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CA - 58-107

June 4, 1958


The White House

Washington

THE CABINET

Agenda

9:00 AM, Friday, June 6, 1958

- | | | | |
|--|----------------|---|---|
| 1. A Federal Aviation Agency | (Oral) |  | The Special Assistant
to the President for
Aviation Matters |
| 2. Social Security Legislation | (Oral) | | The Secretary of Health,
Education and Welfare |
| 3. The Federal Action Phase of
OPERATION ALERT, 1958 | (CI - 58-44/2) | | The Director, Office of
Defense Mobilization |
| 4. Letter to Heads of Agencies on
Management-Employee Relations | (Oral) | | The Special Assistant to
the President for
Personnel Management |

Robert Gray
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

June 5, 1958

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, June 6, 1958

The following items are listed on the Cabinet Agenda:

1. A Federal Aviation Agency

(Mr. Quesada)

You have instructed Mr. Quesada "to report as soon as possible to the President on measures already taken or recommended to the Congress ... to further accelerate air safety." Pursuant to this assignment, and in the light of imminent hearings on Senator Monroney's new bill creating a Federal Aviation Agency, Mr. Quesada will make a presentation of general interest to the Cabinet. His presentation will highlight the following points:

- a. The current figures and future projections of air traffic volume.
- b. Progress to date on installation of equipment and civil-military collaboration.
- c. Administration policy on future organization, i. e.,
 - i) the immediate preparation of a Presidential Message supporting the Monroney Bill, but offering amendments,
 - ii) the creation of a new Federal Aviation Agency which will be a genuine partnership, not just "representation" of civilian and military.

PRESENTATION TIME: 25 minutes -- followed by discussion



2. Social Security Legislation

(Secretary Folsom)

Secretary Folsom has asked to present to the Cabinet the problems and alternatives of Social Security legislation.

On June 16, the House Ways and Means Committee will begin hearings on "all titles of the Social Security Act," and HEW expects the Committee to consider a whole bundle of proposals to raise the benefit level of Social Security and public assistance payments, and to increase the Federal share. The level has not been raised since 1954, and it will be argued that the heightened cost of living justifies increasing the payments to those recipients who are completely dependent upon this income.

If we take a flatly negative position on these proposals, fears the Secretary, undesirable legislation may be forced upon us with damaging political repercussions. The Secretary seeks the Cabinet's advice and the Administration's position.

PRESENTATION TIME: 20 minutes -- followed by discussion

3. The Federal Action Phase of
OPERATION ALERT, 1958

(Director Gray)

OPERATION ALERT, 1958 breaks down into three phases: (1) the attack phase (featuring local civil defense activities) on May 6-7; (2) the Federal action phase on July 14-18 (the latter two days at relocation sites); (3) the evaluation phase on September 15-17.

The purpose of the Federal action phase will be to work through the problems posed by the competing requirements of localities and States for resources and assistance, and to come to some real decisions which will be guidelines for future resource planning.

As agreed in his talk with you, Mr. Gray is prepared to outline to the Cabinet the objective of the coming Federal action phase and how it will be managed. He wants also to touch on the September Evaluation Phase since it may involve a Cabinet or "expanded" Cabinet meeting.

→ Gordon Gray has specifically asked that you give emphasis at the Cabinet table to the three points which he has prepared and which you will find immediately under Tab 3.

PRESENTATION TIME: 15 minutes

3.

4. Letters to Heads of Agencies on
Management-Employee Relations

(Mr. Siciliano)

On June third, Mr. Siciliano issued a memorandum (see Tab 4) to the heads of Executive Departments and Agencies calling their attention to the existing policy concerning management-employee relations within the Federal Government. This memorandum underscores the responsibility of the Civil Service Commission to follow up and enforce the application of this policy. The reason for issuing the memorandum at this time is the feeling that there has not been full compliance in recent years on the part of the departments and agencies, plus a reluctance on the part of the Commission to effect the necessary follow-through.

Mr. Siciliano will explain briefly to the Cabinet the purpose of the memorandum and what is expected in its implementation.

PRESENTATION TIME: 5 minutes




Robert Gray

Secretary to the Cabinet

MINUTES OF CABINET MEETING

June 6, 1958

9:00 A. M. -- 10:10 A. M.

The following were present:

President Eisenhower

Under Sec. Herter
 (for Sec. Dulles)
Under Sec. Scribner
 (for Sec. Anderson)
Deputy Sec. Quarles
 (for Sec. McElroy)
Atty Gen Rogers
PMG Summerfield
Sec. Seaton
Sec. Benson
Sec. Weeks
Under Sec. O'Connell
 (for Sec. Mitchell)
Sec. Folsom

Mr. Merriam
 (for Director Stans)
Mr. Gordon Gray
Amb. Lodge
Dr. Saulnier

Gov. Adams
Gen. Persons
Mr. Robert Gray

Mr. Siciliano
Dr. Killian
Gen. Quesada
 (and Fordyce Luikart)
Mr. Morgan
Mr. McCabe
Mr. Larson
Gov. Pyle
Mr. Anderson, in part
Mr. Martin
Dr. Hauge
Mr. McPhee
Capt. Aurand
Gen. Goodpaster
Mr. Patterson
Mr. Minnich

Mr. Ellsworth, CSC



The President opened the meeting by noting an hour and a half that he had just spent "doing a little bit of electioneering for the Republican Party", and how so many of the group of young Republican Congressmen seemed opposed to the Reciprocal Trade bill.

Federal Aviation Agency - Gen. Quesada recounted the Administration's long-range program in this regard, stated that the Airways Modernization Board is successfully in being and making progress on technical problems, and pointed out how the Administration had heretofore planned to submit draft legislation to the Congress next January for establishing a Federal Aviation Agency.

Gen. Quesada then noted the urgency that has come upon this problem as a result of recent crashes, with the consequence that legislation has already

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been introduced in Congress by interested Members. With amendments, he believed, this bill could adequately serve the President's objectives and he listed some six items that would require change principally to insure that the agency reported to the President rather than to the Congress and that provision would be made for military participation in it. He referred to certain Defense functions like communications and flight facilities that might be transferred to the new agency provided a guarantee of service to the military agencies could be made, since the Defense Department is dependent on such service.

Secretary Weeks stated that this organizational change is a classic exception -- because of the division of functions between civilian and military organizations -- to his principle that it is not desirable to pull a number of bureaus out of several different departments to constitute a new agency reporting to the President. Sec. Quarles appreciated that the change would require great adjustments within the Defense Department but that the Department thinks the change is a wise one.

The President recalled that in coming to an agreement on this a few days earlier everyone had agreed that the first objective was to get the agency established, after which various difficulties could be worked out by administrative regulations as they appear.

Sec. Benson set forth his vigorous opposition to a similar move to establish the REA as a new independent agency.

Social Security Legislation - Sec. Folsom reported that Committee hearings had now been scheduled for consideration of various measures in this field, including compulsory hospital insurance for elderly people and an increase in benefits for those in the old age security insurance system. Regarding the latter, he stated that the Department had been awaiting the report of a Committee, composed of Arthur Burns and others, set up under statutory provision to review the adequacy of existing benefit payments. Preliminary evidence showed that those who had retired some years ago are experiencing great difficulty with recent increases in the cost of living since their payments are based on earnings at the lower levels of years gone by. He stated the Department's opposition to another increase of the payroll tax, yet the Department desired above all not to jeopardize the fiscal soundness of the Trust Fund. He therefore saw a need for increasing the tax contributions should benefits be raised.

Mr. Folsom then described a proposal under consideration in HEW for an 8% increase in payments only to those already retired -- for future retirees the situation might be met temporarily by raising the wage base on which taxes are paid to \$4800. The wage base change would, incidentally, also be sufficient to finance the higher benefits for those already retired. Mr. Folsom concluded by stating that he believed the Congressional situation and the need of retirees to be such that some limited action must be taken in advance of completion of the statutory study now started.

The President's first comment was that an increase in payments would be an added inflationary pressure, whereas the fundamental need was to limit inflation and thus prevent the breakdown of all pension systems. He saw

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merit in enlisting pensioners in the cause of stable and sound fiscal position. Mr. Folsom concurred, then repeated the immediate problem of those who are unable to supplement inadequate pensions. Mr. Scribner took note of the similar problem besetting people who must live on savings without benefit of social security.

Mr. Merriam stated Budget's hope that any changes in the system would come from recommendations of the Advisory Council. He believed it to the Administration's advantage to await the work of the Council as the surest means of avoiding jeopardizing the system. He questioned whether Congress would take any action in view of the proximity of adjournment.

The President concluded the discussion by noting that insurance companies had long paid strictly on the basis of a fixed dollar amount, by recognizing the merit of the Folsom proposal in terms of justice since workers had a basis for assuming that their lifelong payments to social security would provide a certain standard of living after retirement, and by noting again that an increase would be a great additional pressure towards inflation -- a danger that the United States must be watching closely for years to come.

Operation Alert 1958 (CI 58-44/2) - Mr. Gray outlined the purpose of this Exercise, particularly in terms of evaluating the capability of all levels of government to operate following an attack and to make proper provision for allocation of remaining resources. He stated that damage analyses were under development presently so as to be available for the first time for the "allocations" phase of an Exercise. He concluded by stressing again the need for the earnest participation of all the agencies involved.

The President requested that particular attention be made in analyzing resources as to the emergency capability and role of the railroads in the transportation system. Study of this might be helpful, the President believed, in connection with the handling of present railroad problems. Mr. Gray promised to have it done.

The President expressed his continuing deep interest in these Exercises and his expectation that all senior officials would take an active role in this Alert, even though some department heads might have to forego visiting relocation sites. He urged that department heads hold their outside engagements to the very minimum during the July 16-18 period.

Employee Relations - Mr. Siciliano called attention to a memorandum for the heads of all agencies regarding employee relations and the handling of employee grievances, and also to the current Congressional interest in this matter. He noted that the latter asked agency heads to evaluate the situation in their own offices and to draw up a program of any necessary changes; also it gave the Civil Service Commission a definite authority for its activity in this regard. Mr. Siciliano asked that agency heads advise him informally in advance of any changes so that they might be discussed in the light of the interests and requirements of other agencies around the government.

Copies to:

Mrs. Whitman (2) ✓

Mr. Gray

Mr. Minnich

LAM
L. A. Minnich, Jr.

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THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, June 6, 1958:

1. A Federal Aviation Agency

ACTION:

- a) The Cabinet noted without objection the presentation by the Special Assistant to the President for Aviation Matters, including his conclusion that the Presidential Message now being prepared for transmittal to Congress in the immediate future should specify the desirable features which, in order to reflect the President's policies, ought to be incorporated in any legislation establishing a Federal Aviation Agency.
- b) The President underscored the need for legislation which will be flexible and which will give the Executive Branch latitude to handle by regulation the rapidly changing aviation problems of the future.

2. Social Security Legislation

ACTION:

- a) Secretary Folsom spoke to the current soundness of the Social Security system and how it might be affected by pending legislation, particularly the addition of hospitalization coverage and payment increases to meet higher costs of living.
- b) While recognizing that for some recipients the purchasing power of Social Security benefits has declined because of increases in the cost of living, the President stressed the importance of a strong position against the constant wage-price spiral.

3. The Federal Action Phase of
OPERATION ALERT, 1958

(CI - 58-44/2)

ACTION:

- a) The President requested that:

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- i) all key officials of Departments and Agencies be aware of and participate as fully as possible in Operation Alert, 1958,
 - ii) calendars during July 16-18 should be kept clear of all but compelling engagements, and out-of-town commitments be held to a minimum,
 - iii) Deputy and Under Secretaries be fully prepared to participate in the relocation phase of the Exercise, with Department Heads' personal relocation optional but encouraged (depending upon their other business) even if for only part of the time.
- b) The President asked that as part of the Exercise damage assessment a special study be made of the functions and capacities of the nation's railroads in an emergency, with a view toward developing ideas pertinent to current consideration of railroad problems.
- c) The President stressed his conviction that these Exercises are highly worthwhile for the government as a whole, and that there has been a great advance since 1953 in the mental attitude as well as the physical capability of government to act in an emergency.

4. Memorandum to Heads of Agencies on Management-Employee Relations

ACTION:



Memorandum to the Heads of Executive Departments and Agencies dated June 3, 1958, from Mr. Siciliano

- a) The Cabinet noted the explanation by the Special Assistant to the President for Personnel Management of the reasons for issuing his policy directive of June 3, of what the directive does and of what the Department and Agency Heads should do to implement it.
- b) Mr. Siciliano requested that when any Department or Agency is considering new regulations or procedures with respect to management-employee relations, he be consulted in advance of final approval and publication of such regulations or procedures. There was no objection to Mr. Siciliano's request.

Robert Gray
Secretary to the Cabinet

Approved by the President
June 11, 1958