommend her to the appropriate body to include her in this Conference.

Mrs. Yu is presently supervisor and coordinator of the media department for the Reading Public Library, Reading, Pennsylvania. She holds memberships in the American Library Association, the Pennsylvania Library Association, the Pennsylvania Music Library Association, the Chinese-American Library Association, and is active on numerous committees pertaining to the above, as well as being active in Reading community affairs. She is also president of the Reading Chinese Association and principal of the Chinese Reading Club.

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(continued)

Vice President Walter F. Mondale
July 3, 1979
page two

Asia-Pacific Publications Conference, as well as the American Library Association conferences for the past six years.

The White House Conference is now scheduled for November 15, 1979, and selections for the delegate-at-large positions are to be made soon, probably the middle of July. Lerner Publications would be most pleased and honored to have one of its authors attend this Conference as a delegate. Your prompt recommendation on her behalf to the National Commission on Library Science would be greatly appreciated.

Sincerely yours,


Harry J. Lerner

HJL:ebk

P.S. The Conference address and Mrs. Yu's home address are as follows:

Mr. Charles Benton, Chairman
National Commission on Libraries
and Information Science
1717 K Street, N.W.
Washington, D.C. 20036

Mrs. Ling Yu
2515 Sherwood Road
Wyomissing, PA 19610



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