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THE PRESIDENTIAL RECORD

THE WHITE HOUSE

WASHINGTON

December 10, 1976

MEETING WITH THE SENATE REPUBLICAN WEDNESDAY GROUP

Monday, December 13, 1976  
3:00-4:00 p.m. (60 minutes)  
The Cabinet Room

From: Max L. Friedersdorf *M.L.F.*

I. PURPOSE

To comply with Senator Javits' request for the opportunity for the Senate Republican Wednesday Group to discuss the future of the Republican Party with the President.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background:

1. Senator Javits is hosting a luncheon for the Senate Republican Wednesday Group on Monday, and requested the opportunity to meet with the President while they are in town.
2. Besides the regular Senators who attend, several of the Senators-Elect will also be in attendance. They are: John Heinz (PA), John Danforth (MO), John Chafee (R.I.) and possibly Sam Hayakawa (CALIF).

B. Participants: The President, Senators Mark Hatfield, Bob Packwood, Ted Stevens, Bob Stafford, Lowell Weicker, Jacob Javits, John Heinz, John Danforth, John Chafee, Cliff Case and Sam Hayakawa. From the Staff: Jack Marsh, Dick Cheney and Max Friedersdorf.

C. Press Plan: Announce to the Press - White House photographer only.

III. TALKING POINTS

1. I'm delighted that you could come down this afternoon.
2. Jack (Javits), since we are meeting at your suggestion, why don't you lead off the discussion.

Original to Mike Duval to go in the

2 P.M. Meeting Package 12/11/76

4  
Coalition for  
Adequate  
Judicial  
Compensation

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December 10, 1976

RT  
The President  
The White House  
Washington, D.C. 20500

Dear Mr. President:

The Coalition for Adequate Judicial Compensation commends the report recently submitted to you by the Commission on Executive, Legislative and Judicial Salaries and respectfully requests your favorable consideration.

As this letterhead and reverse side of this page indicate, the Coalition is composed of more than 100 community leaders, former members of the Congress and a broad cross section of prominent members of the Bar. It was formed in June of 1975 under the sponsorship of the American Bar Association and is a natural outgrowth of the ABA's long record of support of fair judicial compensation.

On behalf of the Coalition, I have written to Peter G. Peterson, chairman of the Quadrennial Commission, to pledge the Coalition's support of the Commission's recommendations as they affect judicial compensation.

The Coalition was formed because of a growing concern that high standards of the federal judiciary would deteriorate under the decreasing purchasing power of present salaries. As the Quadrennial Commission pointed out, federal judges embark on a lifetime career when they accept a presidential appointment. They expect no opportunity to recoup from lower federal compensation by returning later to private life. Attorneys who are selected for the federal judiciary normally have attained high income levels. For the

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The President  
December 10, 1976  
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most part, they do not upgrade their incomes, and do not expect to. But it is our conviction that unless present income level is increased, erosion of the high standards of the federal judiciary is inevitable. The prestige of serving as a judge at an inadequate salary will not compensate the kind of attorneys we must have as judges. The Coalition also endorses the standards of conduct recommended by the Quadrennial Commission. Judges already are governed by similar standards of conduct. The Coalition likewise agrees that public acceptance of higher judicial compensation would be quick. The people of our country have a high regard for federal jurists.

The Coalition also supports higher salaries for the executive and legislative branches, and agrees with the analysis of them by the Quadrennial Commission. Since the Coalition was formed for the single purpose of supporting adequate judicial salaries, we have not commented further on the income levels of members of the other two branches of the federal government.

In this regard, the Board of Governors of the American Bar Association, on December 7, adopted a resolution in support of the Quadrennial Commission's recommendations, noting that "a crisis condition exists in the three branches (of government) because of the distressingly deficient pay scales which have been brought about by the demonstrated lag between those applicable to top personnel and those applicable to other governmental and non-governmental employees.

While endorsing the Quadrennial Commission's report, it is not the Coalition's purpose to suggest a specific dollar amount in increases of judicial salaries. Rather, our concern is that the principle of equity be fairly recognized. We are confident that your recommendations to the Congress will grant such recognition.

We are aware of your own leadership, Mr. President, regarding the areas of discussion covered by the Quadrennial Commission Report. We note particularly your remarks on July 13, 1975, before the Sixth Circuit Judicial Conference, your statement to the American Judicature Society in November, 1976, and your response, printed in the American Bar Association Journal of October, 1976, to the ABA's questionnaire in which you noted that you had "pressed for adequate pay for federal judges throughout (your) administration and will continue to do so."

The President  
December 10, 1976  
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We also recall with sincere appreciation your administration's leadership in the field of reform as evidenced by your letter of July 19, 1976, to the Speaker of the House and the President of the Senate transmitting a substitute to S.495, the Watergate Reorganization and Reform Act of 1975, the so-called Special Prosecutor Bill. Title III of your bill dealt directly with protection of the public's right to be assured that public officials, regardless of which branch of government they serve in, disclose financial matters which could give rise to a conflict of interest in the performance of their official duties.

The Coalition shares the concern expressed by the Quadrennial Commission about public sensitivity to what will appear to many as unjustifiably large increases for public officials. We believe we can be of significant assistance in gaining public acceptance of fair and equitable salary levels. Our own inquiries indicate that there already exists broad support for increased pay for the federal judiciary. Further, we believe we can help foster congressional acceptance of your proposals by direct contacts with the Congress from our membership.

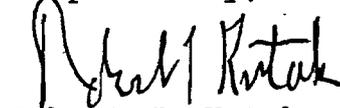
In summary, Mr. President, the Coalition wishes to be of all the assistance it can in support of your recommendations.

To that end, we respectfully suggest that it would be most helpful if you and the appropriate officials of your staff met at an early date with the congressional leadership, including representation from the Post Office and Civil Service Committees, to seek an accord on those salary levels which would have the maximum support of the Congress. Such consultation before the submission of your recommendations in your Budget Message would, we believe, greatly enhance congressional approval of your recommendations.

Representatives of the Coalition have had the privilege of preliminary discussions with members of the White House staff on this subject. We want you to know of our willingness to do all we can, both within the legal profession and among the public, to engender support for equitable judicial compensation.

We are prepared to provide any assistance that you desire.

Respectfully,



Robert J. Kutak  
National Administrator

RJK:baf

THE WHITE HOUSE

WASHINGTON

December 11, 1976

MEETING ON THE REPORT OF THE  
COMMISSION ON EXECUTIVE, LEGISLATIVE  
AND JUDICIAL SALARIES (PETERSON COMMISSION)  
Saturday, December 11, 1976  
2:00 p.m. (2 hours)  
Cabinet Room

From: Mike Duval



I. PURPOSE

To receive staff advice on the Peterson Commission Report and develop a plan for additional meetings (if required).

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

- A. Background: The attached memorandum summarizes the report and presents the issues raised.
- B. Participants: Dick Cheney, Mike Duval, Max Friedersdorf, Alan Greenspan, Jim Lynn, Jack Marsh, Ron Nessen, Paul O'Neill, Art Quern (for Jim Cannon who is out of town), Ed Schmults and Brent Scowcroft.
- C. Press Plan: Announced, no press photo

III. AGENDA

You may wish to use the sections on Decisions and Implementation (starting on page 13) in the attached memorandum as an agenda for this meeting.

THE WHITE HOUSE

WASHINGTON

December 11, 1976

MEMORANDUM FOR: THE PRESIDENT

FROM: MIKE DUVAL *MD*

SUBJECT: Report of the Commission on Executive, Legislative and Judicial Salaries.

PURPOSE OF MEMORANDUM

This memorandum summarizes the Commission's Report and presents the issues which require your decisions.

First is a background section which describes the history of the Commission and the substance of its report. This is followed by an analysis of the major policy issues raised by the report along with the implications of the alternatives you face. The next two sections respectively deal with the specific, substantive questions raised by the Code of Conduct and compensation issues. The sixth section presents all the issues along with staff recommendations in decision format. The final section discusses the alternatives available to implement your decision.

BACKGROUND

The Organic Statute for the Commission on Executive, Legislative and Judicial Salaries, created a nine member Commission to review the rates of pay of certain high-level government officials from all three branches. (The text of the statute can be found at Appendix A of the attached Commission report which is at Tab A.) The statute requires the following action by the Commission and the President:

"REPORT BY THE COMMISSION TO THE PRESIDENT -- The Commission shall submit to the President a report of the [appropriate pay levels and relationships between and among the respective offices and positions covered by the review] together with its recommendation.

"RECOMMENDATIONS BY THE PRESIDENT WITH RESPECT TO PAY -- The President shall include in the budget next transmitted to him by Congress after the date of the submission of the report and recommendations of the Commission . . . his recommendations with respect to the exact rates of pay which he deems advisable for those offices and positions within the purview of [the Organic Statute]."

It is clear from the statute that you are required to make recommendations with respect to the exact rates of pay which you deem advisable. This could be done with a simple one line statement in your Budget or with as high visibility as a special message to Congress in addition to a recommendation in the Budget.

The statute only refers to Commission work concerning rates of pay. It is clear that the Commission's recommendations concerning a code of conduct are outside the purview of the statute.

The Commission's report makes two key recommendations.

- That there should be substantial pay increases for high ranking governmental officials. (Executive Branch 32%, Legislative Branch 29%, and Judicial Branch 44%.
- These salary increases should be coupled with the imposition of a new code of conduct on all three branches.

The Commission made the following specific recommendations concerning a code of public conduct:

- All individuals (from the three branches) should be required to disclose their financial affairs to an appropriate authority.
- All employees should be prohibited from receiving honoraria, legal fees, gifts, or the proceeds of testimonial dinners, etc. for their personal use, and any other compensation for services rendered which might have, or appear to have an influence in the conduct of the public's business.
- Tight but reasonable provisions should be developed in order to eliminate -- or at the very least minimize -- those conflicts that necessarily arise when the economic investment interest of the individual falls within the scope of the public responsibility.

- There should be more consistency in the availability of legitimate expense allowances in all three branches of the government, including domestic and -- when appropriate -- foreign travel, entertainment granted and received, and gifts. Such allowances must not be used as a substitute for income.
- Restrictions should be imposed so as to ensure the top executives, judges, or legislators do not compromise either their objectivity, or total devotion to the job by any arrangements that they may make while in public employment with respect to subsequent employment or other relationships.
- The code of conduct regulations should be broadly applicable across all three branches of government.
- An appropriate body or bodies should be established -- or if an existing one is to be so charged, it should be strengthened -- to ensure that these requirements are fully enforced and that all information disclosed under the Code of Public Conduct is regularly and adequately audited and publicly reported.

The report goes on to suggest a Presidential meeting with the Chief Justice and the leadership of the Senate and House in order to get the following commitments:

- To the principles of the code.
- To prompt action.
- To a new mechanism to implement the recommendations.

The report recommends that we draft legislation to create an intergovernmental commission which would develop a specific Code of Public Conduct and mechanisms to oversee and administer the code. They recommend that the legislation be submitted with the budget message.

The Commission has relied on the following principles concerning compensation:

- Comparability with the private sector is not a suitable basis for setting pay for the Government's top officials. Instead, pay should be set at the lowest rate that will allow the Government to attract and retain the best qualified individuals.

- Pay must be high enough to allow people to serve without other income sources.
- Because of the "psychic income" of higher level jobs (such as the Cabinet) the pay differentials between the Executive Schedule levels should be less as you go up the scale.
- If the pay level is set at the lowest level to attract competent people, it must be adjusted regularly to ensure that it does not fall substantially behind increases in the cost of living.
- Linkages between the three branches should be disregarded because we are dealing with entirely different jobs with different responsibilities and the career anticipation patterns very sharply.

The Commission's report makes the following recommendations concerning compensation:

- In order to alleviate the "cash flow" problem of non career appointees, they should be allowed to defer Civil Service Retirement contributions until after they have served for five years.
- Newly elected Members of Congress and executive appointees should be reimbursed for moving expenses, travel expenses, and subsistence while seeking permanent housing.
- Members of Congress should receive either an allowance or tax deduction of up to \$5000 per year (in addition to the current \$3000 deduction) to reimburse them for the expense of maintaining two residences.
- The following are the recommendations concerning salaries:

The largest pay increases are recommended for the Judiciary because judges tend to make government service a permanent career.

Larger increases are recommended for the lower executive levels than for the higher because of "psychic rewards".

The increases should be all at once, rather than phased because the need is immediate and it is best not to let the problem continue to fester.

A smaller percentage increase is recommended for Congress compared to the other branches, but this is partially off-set by their proposed housing allowance. On a dollar basis, Congress would get \$57,500, plus the \$5000 housing allowance compared to \$60,000 for Level II. Some compression will remain at the top of the GS levels. The Commission believes this is beneficial because it will impose some "cost discipline" on the super-grades. They feel that this is where the cost exposures are greatest and also where they have the least faith in the system's ability to measure need and worth. Also, they question the validity of the supergrade comparability rates primarily because they do not give proper weight to the cost of generous fringe benefits such as the early retirement feature of the pension plan.

The Commission recommends the creation of a permanent quadrennial commission made up of private citizens with significant staff support. Such a commission would address the following types of problems: periodic analysis of total federal compensation, cost of living increases, pension benefits, life insurance, and classification of positions.

Finally, to provide further perspective by way of background information, I have spoken to pollsters Daniel Yankelovich and Bob Teeter. Both agree that this is a highly volatile issue because of a very strong feeling in the country that government officials are paid too much as it is and do not deserve further increases. Both agree that, while your support for the Commission's findings could result in a positive public reaction, there is a likelihood that the opposite would occur.

Yankelovich, (whose polling firm did some work for the Commission) believes that your endorsement of the Commission's findings would greatly add to the symbolism of your final days as President by either showing you as (1) assisting old buddies with a pay increase as you leave or (2) as taking a courageous step which will result in giving the American people a better government.

He points out that the public can be made to understand and accept the concept that good government and elimination of the last vestiges of Watergate require an elimination of the mixed motives that result with outside income sources for government officials and the obvious need to attract the very best people in government and give them a sensible code of ethics to follow. Yankelovich says that public reaction will be largely determined by how your decision is presented. If you decide to accept the Commission's approach, this is an inherently believable conclusion if presented in a firm and sensible way that the people can understand.

Bob Teeter thinks that the general public reaction will be very negative (but you should nevertheless adopt the Commission's recommendations because they are right.) He believes that your best course of action is to announce your decision in a clear and forceful way but time it for Christmas week. He recommends against any middle ground such as a lesser increase without the code of conduct because this will be perceived as a compromise which serves the interest of no one.

#### THRESHHOLD ISSUES

The following are general questions which are raised by the Commission's report:

1. What are the implications of the President taking an active and visible role in connection with the report?

It is obvious under the statute that you must take some action. Probably the safest course (from a public perception standpoint) is for you to propose further study of the entire compensation question (including non-executive lower level positions) coupled with a very modest increase to cover cost of living in the FY 77 budget and strong endorsement of the principles established by the Commission concerning the code of conduct. You could then participate in several events (such as meeting with Congressional and Judicial leaders) designed to give high visibility to the need for a code of conduct.

On the other hand, you can of course decide to go forward with the fundamental recommendations of the Commission with the understanding that there will be a risk of severe public criticism but the possibility of a positive response depending on how your decisions are communicated.

The following are some arguments of why you should adopt the Commission's approach (major pay increase) which will mean a highly visible role for you:

- There is a need for Presidential leadership to solve this problem which has existed for many years. Many of your advisers believe a large pay increase can be justified.
- Without your strong leadership, a large pay increase is highly unlikely.
- If the press believe the arguments of the Commission, you may be criticised for not demonstrating leadership.

The following are some reasons for rejecting the Commission's recommendations and avoiding a highly visible role concerning the report:

- This may be a no-win proposition and therefore why take the risk.
  - If you do not take a leadership role, the likelihood is that there will not be any major pay increase. This might have the benefit of keeping down the rate of growth of government, and making it likely that people who have achieved private-sector success continue to serve in government.
2. Should the code of conduct be linked with the compensation issue?

As stated above, the Organic Statute does not give the Quadrennial Commission any charter to recommend a code of conduct or otherwise deal with any issue other than the executive pay question. By linking the two issues there is a possibility that the code of conduct proposal will be "contaminated" and the public will view the pay increases as an unfair "price" for code of conduct reforms which should occur on their own merit.

One argument for linking the two is the obvious political reality that this may be the only way to get the necessary pay increase. A substantive argument is the obvious need to know whether outside income is permitted before setting salary levels.

To some extent, public support or opposition will be shaped by how real they perceive the commitment to the new code of conduct.

One way of assuring, at least in public perception, the commitment of both the House and Senate to follow through on the code of conduct, would be by language in your transmittal of the pay package making it clear that acceptance by the Congress -- by not vetoing the pay increase within the 30 days -- will be taken by you and the American people as a commitment of both the House and Senate on the code.

There is another approach which would likely provide very strong evidence of commitment to the new code of conduct. You could make the pay increase contingent upon Congress passing legislation within 30 days to create the ad hoc commission to propose a new code. A variant of this approach could include a provision which makes the pay increase contingent on the passage of Resolutions in both Houses of commitment to the code of conduct concept.

3. Would implementation of the report recommendation result in any constitutional and/or serious policy problem?

Phil Buchen's office points out that there is a Constitutional problem with the basic Organic Statute which provides for the pay increase in your budget subject only to disapproval by either House of Congress within 30 days. However, Counsel's office states that this problem can be ameliorated by your requesting an affirmative vote by the Congress on the pay increase and -- in any event -- there will be subsequent appropriation bills.

Also, there are potential Constitutional problems in developing a code of conduct and implementing mechanisms covering all three branches. These probably can be avoided with careful drafting of the legislation creating the ad hoc commission to develop the code.

From a standpoint of policy, there is obviously the great danger in your making any recommendations to the other branches concerning how they control the conduct of their members/employees. I frankly think that the public would be receptive to your taking a firm leadership role in this area given the fact that you have served for a quarter of a century in Congress and are now viewed as a national leader with no personal stake in the decisions you make in your remaining days as President.

CODE OF CONDUCT ISSUES

The following issues are raised because of the Commission's recommendation that a code of conduct be adopted government-wide in connection with the implementation of their recommended pay increases.

1. Should there be a single set of principles governing a code of conduct for all three branches?

The Commission's report is not clear as to why they believe there should be a common Code of Conduct for all three branches. Although logic suggests that common principles should apply to the conduct of officials from all three branches, the Commission specifically recommends that code of conduct regulations should apply to the three branches.

This may be a problem of semantics because Pete Peterson advised me by telephone that the Commission's intent is that there should be a common set of principles but that each branch would be responsible for the details of its own code of conduct.

2. What mechanism should be used to develop a draft code of conduct?

Notwithstanding Pete's interpretation of the Commission's intent concerning applicability to the three branches of such a code, their report does recommend that you submit specific legislation which would result in the creation of an inter-governmental commission to develop (after consultation with the branches) a specific Code of Public Conduct and set up mechanisms to oversee and administer the code.

This Commission would be under a legislative mandate to submit regulations or legislative proposals where required within 180 days which would set forth precise rules to put the principles of the code into effect.

There is, of course, a great danger in such an approach. As stated in the Peterson Commission Report, there would have to be some continuing mechanism to review compliance with the code of conduct. The creation of such an entity carries with it an enormous risk for abuse.

An alternative approach would be to create an ad hoc intergovernmental commission to study the code of conduct issue and make specific recommendations to each branch separately after developing a common set of principles. Each branch could be charged with the responsibility of creating its own enforcement mechanism with the ad hoc commission recommending certain guidelines such as strict public disclosure.

The Peterson Commission Report suggests that such a commission be given 180 days to complete its work. This may be unrealistic given our experience in developing a legislative alternative to S-495 the "Watergate Reorganization and Reform Act."

3. What subjects should be covered by the proposed code of conduct envisioned in the legislation submitted by the President?

The Peterson Commission recommends that the following subjects be covered in such a code: disclosure, restrictions on outside income, conflict of interest, allowances, post service employment and auditing. Some of your advisors believe that there may be additional matters which should be covered.

4. To what extent should legislation submitted by you guide the ad hoc commission on such issues as what form should the code(s) of conduct take (e.g., by statute) or what mechanism should be used to implement or enforce the code(s)?

This is a complex subject which needs more staff work.

#### COMPENSATION ISSUE

The Peterson Commission Report raises the following questions concerning compensation:

1. Should you take action to deal with the problem of executive level compensation only or should you insist on total reform of the federal employment system including lower grade levels?

There are obvious problems in the current Executive Branch Civil Service System, such as so called "grade creep", and a strong argument can be made that it makes no sense to improve the tip of the iceberg while leaving the larger problem untouched.

If, however, you decide to take action in this area you probably are going to have to accept a less than perfect solution in order to have a reasonable chance of making some progress. For example, linking the code of conduct with the pay increase may not be a perfect solution but it may be the only practical alternative. Likewise, I doubt it's possible to come up with a reform package for the entire federal employee system between now and submission of the budget. Since the Peterson Commission was permitted only to look at executive pay levels by statute, it makes some sense to deal only with this problem but identify the fact that there is still a great need for additional reform.

2. Should there be linkage between the various jobs within each branch?

As the Commission noted, there is no historical linkage among the various positions and they could not find a persuasive rationale for its rigid application. Undoubtedly the central reason for its existence is the political reality that Congress finds it easier to raise their own salary if they receive pressure due to the linkage factor from the other two branches. Indeed the political argument appears to be the only case that can be made for maintaining linkage.

3. Assuming you decide to propose some increase, at what level should the salaries be set?

Although there has been criticism of the Peterson Commission report, it is generally a visceral reaction to any pay increases for governmental officials. Many of your advisers accept the Commission's figures as as good as any. Several people have suggested that the pay increases could be phased in order to reduce the adverse political impact of such a decision. The problem with this, of course, is that any phasing-in would take you closer to the 1978 elections and this could aggravate rather than diminish the political impact.

Other advisers strongly object to such large increases.

See Tab B for the specific salary recommendations.

4. Should there be a relocation cost allowance and \$5000 annual allowance for the second residence for Members of Congress?

The Commission recommends in favor of both allowances. There seems to be a good case in terms of the realities of private sector competition for the relocation allowance. The principle argument against the \$5000 annual allowance or tax deduction for the second residences of Members of Congress is that this should be included in their salaries directly rather than treating it as an allowance or tax deduction.

5. Should there be a permanent Quadrennial Commission to periodically recommend increases in salary and for other purposes?

The Peterson Commission Report recommends that such a permanent commission be established. This may have resulted from their inability to deal with the question of annual cost of living adjustments. While recognizing the need for some adjustment on a periodic basis, they rejected recommending cost of living adjustments on the grounds that it would be perceived as a bad example to the rest of the country. Indeed none of your advisers urge adoption of a cost of living adjustment for the obvious policy and public reaction reasons.

The major opposition to the permanent Quadrennial Commission idea comes from the Civil Service Commission. Bob Hampton argues that it would be duplicative of the responsibilities that are currently placed in OMB, the Civil Service Commission and the Advisory Committee on Federal Pay.

One obvious alternative is to charge the ad hoc Commission with the responsibility of making a recommendation to the President and Congress as to whether or not a permanent Quadrennial Commission is required.

TENTATIVE POLICY DECISIONS

The following specific issues are listed in generally the same order as presented in the preceding sections. For purposes of presentation only, there is an implicit assumption that each decision is affirmative thus triggering the need to address successive issues.

Also, these are presented as tentative decisions because you may wish to consult with others before reaching final decisions.

See Tab C for staff recommendations and comments. Your advisors have not commented on all the issues identified below but are expected to do so at today's meeting.

GENERAL ISSUES

1) Should you take a highly visible role in connection with the Report?

- Very risky in terms of public reaction, but if you do act, do so boldly and with a very good press plan. (Teeter, Yankelovich)
- May compromise your reputation for fiscal conservatism. (Marsh)

DECISION:

2) Should you adopt the Commission's basic approach, i.e., a substantial pay increase tied to a new code of conduct?

- Most of your advisers that have commented, do not flatly support the Commission's recommendations.
- Jim Cannon supports the Commission while Phil Buchen and General Scowcroft concur in general but question the timing of the salary increases. Secretary Kissinger and Chairman Bob Hampton support the salary increases. Jack Marsh, Max Friedersdorf and Bob Hampton question linking the code of conduct and pay increases.

DECISION:

3) By what mechanism should the pay increase be linked to the code of conduct?

- The Commission recommends direct linkage.

DECISION:

4) Would implementation of the report result in Constitutional problems?

- Bob Hartmann believes that there is a serious constitutional problem in having any single agency monitor the conduct of the three branches.
- Phil Buchen's office says that the basic 30-day Congressional veto procedure is unconstitutional.

DECISION:

#### CODE OF CONDUCT ISSUES

5) Should there be a single set of principles for all these branches?

DECISION:

6) How should the code of conduct be drafted?

- The Peterson Commission recommends that a new commission be created by statute and draft the code in 180 days.
- Some of your advisers believe each branch should develop its own code, perhaps adhering to a common set of principles.

DECISION:

7) What subjects should be covered by the proposed code of conduct?

- The Peterson Commission recommends that the following be covered: disclosure, restrictions on outside income, conflict of interest, allowances, post-service employment and auditing.

DECISION:

8) Should you propose that the code be statutory or rules adopted by the respective branches and how should the code be implemented?

- There seems to be general agreement among your staff that a detailed code should not be imposed on all branches by a single commission and that implementing power should be controlled by each branch separately. Some intergovernmental entity may be appropriate for limited purposes.

DECISION:

COMPENSATION ISSUES

9) Should you take action to deal with executive pay only or should you insist on total reform of all pay levels?

- Jack Marsh argues that these matters should be addressed together -- not executive pay alone.

DECISION:

10) Should there be linkage between the various jobs within each branch?

- The Peterson Commission recommends against linkage.
- Bob Hampton believes Congress may object to this, thus defeating the pay increase.

DECISION:

11) Assuming an increase, at what level should the salaries be set?

- NOTE: Phil Buchen notes that the Chief Justice wants an opportunity to speak to you if you are considering a substantial reduction in the judicial salary levels proposed by the Commission.
- Jack Marsh, Alan Greenspan do not support the recommended pay increase.
- Buchen's office and Greenspan suggest that an increase be phased in.

- An alternative favored by some on your staff is to raise judicial salaries in accordance with the Commission's recommendation and give the Legislative and Executive Branches a modest cost of living increase.

DECISION:

12) Should there be a relocation cost allowance for government officials?

- The Commission proposes this and there have been no specific objections raised.

DECISION:

13) Should Members of Congress receive an additional \$5000 allowance for second residences? Should it be in the form of a tax deduction?

- The Commission recommends this but Greenspan opposes.

DECISION:

14) Should there be a permanent Quadrennial Commission to periodically recommend salary increases and for other purposes?

DECISION:

IMPLEMENTATION ISSUES AND DECISIONS

You probably will have to make a decision concerning the Commission's recommendations for a pay increase prior to departure to Vail in order that it will be reflected in the Budget. If you decide to sever the code of conduct and compensation issues, there is no need to deal with the former until January. However, as a political reality you probably cannot announce your decisions on the Budget in January without making some public statement concerning the Peterson Commission recommendations concerning a code of conduct.

On the other hand, you may wish to consult with Congressional and Judicial leaders both on the question of whether or not the two proposals should be linked as well as the specific merits of each. In this case you will probably will want to have such meetings next week which will allow your decisions to be reflected in the Budget.

The following issues will need to be resolved concerning pre-decision consultation (to occur next week):

- Do you want Jack Marsh, Max Friedersdorf and others to take informal soundings on the Hill?
- Should you consult with Congressional and Judiciary leaders as a group?
- If you decide to separate the Congress and the Judiciary, should you meet separately with House and Senate leaders?
- Should you meet with any outside groups such as the Peterson Commission?
- Should you meet with additional Administration officials such as Bob Hampton?
- Should you seek any commitment from Governor Carter before announcing your decisions?

If you decide to go forward with a major pay increase linked to some action on the code of conduct, we will have to develop a very effective press plan in order to avoid the risk described by Yankelovich and Teeter.

TABLE 1  
 COMMISSION ON EXECUTIVE, LEGISLATIVE AND JUDICIAL SALARIES  
 RECOMMENDED PAY RELATIONSHIPS OF TOP FEDERAL OFFICIALS<sup>1</sup>

(Selected Positions - See Table 1 for all Positions)

SALARY (\$000)	EXECUTIVE	LEGISLATIVE	JUDICIAL
80	Vice President - \$80,000	Speaker of the House - \$80,000	Chief Justice - \$80,000 [3.2%]
78			Associate Justice - \$77,500
76			
74			
72	[18.5%] <sup>2</sup>	[23.1%]	[19.2%]
70			
68			
66	Level I - \$67,500		
64	[12.5%]	Pres. Pro-Tem, Maj & Min Leaders - \$65,000	Circuit Judge - \$65,000 [4.8%]
62		[8.3%]	District Judge - \$62,000
60	Level II - \$60,000	Comptroller General - \$60,000 [4.3%]	[8.8%]
58	[5.3%]	Congress - \$57,500 [0.9%]	
56	Level III - \$57,000	Asst. Compt. Genl. - \$57,000	Director, Admin Ofc of Courts - \$57,000 [7.5%]
54	[7.5%]	[7.5%]	
52	Level IV - \$53,000	Librarian - \$53,000	Bankruptcy Judge - \$53,000
50	[8.2%]	[8.2%]	
48	Level V - \$49,000	Deputy Librarian - \$49,000	
46			



FOOTNOTES:

<sup>1</sup>Recommended salaries and inter-level pay differentials.  
<sup>2</sup>Percentages in brackets are the inter-level pay differentials.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: December 6, 1976

Time:

FOR ACTION:

cc (for information):

✓ Phil Buchen  
✓ Jim Cannon

✓ Bob Hartmann  
Jim Lynn

✓ Max Friedersdorf  
✓ Alan Greenspan

✓ Jack Marsh  
Paul O'Neill

✓ Bill Seidman  
✓ Brent Scowcroft

FROM THE STAFF SECRETARY

DUE: Date: Wednesday, December 8

Time: c. o. B.

SUBJECT:

The Report of the Commission on Executive, Legislative and Judicial Salaries  
December 1976

ACTION REQUESTED:

\_\_\_ For Necessary Action

X For Your Recommendations

\_\_\_ Prepare Agenda and Brief

\_\_\_ Draft Reply

X For Your Comments

\_\_\_ Draft Remarks

REMARKS:

The President has asked for senior staff comments on the attached report focusing on the following:

- (1) Overall structure of the report
- (2) Salary Structures recommended
- (3) Standards of Conduct
- ((4) How do we proceed?

X Friedersdorf - comments

X Hartmann - comments

X Marsh - comments

X Scowcroft - comments

*X copies to make Oural*

X Seidman - all comments

X Buchen - comments

X Greenspan - comments

X Cannon - comments

*OMB giving info direct to Mike Oural  
memo -*

*1 copy to Mike Oural who will be doing  
2 extra copies to Phil Buchen*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor  
For the President

MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

December 9, 1976

MEMORANDUM FOR: JAMES CONNOR  
FROM: BRENT SCOWCROFT   
SUBJECT: Report of the Commission on  
Executive, Legislative and Judicial  
Salaries

I have reviewed the Report of the Commission on Executive, Legislative and Judicial Salaries. The Commission has done an excellent job and the report is a thoughtful presentation of a very complex and important issue.

While I agree with the principle of providing compensation to high-level government officials which corresponds approximately with their counterparts of similar responsibility in the private sector, I am concerned that isolated weaknesses and the unfortunate coincidence of an economic pause with the report's submission may lead to rejection of the many worthwhile points made in the report. Specifically, I believe that notwithstanding the gross disparities between the salaries of the highest government officials and their counterparts, it is unrealistic to expect public or Congressional support for increases of the magnitude recommended in the report. The probable result is rejection of any increase and the discrediting of the very worthwhile analysis that has been done. Although the Commission has tried to take this factor into account and has proposed increases amounting to less than the corresponding rise in living costs, it remains very doubtful that support could be gained for increases on the order of 20 - 40%.

In addition, I believe that further analysis should be given to the precise correlation of the five Executive Levels to positions in the Judicial and Legislative Branches.

The little time available for review has prevented detailed analysis essential to a more constructive comment. The matter of compensation is extremely important and will have a vital impact on the quality of persons attracted to service in the Federal Government. I recommend,

however, that the report be referred for further review which will take into account the realities of public and Congressional support of Federal expenditures and the matter of inter-branch position correlation mentioned above.

THE SECRETARY OF STATE  
WASHINGTON

RF

LES TO:

November 15, 1976

MEMORANDUM FOR: THE PRESIDENT

From: Henry A. Kissinger *HK*

Subject: Federal Wage Policy

I would urge you, in your upcoming review of proposals by the Commission on Executive, Legislative and Judicial Salaries to consider particularly the situation in the Department of State's executive ranks, both in Washington and in the Foreign Service abroad. We are continuing to lose some of our best officers because of the large disparity between their salaries and those in the private sector. When our ablest Foreign Service officers reach the \$39,600 salary ceiling, they have at present no prospect of pay increases to match the assumption of senior policy and management responsibilities in years to come.

The probable loss of many of our best senior officers, while still in their most productive years, leads me to recommend strongly that pay levels for senior Foreign Service grades be allowed to rise significantly. The likely alternative, further substantial losses from our senior ranks, must inevitably cause impairment of this country's capacity to deal with its problems and challenges in international affairs.

The course of inflation has made the situation worse than it was when I sent you my memorandum of December 2, 1974 urging an executive pay raise; worse than that described in the Comptroller General's report of February 25, 1975, which showed that the

salary of a GS-18, or Foreign Service Officer of Class 1, was about half that of salaries for positions of equivalent responsibility in the private sector.

It would be a grave misfortune if our failure to provide proper compensation for our officers should turn back the clock and make the formation and implementation of foreign policy a profession reserved for the rich. Our program for equal employment opportunity might then appear a sham. Yet either that, or a decline in the standards of the Foreign Service, is the prospect we face if we cannot improve executive compensation.

THE WHITE HOUSE

WASHINGTON

December 8, 1976

MEMORANDUM FOR: JIM CONNOR  
MIKE DUVAL

FROM: ED SCHMULTS   
KEN LAZARUS

SUBJECT: Pay Commission Report

Counsel's Office has reviewed the report of the Commission on Legislative, Judicial and Executive Salaries and offers the following:

(1) Overview. As you may be aware, the Commission's powers under its enabling authority are solely advisory in nature. The responsibility of the President under the statute, on the other hand, requires that he include within the upcoming budget his recommendations with respect to the exact rates of pay which he deems advisable for those offices and positions within the purview of the organic act. Although this recommendation is the only legal requirement imposed upon the President, he is, of course, free to go beyond this limited role and comment on related features of the report, i.e., "uncoupling", a code of conduct, etc.

(2) Constitutional Infirmity. The Commission's enabling statute provides that the pay recommendations of the President shall become law unless disapproved by either House of Congress during a period of 30 days following the transmittal of such recommendations. Counsel's Office and the Department of Justice believe that this legislative scheme is unconstitutional. We might note in this regard, however, that our case in opposition to this legislative scheme is weakened to the extent that this legislation contemplates a subsequent appropriations bill carrying forward the increases in customary legislative fashion.

(3) Technical Point. We have been advised by the staff of the Commission that a "final report" will be forthcoming next week to improve upon the general format of the draft which is currently before us and to correct certain minor technical errors.

(4) Proposed Response. It is our view that the President should go beyond the bare legal requirements of the organic act and issue a message to accompany his budget on the subject of pay reform. In this regard, Counsel's Office recommends that the President generally support the need for certain pay raises in the Legislative, Executive and Judicial Branches and endorse the general architecture of the Pay Commission's report subject to the following considerations:

(a) Although the recommended salary levels proposed in Table II of the report represent reasonable goals, it would be inconsistent with the public sensibilities on this subject to propose immediate increases of this scale. Rather, we would see these figures as goals to be pursued over a three-year period. Therefore, we would suggest that the President this year formally recommend increases of one-third of the levels of increase proposed by the Commission.

(b) Due to the constitutional restraints the President should also request that these increases be made in the form of affirmative legislation.

(c) The President should generally endorse the concept of coupling reform of our conflict laws with the pay increases. This position dovetails with our comments on the constitutional defect presented here.

(d) By staging these increases over a three-year period, the President can also make clear that there is a necessity for fundamental reform of the general pay schedules of government to insure that people do not receive unwarranted increases as they are caught up in the current of this plan. Stated another way, during recent years, many government people have received grade increases in order to achieve a desirable salary and in many instances, substantial increases in that level would warrant a reevaluation of their GS rating. A three-year stage of pay increases would allow time for a reevaluation of this situation.

(5) Prospects. In the past, Congress has approved pay raises only in instances where (1) the Congressional leadership was personally lobbied by the President and an agreement reached in advance; and (2) in instances where the rate of increase proposed for Congressmen was equal to the increase received by others in the government. Assuming the President does not meet with the Congressional leadership on the question in advance of his budget message, there would appear to be little or no chance for Congressional silence on the proposed increase since (1) we can anticipate that Senator Allen, Helms or some other fiscal Conservative will bring the question to a vote, and (2) given the fact that Congressional increases would be substantially less than others proposed for judges and Executive Branch personnel, a resolution of disapproval would likely carry. In order to allow for reasonable prospects for any success here, the President would have to meet with the Congressional leadership in order to preclude a vote on his recommendation.

(6) Note: We should also indicate here that Phil Buchen has been approached by the Chief Justice who requests the opportunity to speak to the President on this issue should the decision be reached to substantially reduce the judicial salary levels proposed by the Commission. Moreover, we are being rather heavily lobbied by various bar associations in support of the judicial salary increases and would, therefore, appreciate being kept informed as to any future developments in this regard.

cc: Jack Marsh

THE WHITE HOUSE

WASHINGTON

December 10, 1976

MEMORANDUM FOR: JIM CONNOR

FROM: JIM CANNON 

SUBJECT: The Report of the Commission on  
Executive, Legislative and Judicial  
Salaries - December 1976

Here are my comments to the questions posed:

1. The overall structure of the report reflects the excellent work performed by this Commission. They raise good questions and correctly note that salary cannot be viewed simply in terms of "comparability" with industry. Public trust in public employees is an element, as is the psychic value senior officials receive from the performance of their jobs. The report also correctly questions whether it is logical to link certain jobs in the 3 different branches to identical pay levels.
2. The salary structures and levels recommended are justified given the level of the work to be performed and the other factors used in the analysis. I concur with the specific recommendation that the amount of salary increase should decrease as a percentage as you move up the ladder rather than the reverse situation which now exists.

I concur with the specific salaries recommended in Tables 1 and 2.

3. The proposal for more precise and relatively uniform standards of conduct is excellent. Linking the overdue salary increases to an equally overdue reform of Government standards of conduct clearly makes sense, and will be supported by serious students of public affairs.

4. I concur with the recommendation that before the President takes any action he should convene a meeting with leaders of the legislative and judicial branches. He should also urge creation of the proposed Commission to develop a specific code of public conduct.

The report also recommends creation of a new permanent quadrennial Commission rather than the temporary ones (as this) appointed every four years. I agree.



THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

December 8, 1976

MEMORANDUM FOR JIM CONNOR

FROM: ALAN GREENSPAN

SUBJECT: Report of Commission on Executive, Legislative  
and Judicial Salaries

The report does not offer convincing evidence that the current pay schedule for high-level government officials, civil service or appointed, is inefficient for satisfying the government's requirements for executives. I have no objections to the overall structure of the report. However, the report does not adequately establish the case for the proposed salary structure. It would be difficult to defend a sudden increase of 20 to 47 percent for high-level government officials given that they did not experience unemployment in the last few years. Gradual increases would be viewed as more reasonable. Since the proposed wage increases are arbitrary, the Administration is best off endorsing the principle of gradual increases, without endorsing the particular magnitudes. The standards of conduct (item 8 below) should be sufficiently broad as to avoid particular problems that specific standards might entail. The report could be released in the interest of promoting full public discussion of these issues, with a Presidential endorsement of relaxation of salary caps and stronger conflict of interest provisions, but without endorsing the specifics of the Commission report. Some more detailed comments follow.

(1) The report indicates that nongovernmental executives tend to view a government job as a form of investment in training. The sacrifice of earnings to take the job (23 percent on average) is more than compensated for by the rise in earning opportunities after leaving government (on average an 84 percent rise in salary over the government level when return to private sector.) Apparently, the government employment broadens their experiences and makes them more valuable in the private sector. The report does not present evidence that these persons are less



effective in the government job than others who prefer not to undertake this form of investment.

(2) The report indicates that among career civil servants in the super-grades the cap on salaries makes government jobs less attractive than private sector jobs. This ignores many attractive benefits of government employment including the relatively high pension with early retirement provisions and the stability of employment. In part, middle-level private sector executives receive high salaries because of the uncertainty of employment and problems of reemployment if they lose their job. The attractive alternative for super-grades appears to be retirement with the government pension, rather than leaving government for another executive position prior to retirement age. This raises the question as to whether the pension is too generous for the super-grades. In addition, the report ignores the problem of grade-inflation in the last few years.

(3) The report does not address the issue of the beneficial effects of turnover among executives through retirements when civil service restrictions make replacement difficult if not impossible. Raising salaries relative to pensions would decrease retirements, but would require more aggressive policies to replace high-level civil servants who are no longer as productive as their salary and position would require.

(4) There is a serious problem of salary compression, where GS-15 (higher steps) to GS-18 earn the same salary, which now exceeds that of Executive Level V. Studies of the earnings of Federal Government and private sector workers of the same measurable characteristics (e.g., age, schooling, work experience, area, etc.) suggest that Federal civil service earnings exceed those of the private sector. (The popular view of low government salaries is supported by studies of state and local government workers.) In addition, the fringe benefits (health insurance, pensions, and stability of employment) are generally superior in the Federal sector. The compression appears to be the result of salaries that are "too high" for the lower grades near the compression (GS-14-16) rather than too low at the upper end (GS-17-18, Executive Level V). Unfortunately, the report does not consider this problem when mentioning the problem of salary compression.

(5) The report correctly points out that there is no necessary link between the salaries in the three branches of government. Separate salary schedules would be more appropriate.

(6) Since most persons in Executive Level I-V positions are in government temporarily, and withdraw their contributions to the pension fund upon departure, the recommendation that they be permitted to defer contributions to the pension plan until the fifth year seems warranted. In the jargon of the report, this would ease their cash flow problem.

(7) The recommendation of a \$5,000 per year housing allowance for members of Congress with two residences seems unwarranted. We should move away from categorical, non-taxable supplements to income to a system in which compensation is in the form of salaries subject to taxation. This facilitates the public's awareness of the income of members of Congress and promotes greater equity between members of Congress with different levels of other income.

(8) With regard to conflict of interest, the Commission recommends:

- a. periodic disclosure of financial affairs -- income, by source and amount, gifts, debts and personal holdings.
- b. Rigorous restrictions on outside incomes.
- c. Strict conflict of interest provisions with regard to investments (blind trusts).
- d. More consistent and explicit rules on post-service employment. Implicit call for ending the "revolving door" between government and industry, but no time frame indicated.

(9) The Commission report calls for a permanent Quadrennial Commission, consisting of private citizens, to review salary levels and pension provisions.



CHAIRMAN

UNITED STATES CIVIL SERVICE COMMISSION  
WASHINGTON, D. C. 20415

...  
DEC 9 1976

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Executive Pay Increase

We have reviewed the recommendations of the Commission on Executive, Legislative, and Judicial Salaries (the quadrennial commission), and we have several comments to offer for your consideration.

(1) Pay Increase Recommendations. We fully endorse the recommended pay rates for the Executive Schedule. By any reasonable measure, the pay increases recommended for the executive branch's top officials would be conservative, and would not even restore these pay rates to their 1969 purchasing power.

We note that the quadrennial commission has recommended some very significant departures from the existing pay linkages between the three branches of the Government, particularly between the salaries for Federal judges and for Members of Congress. We do not feel that we are in a position to judge the likely congressional reaction to these departures, but we are concerned that these changes, if unacceptable to Congress, could result in the defeat of any pay increase at all. We urge that this subject in particular be discussed with the congressional leadership, as well as the acceptability of the recommended salary rates generally.

(2) Code of Public Conduct. While we would recommend that you publicly and strongly endorse the quadrennial commission's call for a Code of Public Conduct applicable to all three branches, we think it is impractical to seek to actually implement such a complex proposal in advance of your transmittal to Congress of your pay recommendations, since a Code of Public Conduct could only be implemented through the full legislative process. Furthermore, there would seem to be questions as to the appropriateness of an outgoing Administration seeking to implement such a Code in its last few weeks in office. Therefore, we think your urging of rapid action on this subject by the Ninety-Fifth Congress would be a sufficient response to this aspect of the quadrennial commission's report.

(3) Recommendations on Benefits. The quadrennial commission included in its report several recommended changes in benefits--optional coverage of Executive Schedule appointees under Civil Service Retirement for the first five years; relocation expenses for newly elected Members of Congress and newly appointed executive branch officials; and an allowance or tax deduction to reimburse Members of Congress for the expense of maintaining two residences. All of these appear to us to be reasonable, and we would particularly favor the proposal on relocation expenses. Here again, though, legislation would be necessary, and a public endorsement on your part (assuming congressional agreement with the recommendations that touch upon Congress) would seem to be all that is called for.

(4) New Role for Quadrennial Commission. The quadrennial commission also recommended that it be made into a continuing agency, with both members and staff drawn from the private sector, to monitor pay and benefits for the Government's top officials on a continuing basis. This is the one major aspect of the commission's report with which we must disagree. We do not see the need for an additional Federal agency that would be essentially duplicative of responsibilities that are presently placed in the Office of Management and Budget, the Civil Service Commission, and the Advisory Committee on Federal Pay. In our view, last year's Executive Salary Cost-of-Living Adjustment Act, tying pay for the Government's top officials to the annual pay comparability adjustments, is a much simpler and more practical process that would, if allowed to operate, keep pay for top officials keyed adequately to the rest of the economy between quadrennial reviews. As for the need for outside scrutiny of Federal pay-setting, we might point out that this is essentially the function of the existing Advisory Committee on Federal Pay, whose role has already been strengthened and broadened pursuant to the recommendations last year by your Panel on Federal Compensation, chaired by Vice President Rockefeller. Therefore, we suggest that you not accept the recommendations of the quadrennial commission on a new role for that commission.

I would be happy to meet with you to discuss any of these matters further, or to participate in any meetings you may wish to have with the other two branches.



Robert E. Hampton  
Chairman

Summary of Report  
of Commission on Executive,  
Legislative, and Judicial Salaries

I. Code of Public Conduct

- Public distrust of Government makes it impossible for Congress to raise top Federal pay at present, regardless of how justified a substantial raise would be.
- Must be a commitment to major reform on part of all three branches, and quadrennial commission proposes significant pay increases only in the context of such reform.
  - All top officials should make public disclosures of financial affairs, although confidentiality might be permissible in very unusual situations.
  - There should be rigorous restrictions on outside earned income (honoraria, legal fees, gifts, etc.) for all three branches of Government, if salaries are raised enough to allow top officials to meet all normal personal and family obligations without the need for outside income.
  - There should be strict conflict-of-interest restrictions on investments.
  - Expense allowances should be consistent for all three branches of Government, and should have to be accounted for.
  - There should be consistent and explicit rules against post-service employment which raises conflict-of-interest problems.
- There should be rigorous, consistent, and publicly reported auditing of all aspects of compliance with the Code of Public Conduct.
- President should meet with Chief Justice and Senate and House leadership and reach a mutual commitment to implement promptly a Code of Public Conduct.

- A special commission should be established to oversee and administer the Code of Public Conduct. Both the members of this commission and its staff should be drawn from the private sector rather than the Government.

## II. Compensation Principles

- Comparability with the private sector is not a suitable basis for setting pay for the Government's top officials. Instead, pay should be set at the lowest rates that will allow the Government to attract and retain--for a reasonable period of time--the best-qualified individuals for its top posts.
- Pay must be high enough to allow people of outstanding quality to serve without needing other income and without needing to suffer an unacceptable drop in living standards.
- Because of the "psychic income" of higher level jobs, such as cabinet members and agency heads, the pay differentials between Executive Schedule levels should be less as you go up the scale.
- If pay is set at the lowest level that will be acceptable to outstanding people initially, it must then be adjusted regularly to ensure that it doesn't fall substantially behind changes in the cost of living.
- Pay for top jobs should continue to be set on a national basis.
- The linkages between the three branches should be discarded, as they don't recognize differences between career anticipations in the different branches: a Federal judge accepts his post expecting to remain in it for the rest of his productive years; an Executive Schedule appointee enters the Government fully expecting to return to the private sector after only a few years of service.

## III. Weber Study

- Arnold Weber, Provost of Carnegie-Mellon University (formerly Assistant Secretary of Labor, Associate Director of OMB, and Director of the Cost of Living Council) conducted a survey of incumbents and former incumbents of top positions in Government.

- Pay a more important factor in decisions to leave the Government than in initial decisions to enter.
- Executive Schedule appointees suffered an average 23 percent cut in salary to join the Government; judges lost an average 33 percent; Members of Congress gained an average 2 percent when they entered Government.
- When Executive Schedule appointees left the Government for the private sector, their salaries increased by an average of 87 percent; for judges, the increase was an average of 84 percent; for Members of Congress, the increase was an average of 34 percent.
- In summary, Members of Congress appear to suffer less of an earnings loss from being in the Government rather than in the private sector than do Executive Schedule appointees or judges.

#### Retirement

- Executive Schedule appointees should be allowed to defer Civil Service Retirement contributions until they have served for five years; if they are still serving after five years, they would have to make a lump-sum payment of the deferred contribution, plus interest.

#### Relocation Expenses

- Newly-elected Members of Congress and Executive Schedule appointees should be reimbursed for moving expenses, travel expenses, and subsistence while seeking permanent housing.

#### Second Residence for Members of Congress

- Members of Congress should receive either an allowance on tax deduction of up to \$5,000 to reimburse them for the expense of maintaining residences both in their districts and in the Washington, D.C., area. However, the allowance or deduction would be available only to those Members who actually do maintain two residences.

### Salary Recommendations

- The largest pay increases are recommended for the judiciary, as judges make a permanent career commitment and forego the most outside earning capacity when they enter Government service.
- Larger increases are recommended for the lower executive levels than for the higher, as the need is greatest there, due to the "psychic rewards" of the cabinet and other top posts.
- The increases should be all at once, rather than phased, as the need is immediate and it would be best to avoid keeping the issue alive over the phasing period.
- A smaller increase is recommended for Members of Congress, but the \$5,000 housing allowance deduction should be kept in mind.
- While some compression will remain at the top of the General Schedule, the quadrennial commission questions the validity of the supergrade comparability rates, particularly because Civil Service Retirement benefits are not considered in the comparability process.
- Exact rates recommended are shown on two attached tables.

### New Role for Quadrennial Commission

- Quadrennial commission believes it is inappropriate to rely on Government personnel to review their own compensation structure. Therefore, the commission believes a permanent body, with both members and staff from the private sector, should continually review the whole Federal compensation process.
- Special subjects for review:
  - pay based on individual performance
  - average salary control of supergrade pay, individual rates to be set by agency heads
  - full review of all Federal employee pension plans
  - consideration of increasing regular life insurance coverage to two or three times salary
  - classification of Executive Schedule positions, as there are clear anomalies, both overgrading and undergrading, and these misclassifications also extend down into the supergrades.

**TABLE 1**  
**COMMISSION ON EXECUTIVE, LEGISLATIVE AND JUDICIAL SALARIES**  
**RECOMMENDED PAY RELATIONSHIPS OF TOP FEDERAL OFFICIALS<sup>1</sup>**

(Selected Positions - See Table 1 for all Positions)

SALARY (\$000)	EXECUTIVE	LEGISLATIVE	JUDICIAL
80	Vice President - \$80,000	Speaker of the House - \$80,000	Chief Justice - \$80,000 [3.2%] Associate Justice - \$77,500
78			
76			
74	[18.5%] <sup>2</sup>		
72		[23.1%]	[19.2%]
70			
68	Level I - \$67,500		
66		Pres. Pro-Tem, Maj & Min Leaders - \$65,000	Circuit Judge - \$65,000
64	[12.5%]		[4.8%]
62		[8.3%]	District Judge - \$62,000
60	Level II - \$60,000	Comptroller General - \$60,000 [4.3%]	[8.8%]
58	[5.3%]	Congress - \$57,500 [0.9%]	
56	Level III - \$57,000	Asst. Compt. Genl. - \$57,000	Director, Admin. Ofc of Courts - \$57,000
54	[7.5%]	[7.5%]	[7.5%]
52	Level IV - \$53,000	Librarian - \$53,000	Bankruptcy Judge - \$53,000
50	[8.2%]	[8.2%]	
48	Level V - \$49,000	Deputy Librarian - \$49,000	
46			

**FOOTNOTES:**

<sup>1</sup>Recommended salaries and inter-level pay differentials.

<sup>2</sup>Percentages in brackets are the inter-level pay differentials.

**TABLE 2**  
**COMMISSION ON EXECUTIVE, LEGISLATIVE AND JUDICIAL SALARIES**  
**RECOMMENDED SALARY LEVELS**

	PRESENT	RECOMMENDED	PERCENT INCREASE
Vice President	\$65,600	\$80,000	22.0%
Chief Justice	65,600	80,000	22.0%
Speaker of the House	65,600	80,000	22.0%
Associate Justice	63,000	77,500	23.0%
Executive Level I	63,000	67,500	7.1%
President Pro-Tem, Majority and Minority Leaders	52,000	65,000	25.0%
Judges - Circuit Courts of Appeals	44,600	65,000	45.7%
Judges - Court of Claims	44,600	65,000	45.7%
Judges - Court of Military Appeals	44,600	65,000	45.7%
Judges - Court of Customs and Patent Appeals	44,600	65,000	45.7%
Judges - U.S. District Courts	42,000	62,000	47.6%
Judges - Customs Court	42,000	62,000	47.6%
Judges - Tax Court	42,000	62,000	47.6%
Executive Level II	44,600	60,000	34.5%
Comptroller General	44,600	60,000	34.5%
Senators, Representatives, Resident Commissioner of Puerto Rico	44,600	57,500	28.9%
Executive Level III	42,000	57,000	35.7%
Assistant Comptroller General	42,000	57,000	35.7%
Director - Administrative Office - U.S. Courts	42,000	57,000	35.7%
Executive Level IV	39,900	53,000	32.8%
General Counsel - GAO	39,900	53,000	32.8%
Librarian of Congress	39,900	53,000	32.8%
Public Printer	39,900	53,000	32.8%
Architect of the Capitol	39,900	53,000	32.8%
Commissioners - Court of Claims	37,800	53,000	40.2%
Deputy Director - Administrative Office - U.S. Courts	37,800	53,000	40.2%
Bankruptcy Judges (full time)	37,800	53,000	40.2%
Executive Level V	37,800	49,000	29.6%
Deputy Librarian of Congress	37,800	49,000	29.6%
Deputy Public Printer	37,800	49,000	29.6%
Assistant Architect of the Capitol	37,800	49,000	29.6%
Bankruptcy Judges (part time)	18,900	26,500	40.2%
Board of Governors, U.S. Postal Service	10,000	10,000	0%

THE WHITE HOUSE

WASHINGTON

December 9, 1976

MEMORANDUM FOR: THE PRESIDENT

FROM: JACK MARSH 

SUBJECT: Report of the Commission on  
Executive Legislative and  
Judicial Salaries

My views on this question are relatively unchanged since earlier conversations at Camp David and the Oval Office. The reservations I have relate to the leadership role assumed by the President in the years of his Administration concerning Federal spending, sound economic approaches and the need to apply discipline in the management of our national finances.

I am of the view that substantial Federal pay increases, particularly for the Congress, will set a bad precedent having a far-reaching, adverse impact nationally as well as erode some of the hard-earned credibility of the President. I feel it is inconsistent with his major statements on economic policy and his campaign posture. I consider the risk great that substantial pay increases will be viewed as one last hurrah for the Washington crowd of which we are a part.

I am of the opinion that the \$12,500 increase in 1969 of Congressional salaries compromised the 91st Congress in making the hard choices that needed to be made by saying no to people in programs to whom no should have been said. These pay increases made it difficult to resist demands for proposed pay increases, increases in veterans pensions, and limiting new social programs as well as restraining spending on existing Federal programs when restraint was critical. It is hard for a Congressman whose income has increased \$1,000 a month to tell a constituent that he cannot vote an increase of \$10 on his veterans pension or increase his Social Security check.

However, these increases ran into billions of dollars. Outside of Government, an example is set that affects price increases for labor contracts nationwide as well as pay structures of State and local governments. This ripple effect must be carefully considered in what the President does.

On the other hand, I am much aware of the critical need the Report seeks to address. There are severe inequities in the Federal pay structure. However, I do not believe the deficiencies that relate to the pay structure, the problems of civil service and many others are being addressed. I am of the view the pressure for pay increases should be used as a vehicle for an institutional correction rather than adopt a temporary expedient.

The Report really deals only with the tip of the iceberg. Its broad impact will be reflected primarily in the senior GS grade structure and secondly, indirectly in the lower grade structure. The proposed action, although relatively small in cost, will include more than 20,000 other senior Federal officials. To adequately compensate for this will mean a pay increase for a substantial group that will ultimately in the years ahead recreate the problem the Report seeks to redress.

The compaction situation is the tortoise and the hare. In 1969 there was a substantial leap in salaries for a very select group in the executive grades. The tortoise which is the rest of the senior grades has moved inexorably to the lowest level of the five executive grades. Unless the situation that produces this type of compaction is remedied it is inevitable that in the next several years we will have to leap the executive grades to even higher salaries and the process of grade creep and compaction will be repeated.

For this reason I consider the Report too narrow in that it focuses only on a narrow band of individuals and thereby provides only temporary relief of the problem.

In reference to the salary structure, I am of the view that the increases are too large. Modest increases for the Congress, but not to exceed \$3,500, would be in order if such an increase would not be perceived as doing violence to the President's position on fiscal restraint.

I am of the view that one of the most critical areas of Federal pay inadequacies occurs in the Judiciary and particularly for District Judges. I would recommend District Judges be paid at the same rate, or perhaps \$2,500 more, than Members of Congress, Circuit Court of Appeals Judges be paid \$2,500 more than District Judges, and that Justices be paid the same rate as that established for Cabinet officers. The Vice President, the Chief Justice, the Speaker and others would follow proportionally as outlined in the Report but less than recommended there.

In reference to standards of conduct, I concur in the view that this needs to be addressed, particularly in the Congress. Its inclusion in this report troubles me because I do not know whether its genesis arises out of the need for reform or whether it is intended to be a ribbon on the pay proposal to make it a more attractive package back home, and, thereby, incur less citizen resentment. Furthermore, there is a sensitivity in this area relating to the separation of powers. Historically, the regulation and discipline of Members of Congress is a power vested exclusively in the respective Houses. The implied coupling of pay and reform runs counter to that separation. I would prefer to see the President address separately the reform issue and call on the Congress to set its Houses in order apart from a proposal for salary increases.

It is essential in the reform issue that the Leaders of the House and Senate, on a bipartisan basis, assume this responsibility. I am of the opinion that the initiative should come from them.

Although that portion of the Report that deals with this question is well done and dedicated to a sincere effort to remedy the present situation, nevertheless it appears from the Charter of the Study Group that this effort is gratuitous and goes beyond their mandate.

If the President takes a position that he should address reform -- particularly for the Congress -- then the proposals for reform should be carefully developed and staffed in the Ford White House system. There are serious questions that need to be discussed as to the scope and nature of the reform, particularly those that may go to what some might consider to be the sterilization of a Members representation by requiring disassociation from many real world contacts. Is the requirement to be disclosure, restriction, or prohibition on outside income? These are different approaches that might be pursued.

As to how to proceed, there are two steps:

1. Development of the President's program, and
2. Laying the groundwork with Congress for its consideration.

In the latter case, the first step must be taken with the Leadership, but how we are to proceed will have to first be determined by what the President decides to do.

Finally, the President should seize this opportunity where there is great pressure for pay increases to insist on a remedy for basic defects in the Federal pay structure that produces compaction and grade creep. Reform of the pay and grade structure should be coupled with his proposal. This will strengthen his call for reform in Congressional and executive standards of conduct. However, I repeat that the demand for Congressional reform must be carefully handled in such a way that the President is not viewed as improperly meddling in the affairs of the Congress. There is a definite possibility that the Congress may take the pay raise and never fully implement reform.

In all events, should you decide to proceed, at least quiet acquiescence in what you propose is an essential requirement from the gentleman from Georgia, and preferably an open, public endorsement for what you send to the Hill.

THE WHITE HOUSE

WASHINGTON

December 9, 1976

MEMORANDUM FOR: JIM CONNOR  
FROM: MAX FRIEDERSDORF *M.F.*  
SUBJECT: The Report of the Commission on Executive,  
Legislative and Judicial Salaries  
December 1976

With regard to the Report of the Pay Commission I would recommend the President endorse the findings of the report and include the amounts required in his budget proposal.

I would recommend that the President urge that the Judicial and Congressional salaries be unlinked and considered separately.

I believe that if the President does endorse the Pay Commission recommendation, the President should strongly urge that Congress vote on the pay increase.

The concensus on the Hill is that a vote will be a virtual certainty in the Senate and that most likely a discharge petition will be circulated by Congressman Grassley of Iowa.

However, even though a vote in the Congress seems likely, because of the strong Congressional desire for a pay raise, a pay raise is most likely to pass.

Another sticking point with the Congress will be the Code of Public Conduct section.

There is very strong resentment among the Congress at this time regarding this section.

Congress believes that it should not be constrained in this regard because of the alleged temporary status of a Member of Congress and the high cost of maintaining separate residences and all the other extra cost of living expenses attached to serving in the House and Senate.

Members of the minority with whom I have discussed this matter with, including Minority Leader Rhodes, suggest that the President couple his recommendation for a Congressional vote with a suggestion that the Code of Public Conduct be left to the prerogative of the House and Senate.

Date: December 6, 1976

Time:

FOR ACTION:

cc (for information):

- Phil Buchen
- Jim Cannon
- Max Friedersdorf
- Alan Greenspan
- FROM THE STAFF SECRETARY
- Bob Hartmann
- Jim Lynn
- Jack Marsh
- Paul O'Neill
- Bill Seidman
- Brent Scowcroft

DUE: Date: Wednesday, December 8 Time: c. o. b.

SUBJECT:

The Report of the Commission on Executive, Legislative and Judicial Salaries  
December 1976

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

The President has asked for senior staff comments on the attached report focusing on the following:

- (1) Overall structure of the report
- (2) Salary Structures recommended
- (3) Standards of Conduct
- ((4) How do we proceed?

I have discussed this with the President and he is aware of my views.

Basically, I believe there is a serious constitutional problem in having any single agency monitor the conduct of the three separate branches of government. Control of such an agency would be a beautiful place to spawn a dictator.

RTH 

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor  
For the President

Date: December 6, 1976

Time:

FOR ACTION:

cc (for information):

Phil Buchen	Bob Hartmann	
Jim Cannon	Jim Lynn	
Max Friedersdorf	Jack Marsh	<u>Bill Seidman</u>
Alan Greenspan	Paul O'Neill	<u>Brent Scowcroft</u>

FROM THE STAFF SECRETARY

DUE: Date: Wednesday, December 8 Time: c. o. b.

SUBJECT:

The Report of the Commission on Executive, Legislative and Judicial Salaries  
December 1976

ACTION REQUESTED:

- |   |  |
|---|--|
| <input type="checkbox"/> For Necessary Action         | <input checked="" type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief     | <input type="checkbox"/> Draft Reply                         |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks                       |

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- (1) Overall structure of the report
- (2) Salary Structures recommended
- (3) Standards of Conduct
- ((4) How do we proceed?

*In general I agree with recommendations - but I doubt if they fly in the congress*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Cannon  
For the President

*Leave for next administration.*

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: December 6, 1976

Time:

FOR ACTION:

cc (for information):

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Bob Hartmann

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Jim Connor  
For the President

**Commission on  
Executive, Legislative  
and Judicial Salaries**

1750 K Street, N.W.  
Washington, D.C. 20006

December 2, 1976

The Honorable Gerald R. Ford  
President  
The White House  
Washington, D. C. 20500

Dear Mr. President:

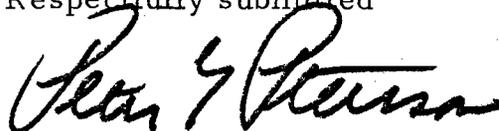
It is my privilege to present to you the attached report of the Commission on Executive, Legislative and Judicial Salaries.

All recommendations in this report have the unanimous support of the distinguished Americans who constitute the Commission. This unanimity reflects the urgency of the Commission's concern with a genuine crisis of public confidence in the quality and integrity of our Government.

We fear that the twin trends of ebbing public trust and the increasing difficulty of attracting and retaining high quality people may soon be irreversible -- unless the kind of actions suggested in this report are undertaken as soon and as vigorously as possible.

We further believe that the American public will understand that a small investment now in terms of increased salaries and a large investment now of conviction, time and effort in reform -- in the form of a new Code of Public Conduct -- will pay large public dividends in the building of a competent, full time and trusted government.

Respectfully submitted



Peter G. Peterson  
Chairman, Commission on  
Executive, Legislative and Judicial  
Salaries

*Mr. President -- on behalf of my fellow commissioners --  
we thank you for this opportunity to contribute.*

*Memorandum #3*  
*revised*

I am of the view that one of the most critical areas of Federal pay inadequacies occurs in the Judiciary and particularly for District Judges. I would recommend District Judges be paid at the same rate, or perhaps \$2,500 more, than Members of Congress, Circuit Court of Appeals Judges be paid \$2,500 more than District Judges, and that Justices be paid the same rate as that established for Cabinet officers. The Vice President, the Chief Justice, the Speaker and others would follow proportionally as outlined in the Report but less than recommended there.

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THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

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Date: December 6, 1976

Time:

FOR ACTION:

cc (for information):

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Bob Hartmann

Jim Cannon

Jim Lynn

Max Friedersdorf

Jack Marsh

Bill Seidman

Alan Greenspan

Paul O'Neill

Brent Scowcroft

FROM THE STAFF SECRETARY

DUE: Date: Wednesday, December 8

Time: c. o. b.

SUBJECT:

The Report of the Commission on Executive, Legislative  
and Judicial Salaries  
December 1976

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

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Jim Connor  
For the President

**Commission on  
Executive, Legislative  
and Judicial Salaries**

1750 K Street, N.W.  
Washington, D.C. 20006

December 2, 1976

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The White House  
Washington, D. C. 20500

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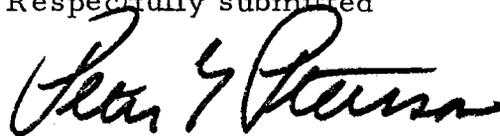
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Respectfully submitted



Peter G. Peterson

Chairman, Commission on

Executive, Legislative and Judicial  
Salaries

*Mr. President -- on behalf of my fellow commissioners --  
we thank you for this opportunity to contribute.*

THE PRESIDENT'S OFFICE

THE WHITE HOUSE

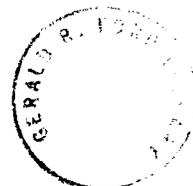
WASHINGTON

December 11, 1976

MEETING ON THE REPORT OF THE  
COMMISSION ON EXECUTIVE, LEGISLATIVE  
AND JUDICIAL SALARIES (PETERSON COMMISSION)  
Saturday, December 11, 1976  
2:00 p.m. (2 hours)  
Cabinet Room

From: Mike Duval

*Mike*



I. PURPOSE

To receive staff advice on the Peterson Commission Report and develop a plan for additional meetings (if required).

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

- A. Background: The attached memorandum summarizes the report and presents the issues raised.
- B. Participants: Dick Cheney, Mike Duval, Max Friedersdorf, Alan Greenspan, Jim Lynn, Jack Marsh, Ron Nessen, Paul O'Neill, Art Quern (for Jim Cannon who is out of town), Ed Schmults and Brent Scowcroft.
- C. Press Plan: Announced, no press photo

III. AGENDA

You may wish to use the sections on Decisions and Implementation (starting on page 13) in the attached memorandum as an agenda for this meeting.

THE WHITE HOUSE

WASHINGTON

December 11, 1976

MEMORANDUM FOR: THE PRESIDENT

FROM: MIKE DUVAL *MD*

SUBJECT: Report of the Commission on Executive, Legislative and Judicial Salaries.

PURPOSE OF MEMORANDUM

This memorandum summarizes the Commission's Report and presents the issues which require your decisions.

First is a background section which describes the history of the Commission and the substance of its report. This is followed by an analysis of the major policy issues raised by the report along with the implications of the alternatives you face. The next two sections respectively deal with the specific, substantive questions raised by the Code of Conduct and compensation issues. The sixth section presents all the issues along with staff recommendations in decision format. The final section discusses the alternatives available to implement your decision.

BACKGROUND

The Organic Statute for the Commission on Executive, Legislative and Judicial Salaries, created a nine member Commission to review the rates of pay of certain high-level government officials from all three branches. (The text of the statute can be found at Appendix A of the attached Commission report which is at Tab A.) The statute requires the following action by the Commission and the President:

"REPORT BY THE COMMISSION TO THE PRESIDENT -- The Commission shall submit to the President a report of the [appropriate pay levels and relationships between and among the respective offices and positions covered by the review] together with its recommendation.

"RECOMMENDATIONS BY THE PRESIDENT WITH RESPECT TO PAY -- The President shall include in the budget next transmitted to him by Congress after the date of the submission of the report and recommendations of the Commission . . . his recommendations with respect to the exact rates of pay which he deems advisable for those offices and positions within the purview of [the Organic Statute]."

It is clear from the statute that you are required to make recommendations with respect to the exact rates of pay which you deem advisable. This could be done with a simple one line statement in your Budget or with as high visibility as a special message to Congress in addition to a recommendation in the Budget.

The statute only refers to Commission work concerning rates of pay. It is clear that the Commission's recommendations concerning a code of conduct are outside the purview of the statute.

The Commission's report makes two key recommendations.

- That there should be substantial pay increases for high ranking governmental officials. (Executive Branch 32%, Legislative Branch 29%, and Judicial Branch 44%.
- These salary increases should be coupled with the imposition of a new code of conduct on all three branches.

The Commission made the following specific recommendations concerning a code of public conduct:

- All individuals (from the three branches) should be required to disclose their financial affairs to an appropriate authority.
- All employees should be prohibited from receiving honoraria, legal fees, gifts, or the proceeds of testimonial dinners, etc. for their personal use, and any other compensation for services rendered which might have, or appear to have an influence in the conduct of the public's business.
- Tight but reasonable provisions should be developed in order to eliminate -- or at the very least minimize -- those conflicts that necessarily arise when the economic investment interest of the individual falls within the scope of the public responsibility.

- There should be more consistency in the availability of legitimate expense allowances in all three branches of the government, including domestic and -- when appropriate -- foreign travel, entertainment granted and received, and gifts. Such allowances must not be used as a substitute for income.
- Restrictions should be imposed so as to ensure the top executives, judges, or legislators do not compromise either their objectivity or total devotion to the job by any arrangements that they may make while in public employment with respect to subsequent employment or other relationships.
- The code of conduct regulations should be broadly applicable across all three branches of government.
- An appropriate body or bodies should be established -- or if an existing one is to be so charged, it should be strengthened -- to ensure that these requirements are fully enforced and that all information disclosed under the Code of Public Conduct is regularly and adequately audited and publicly reported.

The report goes on to suggest a Presidential meeting with the Chief Justice and the leadership of the Senate and House in order to get the following commitments:

- To the principles of the code.
- To prompt action.
- To a new mechanism to implement the recommendations.

The report recommends that we draft legislation to create an intergovernmental commission which would develop a specific Code of Public Conduct and mechanisms to oversee and administer the code. They recommend that the legislation be submitted with the budget message.

The Commission has relied on the following principles concerning compensation:

- Comparability with the private sector is not a suitable basis for setting pay for the Government's top officials. Instead, pay should be set at the lowest rate that will allow the Government to attract and retain the best qualified individuals.

- Pay must be high enough to allow people to serve without other income sources.
- Because of the "psychic income" of higher level jobs (such as the Cabinet) the pay differentials between the Executive Schedule levels should be less as you go up the scale.
- If the pay level is set at the lowest level to attract competent people, it must be adjusted regularly to ensure that it does not fall substantially behind increases in the cost of living.
- Linkages between the three branches should be disregarded because we are dealing with entirely different jobs with different responsibilities and the career anticipation patterns very sharply.

The Commission's report makes the following recommendations concerning compensation:

- In order to alleviate the "cash flow" problem of non career appointees, they should be allowed to defer Civil Service Retirement contributions until after they have served for five years.
- Newly elected Members of Congress and executive appointees should be reimbursed for moving expenses, travel expenses, and subsistence while seeking permanent housing.
- Members of Congress should receive either an allowance or tax deduction of up to \$5000 per year (in addition to the current \$3000 deduction) to reimburse them for the expense of maintaining two residences.
- The following are the recommendations concerning salaries:

The largest pay increases are recommended for the Judiciary because judges tend to make government service a permanent career.

Larger increases are recommended for the lower executive levels than for the higher because of "psychic rewards".

The increases should be all at once, rather than phased because the need is immediate and it is best not to let the problem continue to fester.

A smaller percentage increase is recommended for Congress compared to the other branches, but this is partially off-set by their proposed housing allowance. On a dollar basis, Congress would get \$57,500, plus the \$5000 housing allowance compared to \$60,000 for Level II. Some compression will remain at the top of the GS levels. The Commission believes this is beneficial because it will impose some "cost discipline" on the supergrades. They feel that this is where the cost exposures are greatest and also where they have the least faith in the system's ability to measure need and worth. Also, they question the validity of the supergrade comparability rates primarily because they do not give proper weight to the cost of generous fringe benefits such as the early retirement feature of the pension plan.

The Commission recommends the creation of a permanent quadrennial commission made up of private citizens with significant staff support. Such a commission would address the following types of problems: periodic analysis of total federal compensation, cost of living increases, pension benefits, life insurance, and classification of positions.

Finally, to provide further perspective by way of background information, I have spoken to pollsters Daniel Yankelovich and Bob Teeter. Both agree that this is a highly volatile issue because of a very strong feeling in the country that government officials are paid too much as it is and do not deserve further increases. Both agree that, while your support for the Commission's findings could result in a positive public reaction, there is a likelihood that the opposite would occur.

Yankelovich, (whose polling firm did some work for the Commission) believes that your endorsement of the Commission's findings would greatly add to the symbolism of your final days as President by either showing you as (1) assisting old buddies with a pay increase as you leave or (2) as taking a courageous step which will result in giving the American people a better government.

He points out that the public can be made to understand and accept the concept that good government and elimination of the last vestiges of Watergate require an elimination of the mixed motives that result with outside income sources for government officials and the obvious need to attract the very best people in government and give them a sensible code of ethics to follow. Yankelovich says that public reaction will be largely determined by how your decision is presented. If you decide to accept the Commission's approach, this is an inherently believable conclusion if presented in a firm and sensible way that the people can understand.

Bob Teeter thinks that the general public reaction will be very negative (but you should nevertheless adopt the Commission's recommendations because they are right.) He believes that your best course of action is to announce your decision in a clear and forceful way but time it for Christmas week. He recommends against any middle ground such as a lesser increase without the code of conduct because this will be perceived as a compromise which serves the interest of no one.

#### THRESHHOLD ISSUES

The following are general questions which are raised by the Commission's report:

1. What are the implications of the President taking an active and visible role in connection with the report?

It is obvious under the statute that you must take some action. Probably the safest course (from a public perception standpoint) is for you to propose further study of the entire compensation question (including non-executive lower level positions) coupled with a very modest increase to cover cost of living in the FY 77 budget and strong endorsement of the principles established by the Commission concerning the code of conduct. You could then participate in several events (such as meeting with Congressional and Judicial leaders) designed to give high visibility to the need for a code of conduct.

On the other hand, you can of course decide to go forward with the fundamental recommendations of the Commission with the understanding that there will be a risk of severe public criticism but the possibility of a positive response depending on how your decisions are communicated.

The following are some arguments of why you should adopt the Commission's approach (major pay increase) which will mean a highly visible role for you:

- There is a need for Presidential leadership to solve this problem which has existed for many years. Many of your advisers believe a large pay increase can be justified.
- Without your strong leadership, a large pay increase is highly unlikely.
- If the press believe the arguments of the Commission, you may be criticised for not demonstrating leadership.

The following are some reasons for rejecting the Commission's recommendations and avoiding a highly visible role concerning the report:

- This may be a no-win proposition and therefore why take the risk.
- If you do not take a leadership role, the likelihood is that there will not be any major pay increase. This might have the benefit of keeping down the rate of growth of government, and making it likely that people who have achieved private-sector success continue to serve in government.

2. Should the code of conduct be linked with the compensation issue?

As stated above, the Organic Statute does not give the Quadrennial Commission any charter to recommend a code of conduct or otherwise deal with any issue other than the executive pay question. By linking the two issues there is a possibility that the code of conduct proposal will be "contaminated" and the public will view the pay increases as an unfair "price" for code of conduct reforms which should occur on their own merit.

One argument for linking the two is the obvious political reality that this may be the only way to get the necessary pay increase. A substantive argument is the obvious need to know whether outside income is permitted before setting salary levels.

To some extent, public support or opposition will be shaped by how real they perceive the commitment to the new code of conduct.

One way of assuring, at least in public perception, the commitment of both the House and Senate to follow through on the code of conduct, would be by language in your transmittal of the pay package making it clear that acceptance by the Congress -- by not vetoing the pay increase within the 30 days -- will be taken by you and the American people as a commitment of both the House and Senate on the code.

There is another approach which would likely provide very strong evidence of commitment to the new code of conduct. You could make the pay increase contingent upon Congress passing legislation within 30 days to create the ad hoc commission to propose a new code. A variant of this approach could include a provision which makes the pay increase contingent on the passage of Resolutions in both Houses of commitment to the code of conduct concept.

3. Would implementation of the report recommendation result in any constitutional and/or serious policy problem?

Phil Buchen's office points out that there is a Constitutional problem with the basic Organic Statute which provides for the pay increase in your budget subject only to disapproval by either House of Congress within 30 days. However, Counsel's office states that this problem can be ameliorated by your requesting an affirmative vote by the Congress on the pay increase and -- in any event -- there will be subsequent appropriation bills.

Also, there are potential Constitutional problems in developing a code of conduct and implementing mechanisms covering all three branches. These probably can be avoided with careful drafting of the legislation creating the ad hoc commission to develop the code.

From a standpoint of policy, there is obviously the great danger in your making any recommendations to the other branches concerning how they control the conduct of their members/employees. I frankly think that the public would be receptive to your taking a firm leadership role in this area given the fact that you have served for a quarter of a century in Congress and are now viewed as a national leader with no personal stake in the decisions you make in your remaining days as President.

CODE OF CONDUCT ISSUES

The following issues are raised because of the Commission's recommendation that a code of conduct be adopted government-wide in connection with the implementation of their recommended pay increases.

1. Should there be a single set of principles governing a code of conduct for all three branches?

The Commission's report is not clear as to why they believe there should be a common Code of Conduct for all three branches. Although logic suggests that common principles should apply to the conduct of officials from all three branches, the Commission specifically recommends that code of conduct regulations should apply to the three branches.

This may be a problem of semantics because Pete Peterson advised me by telephone that the Commission's intent is that there should be a common set of principles but that each branch would be responsible for the details of its own code of conduct.

2. What mechanism should be used to develop a draft code of conduct?

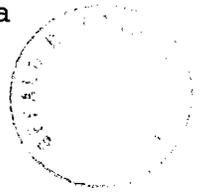
Notwithstanding Pete's interpretation of the Commission's intent concerning applicability to the three branches of such a code, their report does recommend that you submit specific legislation which would result in the creation of an inter-governmental commission to develop (after consultation with the branches) a specific Code of Public Conduct and set up mechanisms to oversee and administer the code.

This Commission would be under a legislative mandate to submit regulations or legislative proposals where required within 180 days which would set forth precise rules to put the principles of the code into effect.

There is, of course, a great danger in such an approach. As stated in the Peterson Commission Report, there would have to be some continuing mechanism to review compliance with the code of conduct. The creation of such an entity carries with it an enormous risk for abuse.

An alternative approach would be to create an ad hoc intergovernmental commission to study the code of conduct issue and make specific recommendations to each branch separately after developing a common set of principles. Each branch could be charged with the responsibility of creating its own enforcement mechanism with the ad hoc commission recommending certain guidelines such as strict public disclosure.

The Peterson Commission Report suggests that such a commission be given 180 days to complete its work. This may be unrealistic given our experience in developing a legislative alternative to S-495 the "Watergate Reorganization and Reform Act."



3. What subjects should be covered by the proposed code of conduct envisioned in the legislation submitted by the President?

The Peterson Commission recommends that the following subjects be covered in such a code: disclosure, restrictions on outside income, conflict of interest, allowances, post service employment and auditing. Some of your advisors believe that there may be additional matters which should be covered.

4. To what extent should legislation submitted by you guide the ad hoc commission on such issues as what form should the code(s) of conduct take (e.g., by statute) or what mechanism should be used to implement or enforce the code(s)?

This is a complex subject which needs more staff work.

#### COMPENSATION ISSUE

The Peterson Commission Report raises the following questions concerning compensation:

1. Should you take action to deal with the problem of executive level compensation only or should you insist on total reform of the federal employment system including lower grade levels?

There are obvious problems in the current Executive Branch Civil Service System, such as so called "grade creep", and a strong argument can be made that it makes no sense to improve the tip of the iceberg while leaving the larger problem untouched.

If, however, you decide to take action in this area you probably are going to have to accept a less than perfect solution in order to have a reasonable chance of making some progress. For example, linking the code of conduct with the pay increase may not be a perfect solution but it may be the only practical alternative. Likewise, I doubt it's possible to come up with a reform package for the entire federal employee system between now and submission of the budget. Since the Peterson Commission was permitted only to look at executive pay levels by statute, it makes some sense to deal only with this problem but identify the fact that there is still a great need for additional reform.

2. Should there be linkage between the various jobs within each branch?

As the Commission noted, there is no historical linkage among the various positions and they could not find a persuasive rationale for its rigid application. Undoubtedly the central reason for its existence is the political reality that Congress finds it easier to raise their own salary if they receive pressure due to the linkage factor from the other two branches. Indeed the political argument appears to be the only case that can be made for maintaining linkage.

3. Assuming you decide to propose some increase, at what level should the salaries be set?

Although there has been criticism of the Peterson Commission report, it is generally a visceral reaction to any pay increases for governmental officials. Many of your advisers accept the Commission's figures as as good as any. Several people have suggested that the pay increases could be phased in order to reduce the adverse political impact of such a decision. The problem with this, of course, is that any phasing-in would take you closer to the 1978 elections and this could aggravate rather than diminish the political impact.

Other advisers strongly object to such large increases.

See Tab B for the specific salary recommendations.

4. Should there be a relocation cost allowance and \$5000 annual allowance for the second residence for Members of Congress?

The Commission recommends in favor of both allowances. There seems to be a good case in terms of the realities of private sector competition for the relocation allowance. The principle argument against the \$5000 annual allowance or tax deduction for the second residences of Members of Congress is that this should be included in their salaries directly rather than treating it as an allowance or tax deduction.

5. Should there be a permanent Quadrennial Commission to periodically recommend increases in salary and for other purposes?

The Peterson Commission Report recommends that such a permanent commission be established. This may have resulted from their inability to deal with the question of annual cost of living adjustments. While recognizing the need for some adjustment on a periodic basis, they rejected recommending cost of living adjustments on the grounds that it would be perceived as a bad example to the rest of the country. Indeed none of your advisers urge adoption of a cost of living adjustment for the obvious policy and public reaction reasons.

The major opposition to the permanent Quadrennial Commission idea comes from the Civil Service Commission. Bob Hampton argues that it would be duplicative of the responsibilities that are currently placed in OMB, the Civil Service Commission and the Advisory Committee on Federal Pay.

One obvious alternative is to charge the ad hoc Commission with the responsibility of making a recommendation to the President and Congress as to whether or not a permanent Quadrennial Commission is required.

TENTATIVE POLICY DECISIONS

The following specific issues are listed in generally the same order as presented in the preceding sections. For purposes of presentation only, there is an implicit assumption that each decision is affirmative thus triggering the need to address successive issues.

Also, these are presented as tentative decisions because you may wish to consult with others before reaching final decisions.

See Tab C for staff recommendations and comments. Your advisors have not commented on all the issues identified below but are expected to do so at today's meeting.

GENERAL ISSUES

1) Should you take a highly visible role in connection with the Report?

- Very risky in terms of public reaction, but if you do act, do so boldly and with a very good press plan. (Teeter, Yankelovich)
- May compromise your reputation for fiscal conservatism. (Marsh)

DECISION:

2) Should you adopt the Commission's basic approach, i.e., a substantial pay increase tied to a new code of conduct?

- Most of your advisers that have commented, do not flatly support the Commission's recommendations.
- Jim Cannon supports the Commission while Phil Buchen and General Scowcroft concur in general but question the timing of the salary increases. Secretary Kissinger and Chairman Bob Hampton support the salary increases. Jack Marsh, Max Friedersdorf and Bob Hampton question linking the code of conduct and pay increases.

DECISION:

3) By what mechanism should the pay increase be linked to the code of conduct?

- The Commission recommends direct linkage.

DECISION:

4) Would implementation of the report result in Constitutional problems?

- Bob Hartmann believes that there is a serious constitutional problem in having any single agency monitor the conduct of the three branches.
- Phil Buchen's office says that the basic 30-day Congressional veto procedure is unconstitutional.

DECISION:

#### CODE OF CONDUCT ISSUES

5) Should there be a single set of principles for all these branches?

DECISION:

6) How should the code of conduct be drafted?

- The Peterson Commission recommends that a new commission be created by statute and draft the code in 180 days.
- Some of your advisers believe each branch should develop its own code, perhaps adhering to a common set of principles. .

DECISION:



7) What subjects should be covered by the proposed code of conduct?

- The Peterson Commission recommends that the following be covered: disclosure, restrictions on outside income, conflict of interest, allowances, post-service employment and auditing.

DECISION:

8) Should you propose that the code be statutory or rules adopted by the respective branches and how should the code be implemented?

- There seems to be general agreement among your staff that a detailed code should not be imposed on all branches by a single commission and that implementing power should be controlled by each branch separately. Some intergovernmental entity may be appropriate for limited purposes.

DECISION:

COMPENSATION ISSUES

9) Should you take action to deal with executive pay only or should you insist on total reform of all pay levels?

- Jack Marsh argues that these matters should be addressed together -- not executive pay alone.

DECISION:

10) Should there be linkage between the various jobs within each branch?

- The Peterson Commission recommends against linkage.
- Bob Hampton believes Congress may object to this, thus defeating the pay increase.

DECISION:

11) Assuming an increase, at what level should the salaries be set?

- NOTE: Phil Buchen notes that the Chief Justice wants an opportunity to speak to you if you are considering a substantial reduction in the judicial salary levels proposed by the Commission.
- Jack Marsh, Alan Greenspan do not support the recommended pay increase.
- Buchen's office and Greenspan suggest that an increase be phased in.

- An alternative favored by some on your staff is to raise judicial salaries in accordance with the Commission's recommendation and give the Legislative and Executive Branches a modest cost of living increase.

DECISION:

12) Should there be a relocation cost allowance for government officials?

- The Commission proposes this and there have been no specific objections raised.

DECISION:

13) Should Members of Congress receive an additional \$5000 allowance for second residences? Should it be in the form of a tax deduction?

- The Commission recommends this but Greenspan opposes.

DECISION:

14) Should there be a permanent Quadrennial Commission to periodically recommend salary increases and for other purposes?

DECISION:

IMPLEMENTATION ISSUES AND DECISIONS

You probably will have to make a decision concerning the Commission's recommendations for a pay increase prior to departure to Vail in order that it will be reflected in the Budget. If you decide to sever the code of conduct and compensation issues, there is no need to deal with the former until January. However, as a political reality you probably cannot announce your decisions on the Budget in January without making some public statement concerning the Peterson Commission recommendations concerning a code of conduct.

On the other hand, you may wish to consult with Congressional and Judicial leaders both on the question of whether or not the two proposals should be linked as well as the specific merits of each. In this case you will probably will want to have such meetings next week which will allow your decisions to be reflected in the Budget.

The following issues will need to be resolved concerning pre-decision consultation (to occur next week):

- Do you want Jack Marsh, Max Friedersdorf and others to take informal soundings on the Hill?
- Should you consult with Congressional and Judiciary leaders as a group?
- If you decide to separate the Congress and the Judiciary, should you meet separately with House and Senate leaders?
- Should you meet with any outside groups such as the Peterson Commission?
- Should you meet with additional Administration officials such as Bob Hampton?
- Should you seek any commitment from Governor Carter before announcing your decisions?

If you decide to go forward with a major pay increase linked to some action on the code of conduct, we will have to develop a very effective press plan in order to avoid the risk described by Yankelovich and Teeter.

TAB A

TAB B

TABLE 1  
 COMMISSION ON EXECUTIVE, LEGISLATIVE AND JUDICIAL SALARIES  
 RECOMMENDED PAY RELATIONSHIPS OF TOP FEDERAL OFFICIALS<sup>1</sup>

(Selected Positions - See Table 1 for all Positions)

SALARY (\$000)	EXECUTIVE	LEGISLATIVE	JUDICIAL
80	Vice President-\$80,000	Speaker of the House - \$80,000	Chief Justice - \$80,000 [3.2%]
78			Associate Justice-\$77,500
76			
74	[18.5%] <sup>2</sup>		
72		[23.1%]	
70			[19.2%]
68	Level I - \$67,500		
66		Pres. Pro-Tem, Maj & Min Leaders - \$65,000	Circuit Judge - \$65,000
64	[12.5%]		[4.8%]
62		[8.3%]	District Judge - \$62,000
60	Level II - \$60,000	Comptroller General - \$60,000 [4.3%]	[8.8%]
58	[5.3%]	Congress - \$57,500 [0.9%]	
56	Level III - \$57,000	Asst. Compt. Genl. - \$57,000	Director, Admin. Ofc of Courts - \$57,000
54	[7.5%]	[7.5%]	[7.5%]
52	Level IV - \$53,000	Librarian - \$53,000	Bankruptcy Judge - \$53,000
50	[8.2%]	[8.2%]	
48	Level V - \$49,000	Deputy Librarian - \$49,000	
46			

FOOTNOTES:

<sup>1</sup>Recommended salaries and inter-level pay differentials.

<sup>2</sup>Percentages in brackets are the inter-level pay differentials.

TABLE 2  
 COMMISSION ON EXECUTIVE, LEGISLATIVE AND JUDICIAL SALARIES  
 RECOMMENDED SALARY LEVELS

	PRESENT	RECOMMENDED	PERCENT INCREASE
Vice President	\$65,600	\$80,000	22.0%
Chief Justice	65,600	80,000	22.0%
Speaker of the House	65,600	80,000	22.0%
Associate Justice	63,000	77,500	23.0%
Executive Level I	63,000	67,500	7.1%
President Pro-Tem, Majority and Minority Leaders	52,000	65,000	25.0%
Judges - Circuit Courts of Appeals	44,600	65,000	45.7%
Judges - Court of Claims	44,600	65,000	45.7%
Judges - Court of Military Appeals	44,600	65,000	45.7%
Judges - Court of Customs and Patent Appeals	44,600	65,000	45.7%
Judges - U.S. District Courts	42,000	62,000	47.6%
Judges - Customs Court	42,000	62,000	47.6%
Judges - Tax Court	42,000	62,000	47.6%
Executive Level II	44,600	60,000	34.5%
Comptroller General	44,600	60,000	34.5%
Senators, Representatives, Resident Commissioner of Puerto Rico	44,600	57,500	28.9%
Executive Level III	42,000	57,000	35.7%
Assistant Comptroller General	42,000	57,000	35.7%
Director - Administrative Office - U.S. Courts	42,000	57,000	35.7%
Executive Level IV	39,900	53,000	32.8%
General Counsel - GAO	39,900	53,000	32.8%
Librarian of Congress	39,900	53,000	32.8%
Public Printer	39,900	53,000	32.8%
Architect of the Capitol	39,900	53,000	32.8%
Commissioners - Court of Claims	37,800	53,000	40.2%
Deputy Director - Administrative Office - U.S. Courts	37,800	53,000	40.2%
Bankruptcy Judges (full time)	37,800	53,000	40.2%
Executive Level V	37,800	49,000	29.6%
Deputy Librarian of Congress	37,800	49,000	29.6%
Deputy Public Printer	37,800	49,000	29.6%
Assistant Architect of the Capitol	37,800	49,000	29.6%
Bankruptcy Judges (part time)	18,900	26,500	40.2%
Board of Governors, U.S. Postal Service	10,000	10,000	0 %

TAB C

THE WHITE HOUSE

WASHINGTON

December 9, 1976

MEMORANDUM FOR: THE PRESIDENT

FROM: JACK MARSH *JM*

SUBJECT: Report of the Commission on  
Executive Legislative and  
Judicial Salaries

My views on this question are relatively unchanged since earlier conversations at Camp David and the Oval Office. The reservations I have relate to the leadership role assumed by the President in the years of his Administration concerning Federal spending, sound economic approaches and the need to apply discipline in the management of our national finances.

I am of the view that substantial Federal pay increases, particularly for the Congress, will set a bad precedent having a far-reaching, adverse impact nationally as well as erode some of the hard-earned credibility of the President. I feel it is inconsistent with his major statements on economic policy and his campaign posture. I consider the risk great that substantial pay increases will be viewed as one last hurrah for the Washington crowd of which we are a part.

I am of the opinion that the \$12,500 increase in 1969 of Congressional salaries compromised the 91st Congress in making the hard choices that needed to be made by saying no to people in programs to whom no should have been said. These pay increases made it difficult to resist demands for proposed pay increases, increases in veterans pensions, and limiting new social programs as well as restraining spending on existing Federal programs when restraint was critical. It is hard for a Congressman whose income has increased \$1,000 a month to tell a constituent that he cannot vote an increase of \$10 on his veterans pension or increase his Social Security check.

However, these increases ran into billions of dollars. Outside of Government, an example is set that affects price increases for labor contracts nationwide as well as pay structures of State and local governments. This ripple effect must be carefully considered in what the President does.

On the other hand, I am much aware of the critical need the Report seeks to address. There are severe inequities in the Federal pay structure. However, I do not believe the deficiencies that relate to the pay structure, the problems of civil service and many others are being addressed. I am of the view the pressure for pay increases should be used as a vehicle for an institutional correction rather than adopt a temporary expedient.

The Report really deals only with the tip of the iceberg. Its broad impact will be reflected primarily in the senior GS grade structure and secondly, indirectly in the lower grade structure. The proposed action, although relatively small in cost, will include more than 20,000 other senior Federal officials. To adequately compensate for this will mean a pay increase for a substantial group that will ultimately in the years ahead recreate the problem the Report seeks to redress.

The compaction situation is the tortoise and the hare. In 1969 there was a substantial leap in salaries for a very select group in the executive grades. The tortoise which is the rest of the senior grades has moved inexorably to the lowest level of the five executive grades. Unless the situation that produces this type of compaction is remedied it is inevitable that in the next several years we will have to leap the executive grades to even higher salaries and the process of grade creep and compaction will be repeated.

For this reason I consider the Report too narrow in that it focuses only on a narrow band of individuals and thereby provides only temporary relief of the problem.

In reference to the salary structure, I am of the view that the increases are too large. Modest increases for the Congress, but not to exceed \$3,500, would be in order if such an increase would not be perceived as doing violence to the President's position on fiscal restraint.

I am of the view that one of the most critical areas of Federal pay inadequacies occurs in the Judiciary and particularly for District Judges. I would recommend District Judges be paid at the same rate, or perhaps \$2,500 more, than Members of Congress, Circuit Court of Appeals Judges be paid \$2,500 more than District Judges, and that Justices be paid the same rate as that established for Cabinet officers. The Vice President, the Chief Justice, the Speaker and others would follow proportionally as outlined in the Report but less than recommended there.

In reference to standards of conduct, I concur in the view that this needs to be addressed, particularly in the Congress. Its inclusion in this report troubles me because I do not know whether its genesis arises out of the need for reform or whether it is intended to be a ribbon on the pay proposal to make it a more attractive package back home, and, thereby, incur less citizen resentment. Furthermore, there is a sensitivity in this area relating to the separation of powers. Historically, the regulation and discipline of Members of Congress is a power vested exclusively in the respective Houses. The implied coupling of pay and reform runs counter to that separation. I would prefer to see the President address separately the reform issue and call on the Congress to set its Houses in order apart from a proposal for salary increases.

It is essential in the reform issue that the Leaders of the House and Senate, on a bipartisan basis, assume this responsibility. I am of the opinion that the initiative should come from them.

Although that portion of the Report that deals with this question is well done and dedicated to a sincere effort to remedy the present situation, nevertheless it appears from the Charter of the Study Group that this effort is gratuitous and goes beyond their mandate.

If the President takes a position that he should address reform -- particularly for the Congress -- then the proposals for reform should be carefully developed and staffed in the Ford White House system. There are serious questions that need to be discussed as to the scope and nature of the reform, particularly those that may go to what some might consider to be the sterilization of a Members representation by requiring disassociation from many real world contacts. Is the requirement to be disclosure, restriction, or prohibition on outside income? These are different approaches that might be pursued.

As to how to proceed, there are two steps:

1. Development of the President's program, and
2. Laying the groundwork with Congress for its consideration.

In the latter case, the first step must be taken with the Leadership, but how we are to proceed will have to first be determined by what the President decides to do.

Finally, the President should seize this opportunity where there is great pressure for pay increases to insist on a remedy for basic defects in the Federal pay structure that produces compaction and grade creep. Reform of the pay and grade structure should be coupled with his proposal. This will strengthen his call for reform in Congressional and executive standards of conduct. However, I repeat that the demand for Congressional reform must be carefully handled in such a way that the President is not viewed as improperly meddling in the affairs of the Congress. There is a definite possibility that the Congress may take the pay raise and never fully implement reform.

In all events, should you decide to proceed, at least quiet acquiescence in what you propose is an essential requirement from the gentleman from Georgia, and preferably an open, public endorsement for what you send to the Hill.



CHAIRMAN

UNITED STATES CIVIL SERVICE COMMISSION

WASHINGTON, D. C. 20415

DEC 9 1976

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Executive Pay Increase

We have reviewed the recommendations of the Commission on Executive, Legislative, and Judicial Salaries (the quadrennial commission), and we have several comments to offer for your consideration.

(1) Pay Increase Recommendations. We fully endorse the recommended pay rates for the Executive Schedule. By any reasonable measure, the pay increases recommended for the executive branch's top officials would be conservative, and would not even restore these pay rates to their 1969 purchasing power.

We note that the quadrennial commission has recommended some very significant departures from the existing pay linkages between the three branches of the Government, particularly between the salaries for Federal judges and for Members of Congress. We do not feel that we are in a position to judge the likely congressional reaction to these departures, but we are concerned that these changes, if unacceptable to Congress, could result in the defeat of any pay increase at all. We urge that this subject in particular be discussed with the congressional leadership, as well as the acceptability of the recommended salary rates generally.

(2) Code of Public Conduct. While we would recommend that you publicly and strongly endorse the quadrennial commission's call for a Code of Public Conduct applicable to all three branches, we think it is impractical to seek to actually implement such a complex proposal in advance of your transmittal to Congress of your pay recommendations, since a Code of Public Conduct could only be implemented through the full legislative process. Furthermore, there would seem to be questions as to the appropriateness of an outgoing Administration seeking to implement such a Code in its last few weeks in office. Therefore, we think your urging of rapid action on this subject by the Ninety-Fifth Congress would be a sufficient response to this aspect of the quadrennial commission's report.

(3) Recommendations on Benefits. The quadrennial commission included in its report several recommended changes in benefits--optional coverage of Executive Schedule appointees under Civil Service Retirement for the first five years; relocation expenses for newly elected Members of Congress and newly appointed executive branch officials; and an allowance or tax deduction to reimburse Members of Congress for the expense of maintaining two residences. All of these appear to us to be reasonable, and we would particularly favor the proposal on relocation expenses. Here again, though, legislation would be necessary, and a public endorsement on your part (assuming congressional agreement with the recommendations that touch upon Congress) would seem to be all that is called for.

(4) New Role for Quadrennial Commission. The quadrennial commission also recommended that it be made into a continuing agency, with both members and staff drawn from the private sector, to monitor pay and benefits for the Government's top officials on a continuing basis. This is the one major aspect of the commission's report with which we must disagree. We do not see the need for an additional Federal agency that would be essentially duplicative of responsibilities that are presently placed in the Office of Management and Budget, the Civil Service Commission, and the Advisory Committee on Federal Pay. In our view, last year's Executive Salary Cost-of-Living Adjustment Act, tying pay for the Government's top officials to the annual pay comparability adjustments, is a much simpler and more practical process that would, if allowed to operate, keep pay for top officials keyed adequately to the rest of the economy between quadrennial reviews. As for the need for outside scrutiny of Federal pay-setting, we might point out that this is essentially the function of the existing Advisory Committee on Federal Pay, whose role has already been strengthened and broadened pursuant to the recommendations last year by your Panel on Federal Compensation, chaired by Vice President Rockefeller. Therefore, we suggest that you not accept the recommendations of the quadrennial commission on a new role for that commission.

I would be happy to meet with you to discuss any of these matters further, or to participate in any meetings you may wish to have with the other two branches.



Robert E. Hampton  
Chairman



THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

December 8, 1976

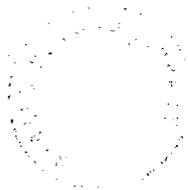
MEMORANDUM FOR JIM CONNOR

FROM: ALAN GREENSPAN

SUBJECT: Report of Commission on Executive, Legislative  
and Judicial Salaries

The report does not offer convincing evidence that the current pay schedule for high-level government officials, civil service or appointed, is inefficient for satisfying the government's requirements for executives. I have no objections to the overall structure of the report. However, the report does not adequately establish the case for the proposed salary structure. It would be difficult to defend a sudden increase of 20 to 47 percent for high-level government officials given that they did not experience unemployment in the last few years. Gradual increases would be viewed as more reasonable. Since the proposed wage increases are arbitrary, the Administration is best off endorsing the principle of gradual increases, without endorsing the particular magnitudes. The standards of conduct (item 8 below) should be sufficiently broad as to avoid particular problems that specific standards might entail. The report could be released in the interest of promoting full public discussion of these issues, with a Presidential endorsement of relaxation of salary caps and stronger conflict of interest provisions, but without endorsing the specifics of the Commission report. Some more detailed comments follow.

(1) The report indicates that nongovernmental executives tend to view a government job as a form of investment in training. The sacrifice of earnings to take the job (23 percent on average) is more than compensated for by the rise in earning opportunities after leaving government (on average an 84 percent rise in salary over the government level when return to private sector.) Apparently, the government employment broadens their experiences and makes them more valuable in the private sector. The report does not present evidence that these persons are less



effective in the government job than others who prefer not to undertake this form of investment.

(2) The report indicates that among career civil servants in the super-grades the cap on salaries makes government jobs less attractive than private sector jobs. This ignores many attractive benefits of government employment including the relatively high pension with early retirement provisions and the stability of employment. In part, middle-level private sector executives receive high salaries because of the uncertainty of employment and problems of reemployment if they lose their job. The attractive alternative for super-grades appears to be retirement with the government pension, rather than leaving government for another executive position prior to retirement age. This raises the question as to whether the pension is too generous for the super-grades. In addition, the report ignores the problem of grade-inflation in the last few years.

(3) The report does not address the issue of the beneficial effects of turnover among executives through retirements when civil service restrictions make replacement difficult if not impossible. Raising salaries relative to pensions would decrease retirements, but would require more aggressive policies to replace high-level civil servants who are no longer as productive as their salary and position would require.

(4) There is a serious problem of salary compression, where GS-15 (higher steps) to GS-18 earn the same salary, which now exceeds that of Executive Level V. Studies of the earnings of Federal Government and private sector workers of the same measurable characteristics (e.g., age, schooling, work experience, area, etc.) suggest that Federal civil service earnings exceed those of the private sector. (The popular view of low government salaries is supported by studies of state and local government workers.) In addition, the fringe benefits (health insurance, pensions, and stability of employment) are generally superior in the Federal sector. The compression appears to be the result of salaries that are "too high" for the lower grades near the compression (GS-14-16) rather than too low at the upper end (GS-17-18, Executive Level V). Unfortunately, the report does not consider this problem when mentioning the problem of salary compression.

(5) The report correctly points out that there is no necessary link between the salaries in the three branches of government. Separate salary schedules would be more appropriate.

(6) Since most persons in Executive Level I-V positions are in government temporarily, and withdraw their contributions to the pension fund upon departure, the recommendation that they be permitted to defer contributions to the pension plan until the fifth year seems warranted. In the jargon of the report, this would ease their cash flow problem.

(7) The recommendation of a \$5,000 per year housing allowance for members of Congress with two residences seems unwarranted. We should move away from categorical, non-taxable supplements to income to a system in which compensation is in the form of salaries subject to taxation. This facilitates the public's awareness of the income of members of Congress and promotes greater equity between members of Congress with different levels of other income.

(8) With regard to conflict of interest, the Commission recommends:

- a. periodic disclosure of financial affairs -- income, by source and amount, gifts, debts and personal holdings.
- b. Rigorous restrictions on outside incomes.
- c. Strict conflict of interest provisions with regard to investments (blind trusts).
- d. More consistent and explicit rules on post-service employment. Implicit call for ending the "revolving door" between government and industry, but no time frame indicated.

(9) The Commission report calls for a permanent Quadrennial Commission, consisting of private citizens, to review salary levels and pension provisions.

THE WHITE HOUSE

WASHINGTON

December 10, 1976

MEMORANDUM FOR: JIM CONNOR

FROM: JIM CANNON 

SUBJECT: The Report of the Commission on  
Executive, Legislative and Judicial  
Salaries - December 1976

Here are my comments to the questions posed:

1. The overall structure of the report reflects the excellent work performed by this Commission. They raise good questions and correctly note that salary cannot be viewed simply in terms of "comparability" with industry. Public trust in public employees is an element, as is the psychic value senior officials receive from the performance of their jobs. The report also correctly questions whether it is logical to link certain jobs in the 3 different branches to identical pay levels.
2. The salary structures and levels recommended are justified given the level of the work to be performed and the other factors used in the analysis. I concur with the specific recommendation that the amount of salary increase should decrease as a percentage as you move up the ladder rather than the reverse situation which now exists.

I concur with the specific salaries recommended in Tables 1 and 2.

3. The proposal for more precise and relatively uniform standards of conduct is excellent. Linking the overdue salary increases to an equally overdue reform of Government standards of conduct clearly makes sense, and will be supported by serious students of public affairs.

4. I concur with the recommendation that before the President takes any action he should convene a meeting with leaders of the legislative and judicial branches. He should also urge creation of the proposed Commission to develop a specific code of public conduct.

The report also recommends creation of a new permanent quadrennial Commission rather than the temporary ones (as this) appointed every four years. I agree.

THE WHITE HOUSE

WASHINGTON

December 8, 1976

MEMORANDUM FOR: JIM CONNOR  
MIKE DUVAL

FROM: ED SCHMULTS   
KEN LAZARUS

SUBJECT: Pay Commission Report

Counsel's Office has reviewed the report of the Commission on Legislative, Judicial and Executive Salaries and offers the following:

- (1) Overview. As you may be aware, the Commission's powers under its enabling authority are solely advisory in nature. The responsibility of the President under the statute, on the other hand, requires that he include within the upcoming budget his recommendations with respect to the exact rates of pay which he deems advisable for those offices and positions within the purview of the organic act. Although this recommendation is the only legal requirement imposed upon the President, he is, of course, free to go beyond this limited role and comment on related features of the report, i.e., "uncoupling", a code of conduct, etc.
- (2) Constitutional Infirmity. The Commission's enabling statute provides that the pay recommendations of the President shall become law unless disapproved by either House of Congress during a period of 30 days following the transmittal of such recommendations. Counsel's Office and the Department of Justice believe that this legislative scheme is unconstitutional. We might note in this regard, however, that our case in opposition to this legislative scheme is weakened to the extent that this legislation contemplates a subsequent appropriations bill carrying forward the increases in customary legislative fashion.
- (3) Technical Point. We have been advised by the staff of the Commission that a "final report" will be forthcoming next week to improve upon the general format of the draft which is currently before us and to correct certain minor technical errors.

(4) Proposed Response. It is our view that the President should go beyond the bare legal requirements of the organic act and issue a message to accompany his budget on the subject of pay reform. In this regard, Counsel's Office recommends that the President generally support the need for certain pay raises in the Legislative, Executive and Judicial Branches and endorse the general architecture of the Pay Commission's report subject to the following considerations:

(a) Although the recommended salary levels proposed in Table II of the report represent reasonable goals, it would be inconsistent with the public sensibilities on this subject to propose immediate increases of this scale. Rather, we would see these figures as goals to be pursued over a three-year period. Therefore, we would suggest that the President this year formally recommend increases of one-third of the levels of increase proposed by the Commission.

(b) Due to the constitutional restraints the President should also request that these increases be made in the form of affirmative legislation.

(c) The President should generally endorse the concept of coupling reform of our conflict laws with the pay increases. This position dovetails with our comments on the constitutional defect presented here.

(d) By staging these increases over a three-year period, the President can also make clear that there is a necessity for fundamental reform of the general pay schedules of government to insure that people do not receive unwarranted increases as they are caught up in the current of this plan. Stated another way, during recent years, many government people have received grade increases in order to achieve a desirable salary and, in many instances, substantial increases in that level would warrant a reevaluation of their GS rating. A three-year stage of pay increases would allow time for a reevaluation of this situation.

(5) Prospects. In the past, Congress has approved pay raises only in instances where (1) the Congressional leadership was personally lobbied by the President and an agreement reached in advance; and (2) in instances where the rate of increase proposed for Congressmen was equal to the increase received by others in the government. Assuming the President does not meet with the Congressional leadership on the question in advance of his budget message, there would appear to be little or no chance for Congressional silence on the proposed increase since (1) we can anticipate that Senator Allen, Helms or some other fiscal Conservative will bring the question to a vote, and (2) given the fact that Congressional increases would be substantially less than others proposed for judges and Executive Branch personnel, a resolution of disapproval would likely carry. In order to allow for reasonable prospects for any success here, the President would have to meet with the Congressional leadership in order to preclude a vote on his recommendation.

(6) Note: We should also indicate here that Phil Buchen has been approached by the Chief Justice who requests the opportunity to speak to the President on this issue should the decision be reached to substantially reduce the judicial salary levels proposed by the Commission. Moreover, we are being rather heavily lobbied by various bar associations in support of the judicial salary increases and would, therefore, appreciate being kept informed as to any future developments in this regard.

cc: Jack Marsh

MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

December 9, 1976

MEMORANDUM FOR: JAMES CONNOR  
FROM: BRENT SCOWCROFT   
SUBJECT: Report of the Commission on  
Executive, Legislative and Judicial  
Salaries

I have reviewed the Report of the Commission on Executive, Legislative and Judicial Salaries. The Commission has done an excellent job and the report is a thoughtful presentation of a very complex and important issue.

While I agree with the principle of providing compensation to high-level government officials which corresponds approximately with their counterparts of similar responsibility in the private sector, I am concerned that isolated weaknesses and the unfortunate coincidence of an economic pause with the report's submission may lead to rejection of the many worthwhile points made in the report. Specifically, I believe that notwithstanding the gross disparities between the salaries of the highest government officials and their counterparts, it is unrealistic to expect public or Congressional support for increases of the magnitude recommended in the report. The probable result is rejection of any increase and the discrediting of the very worthwhile analysis that has been done. Although the Commission has tried to take this factor into account and has proposed increases amounting to less than the corresponding rise in living costs, it remains very doubtful that support could be gained for increases on the order of 20 - 40%.

In addition, I believe that further analysis should be given to the precise correlation of the five Executive Levels to positions in the Judicial and Legislative Branches.

The little time available for review has prevented detailed analysis essential to a more constructive comment. The matter of compensation is extremely important and will have a vital impact on the quality of persons attracted to service in the Federal Government. I recommend,

however, that the report be referred for further review which will take into account the realities of public and Congressional support of Federal expenditures and the matter of inter-branch position correlation mentioned above.

THE SECRETARY OF STATE  
WASHINGTON

RF

COPIES TO:

November 15, 1976

1  
V/DG  
1/MO  
1F-WS

MEMORANDUM FOR: THE PRESIDENT  
From: Henry A. Kissinger *HK*  
Subject: Federal Wage Policy

I would urge you, in your upcoming review of proposals by the Commission on Executive, Legislative and Judicial Salaries to consider particularly the situation in the Department of State's executive ranks, both in Washington and in the Foreign Service abroad. We are continuing to lose some of our best officers because of the large disparity between their salaries and those in the private sector. When our ablest Foreign Service officers reach the \$39,600 salary ceiling, they have at present no prospect of pay increases to match the assumption of senior policy and management responsibilities in years to come.

The probable loss of many of our best senior officers, while still in their most productive years, leads me to recommend strongly that pay levels for senior Foreign Service grades be allowed to rise significantly. The likely alternative, further substantial losses from our senior ranks, must inevitably cause impairment of this country's capacity to deal with its problems and challenges in international affairs.

The course of inflation has made the situation worse than it was when I sent you my memorandum of December 2, 1974 urging an executive pay raise; worse than that described in the Comptroller General's report of February 25, 1975, which showed that the

salary of a GS-18, or Foreign Service Officer of Class 1, was about half that of salaries for positions of equivalent responsibility in the private sector.

It would be a grave misfortune if our failure to provide proper compensation for our officers should turn back the clock and make the formation and implementation of foreign policy a profession reserved for the rich. Our program for equal employment opportunity might then appear a sham. Yet either that, or a decline in the standards of the Foreign Service, is the prospect we face if we cannot improve executive compensation.

However, others in the minority including Congressman Bob Michel, believe that the Code of Conduct provision should be strongly endorsed as a balance to the pay raise.

Bob Michel supports the pay raise and indicates he will probably vote for it if necessary.

However, Michel recommends that the Carter administration be forced to endorse it before the President makes his recommendation.

Otherwise Michel maintains the Democrats in the Congress will use the political argument that the pay raise was a result of the Ford administration's recommendation.

Michel is willing to work through Tip O'Neill to insist that Carter endorse the pay raise before the President makes the decision or sends his recommendation to the Hill.

cc: Jack Marsh  
Dick Cheney  
Jim Cannon

THE WHITE HOUSE

WASHINGTON

December 9, 1976

MEMORANDUM FOR: JIM CONNOR  
FROM: MAX FRIEDERSDORF *M.F.*  
SUBJECT: The Report of the Commission on Executive,  
Legislative and Judicial Salaries  
December 1976

With regard to the Report of the Pay Commission I would recommend the President endorse the findings of the report and include the amounts required in his budget proposal.

I would recommend that the President urge that the Judicial and Congressional salaries be unlinked and considered separately.

I believe that if the President does endorse the Pay Commission recommendation, the President should strongly urge that Congress vote on the pay increase.

The concensus on the Hill is that a vote will be a virtual certainty in the Senate and that most likely a discharge petition will be circulated by Congressman Grassley of Iowa.

However, even though a vote in the Congress seems likely, because of the strong Congressional desire for a pay raise, a pay raise is most likely to pass.

Another sticking point with the Congress will be the Code of Public Conduct section.

There is very strong resentment among the Congress at this time regarding this section.

Congress believes that it should not be constrained in this regard because of the alleged temporary status of a Member of Congress and the high cost of maintaining separate residences and all the other extra cost of living expenses attached to serving in the House and Senate.

Members of the minority with whom I have discussed this matter with, including Minority Leader Rhodes, suggest that the President couple his recommendation for a Congressional vote with a suggestion that the Code of Public Conduct be left to the prerogative of the House and Senate.

Date: December 6, 1976

Time:

## FOR ACTION:

cc (for information):

Phil Buchen	<u>Bob Hartmann</u>	
Jim Cannon	Jim Lynn	
Max Friedersdorf	Jack Marsh	Bill Seidman
Alan Greenspan	Paul O'Neill	Brent Scowcroft

FROM THE STAFF SECRETARY

DUE: Date: Wednesday, December 8 Time: c. o. b.

## SUBJECT:

The Report of the Commission on Executive, Legislative  
and Judicial Salaries  
December 1976

## ACTION REQUESTED:

<input type="checkbox"/> For Necessary Action	<input checked="" type="checkbox"/> For Your Recommendations
<input type="checkbox"/> Prepare Agenda and Brief	<input type="checkbox"/> Draft Reply
<input checked="" type="checkbox"/> For Your Comments	<input type="checkbox"/> Draft Remarks

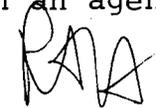
## REMARKS:

The President has asked for senior staff comments on the attached report focusing on the following:

- (1) Overall structure of the report
- (2) Salary Structures recommended
- (3) Standards of Conduct
- ((4) How do we proceed?

I have discussed this with the President and he is aware of my views.

Basically, I believe there is a serious constitutional problem in having any single agency monitor the conduct of the three separate branches of government. Control of such an agency would be a beautiful place to spawn a dictator.

RTH PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor  
For the President

Date: December 6, 1976

Time:

FOR ACTION:

cc (for information):

Phil Buchen

Bob Hartmann

Jim Cannon

Jim Lynn

Max Friedersdorf

Jack Marsh

Bill Seidman

Alan Greenspan

Paul O'Neill

Brent Scowcroft

FROM THE STAFF SECRETARY

DUE: Date: Wednesday, December 8

Time: c. o. b.

SUBJECT:

The Report of the Commission on Executive, Legislative and Judicial Salaries  
December 1976

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

The President has asked for senior staff comments on the attached report focusing on the following:

- (1) Overall structure of the report
- (2) Salary Structures recommended
- (3) Standards of Conduct
- ((4) How do we proceed?

*In general I agree with recommendations - but I doubt if they fly in the congress*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor  
For the President

*Please for next administration*

14  
Coalition for  
Adequate  
Judicial  
Compensation

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December 10, 1976

RT  
The President  
The White House  
Washington, D.C. 20500

Dear Mr. President:

The Coalition for Adequate Judicial Compensation commends the report recently submitted to you by the Commission on Executive, Legislative and Judicial Salaries and respectfully requests your favorable consideration.

As this letterhead and reverse side of this page indicate, the Coalition is composed of more than 100 community leaders, former members of the Congress and a broad cross section of prominent members of the Bar. It was formed in June of 1975 under the sponsorship of the American Bar Association and is a natural outgrowth of the ABA's long record of support of fair judicial compensation.

On behalf of the Coalition, I have written to Peter G. Peterson, chairman of the Quadrennial Commission, to pledge the Coalition's support of the Commission's recommendations as they affect judicial compensation.

The Coalition was formed because of a growing concern that high standards of the federal judiciary would deteriorate under the decreasing purchasing power of present salaries. As the Quadrennial Commission pointed out, federal judges embark on a lifetime career when they accept a presidential appointment. They expect no opportunity to recoup from lower federal compensation by returning later to private life. Attorneys who are selected for the federal judiciary normally have attained high income levels. For the

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The President  
December 10, 1976  
Page two

most part, they do not upgrade their incomes, and do not expect to. But it is our conviction that unless present income level is increased, erosion of the high standards of the federal judiciary is inevitable. The prestige of serving as a judge at an inadequate salary will not compensate the kind of attorneys we must have as judges. The Coalition also endorses the standards of conduct recommended by the Quadrennial Commission. Judges already are governed by similar standards of conduct. The Coalition likewise agrees that public acceptance of higher judicial compensation would be quick. The people of our country have a high regard for federal jurists.

The Coalition also supports higher salaries for the executive and legislative branches, and agrees with the analysis of them by the Quadrennial Commission. Since the Coalition was formed for the single purpose of supporting adequate judicial salaries, we have not commented further on the income levels of members of the other two branches of the federal government.

In this regard, the Board of Governors of the American Bar Association, on December 7, adopted a resolution in support of the Quadrennial Commission's recommendations, noting that "a crisis condition exists in the three branches (of government) because of the distressingly deficient pay scales which have been brought about by the demonstrated lag between those applicable to top personnel and those applicable to other governmental and non-governmental employees.

While endorsing the Quadrennial Commission's report, it is not the Coalition's purpose to suggest a specific dollar amount in increases of judicial salaries. Rather, our concern is that the principle of equity be fairly recognized. We are confident that your recommendations to the Congress will grant such recognition.

We are aware of your own leadership, Mr. President, regarding the areas of discussion covered by the Quadrennial Commission Report. We note particularly your remarks on July 13, 1975, before the Sixth Circuit Judicial Conference, your statement to the American Judicature Society in November, 1976, and your response, printed in the American Bar Association Journal of October, 1976, to the ABA's questionnaire in which you noted that you had "pressed for adequate pay for federal judges throughout (your) administration and will continue to do so."

The President  
December 10, 1976  
Page three

We also recall with sincere appreciation your administration's leadership in the field of reform as evidenced by your letter of July 19, 1976, to the Speaker of the House and the President of the Senate transmitting a substitute to S.495, the Watergate Reorganization and Reform Act of 1975, the so-called Special Prosecutor Bill. Title III of your bill dealt directly with protection of the public's right to be assured that public officials, regardless of which branch of government they serve in, disclose financial matters which could give rise to a conflict of interest in the performance of their official duties.

The Coalition shares the concern expressed by the Quadrennial Commission about public sensitivity to what will appear to many as unjustifiably large increases for public officials. We believe we can be of significant assistance in gaining public acceptance of fair and equitable salary levels. Our own inquiries indicate that there already exists broad support for increased pay for the federal judiciary. Further, we believe we can help foster congressional acceptance of your proposals by direct contacts with the Congress from our membership.

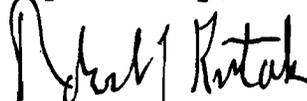
In summary, Mr. President, the Coalition wishes to be of all the assistance it can in support of your recommendations.

To that end, we respectfully suggest that it would be most helpful if you and the appropriate officials of your staff met at an early date with the congressional leadership, including representation from the Post Office and Civil Service Committees, to seek an accord on those salary levels which would have the maximum support of the Congress. Such consultation before the submission of your recommendations in your Budget Message would, we believe, greatly enhance congressional approval of your recommendations.

Representatives of the Coalition have had the privilege of preliminary discussions with members of the White House staff on this subject. We want you to know of our willingness to do all we can, both within the legal profession and among the public, to engender support for equitable judicial compensation.

We are prepared to provide any assistance that you desire.

Respectfully,



Robert J. Kutak  
National Administrator

RJK:baf