

THE WHITE HOUSE

WASHINGTON

May 18, 1982

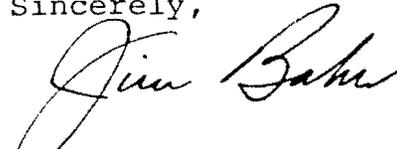
Dear Dr. Bok:

I appreciate your letter of April 13, and am pleased that our relatively brief meeting last December sparked an exchange of views on the proper role of the federal government in education. Bill Bowen was kind enough to devote some time to the subject, and I am pleased that you have also given thought to it through your "President's Report." Needless to say, I have forwarded copies of both your report and Bill Bowen's paper to Secretary Bell for him to read and consider.

On the subject of student loans at the graduate level, though, I am afraid we must agree to disagree. I certainly understand your concerns, but I also feel quite strongly that the entire student loan program, which has mushroomed to an extraordinary degree, must be brought under fiscal control for obvious reasons, not the least of which is to safeguard the program for those truly in need.

In any event, I do appreciate the attention you have given to this complex subject, and can assure you that your report, and that of Bill Bowen, will be helpful to us.

Sincerely,



James A. Baker, III  
Chief of Staff and  
Assistant to the President

Dr. Derek C. Bok  
President  
Harvard University  
Massachusetts Hall  
Cambridge, Massachusetts 02138

HARVARD UNIVERSITY

copy of report sent to  
T. Bell  
JK

OFFICE OF THE PRESIDENT

MASSACHUSETTS HALL  
CAMBRIDGE, MASSACHUSETTS 02138

April 13, 1982

Dear Mr. Baker:

Thank you very much for your recent letter concerning student aid. I have read it with care. Although I would quarrel with some of the numbers and estimates used, especially those relating to student loans, that is not my reason for writing. Coincidentally, your letter arrived when I had just received from the printer my own annual report dealing with the same subject. As the opening paragraph makes clear, the theme of my report derives from our meeting of last December when you invited Bill Bowen and me to think hard about the appropriate federal role in higher education, and, specifically, in the area of student assistance.

In addition to considering why the federal government should have any role at all, I have analyzed the current administration proposals. In so doing, I have tried to approach the subject objectively and not as a partisan advocate. In that spirit, I express agreement with several positions you have taken. On other points, I clearly disagree but recognize that there is room for differences of opinion.

In one important area, however, I sincerely believe that the administration is making a serious mistake that may impair the national interest. This area involves assistance to graduate and professional school students.

I recognize the severe financial constraints under which you are operating. Nevertheless, I believe that it is possible to create programs of student assistance for graduate and professional students that will cost relatively little. These alternatives are briefly sketched in my report, and I could readily expand on these remarks if it should ever be useful to do so.

I trouble you with these concerns only because of the risk that your proposals may do severe and long-term damage to the national interest. At present, we suffer from growing shortages of computer science specialists and engineers. The college seniors we are attracting into public school teaching are already far below the median in general aptitude. The ministry is not recruiting its fair share of talented young people. The same is true of people interested in careers of public service. There is a serious danger that we will not be able to attract the truly

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outstanding young people we need to maintain high intellectual standards in the faculties of our universities.

All these problems will be greatly exacerbated by the student aid proposals advanced by the administration. Once enacted, these proposals will have long-term effects, since it is unlikely that students will return in later life to school teaching, science, the ministry, or academic careers once they have been dissuaded by high credit costs from entering graduate and professional schools to prepare for these fields.

Such consequences seem especially unfortunate when there are alternative programs which could avoid the problems at relatively little long-term cost to the government. For this reason, I hope that you or your staff can read what I have written and consider a change in direction that would avoid the dangers resulting from your current proposals.

Thank you very much for your interest.

Sincerely,

A handwritten signature in cursive script that reads "Derek Bok". The signature is written in dark ink and is positioned above the printed name.

Derek C. Bok

The Honorable James A. Baker III  
The White House  
1600 Pennsylvania Avenue  
Washington, D. C. 20500

## President's Report

Law

*To the Members of the Board of Overseers:*

Ladies and Gentlemen, I have the honor to present my report for 1980-81.

The subject of this year's report was conceived last December during a meeting in the White House with one of President Reagan's deputies. Accompanied by my counterpart from Princeton, I had come to discuss proposals from David Stockman that would dismantle much of the bipartisan program for student aid that Congress had constructed over the previous fifteen years. We arrived armed with figures, statistics, and careful recitations of the harm that would befall the nation's students if Mr. Stockman's ideas were enacted. But we had scarcely sat down when we were greeted with an unexpected challenge: "What we need from you," said the White House aide, "is some help in thinking through what the role of the federal government ought to be in higher education." Alas, like jesting Pilate, our host could not hurry for an answer. We had been told before we entered that we were fortunate even to receive an appointment in an unusually hectic week and that we could stay no more than fifteen minutes.

Yet the task of defining the proper federal role is still important, and not merely because of Mr. Stockman's startling proposals. The programs of student aid that took shape during the 1960s developed in an era of seeming affluence, of social engineering, of ambitious government. Suddenly, all that has changed. The nation feels pinched and overextended. A new administration is in office, riding a groundswell of public concern that the government has tried to do too much and should sharply cut back its responsibilities.

At such a time, educational programs are a natural target for scrutiny. Their values are intangible, their effects long-term. They fall squarely within that narrow band of federal undertakings that seem especially "up for grabs," outside the more secure redoubts of defense expenditures and pay-

## PRESIDENT'S REPORT

ments on the national debt. And yet, in a period of sluggish growth and grave concern over the economy, education is a matter of acute national importance. As Peter Drucker once observed: "The abundant and increasing supply of highly educated people has become the absolute prerequisite of social and economic development in our world. It is rapidly becoming a condition of national survival. . . . The essential new fact is that a developed society and economy are less than fully effective if anyone is educated to less than the limit of his potential." In such a world, we need to review the government's educational programs with special care not only to decide in what respects they are overgenerous but also to consider the extent to which they represent a sound investment in the nation's future.

This subject is also vital to colleges and universities, and no less so to Harvard. Alumni often ask me how great a portion of the University's budget comes from the federal government—and it is clear that they would prefer it if the fraction sank to zero. Although I understand their sentiments, the plain fact is that universities like ours could not survive in their present form without federal support. In 1980, Harvard received \$108 million from Washington, almost 25 percent of our total budget. The bulk of these funds went to support our research programs, chiefly in the Faculty of Arts and Sciences, the Medical School, and the School of Public Health. But a full \$12 million came in the form of student grants, another \$34 million went directly to students as federally subsidized loans, and more than \$3 million arrived as federal subsidies for campus jobs for students. So pervasive has this assistance become that during the year just passed 70 percent of our student body received some form of financial support from the government.

Student aid, of course, was an integral part of Harvard policy for generations and even centuries before the emergence of federal aid. In 1643, Lady Anne (Radcliffe) Mowson contributed the sum of 100 pounds sterling to provide "a perpetuall stipend for and towards the yea[rly] maintenance of some poor scholler. . . ." Through much of the seventeenth century, the College devoted up to one-third of its total revenues to student assistance. Although this percentage fell sharply in later years, Harvard's scholarship endowments slowly grew and helped to keep the University open to able young men of modest means.

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In the early 1930s, the University strove mightily to increase its scholarships to attract a diverse and genuinely national student body. As President Conant declared, "We should be able to say that any man with remarkable talents may obtain his education at Harvard whether he be rich or penniless, whether he come from Boston or San Francisco." By and large, these efforts proved successful. Yet even at the end of the 1950s, Professor Seymour Harris observed that "Harvard for generations has not been able to finance those most in need of help . . . the bottom 20 percent in family incomes."

The growth of federal assistance made it possible to attract more students of limited means while defraying some of the added costs of admitting these young men and women. And Harvard quickly responded. As President Pusey remarked in 1968, "The heightened interest shown . . . last year in attracting more disadvantaged students was sufficiently great to constitute virtually a basic change [in admissions policy]." In the years that followed, federal aid proved critical in enabling Harvard and other universities to maintain these policies despite inflation, growing regulatory burdens, and an exceedingly sluggish stock market. Not only in the College but in most of our graduate schools as well, the steady growth in government support from 1965 to 1980 made it possible to keep increasing student charges in the face of rapidly rising costs without driving away poor and middle-income applicants. Within two decades, therefore, federal assistance had become a vital force in shaping the character and diversity of the entire Harvard student body.

Although government aid is important to Harvard in fulfilling its basic philosophy and mission, no one likes to receive federal dollars that do not serve some important national purpose. Such support would not be justified. And as a practical matter, it would not last. Hence, at a moment when the nation seems to be reexamining so many government programs, I thought it timely to devote this annual report to a discussion of the proper federal role in assisting students attending colleges and universities.<sup>6</sup>

<sup>6</sup>When I began this report, I hoped to cover each of the two major categories of government support: student aid and research. It soon became clear that I could not do justice to both topics within the limits of space mercifully imposed on reports of this kind. I have therefore decided to confine myself to student aid, not because it is necessarily more important but because it is currently under attack to a degree far greater than is yet the case for research.

Although the federal government provided massive scholarship aid under the GI Bill after World War II, a sustained program of student support really began in 1958 under President Eisenhower. At that time, the launching of Sputnik dramatized the strength of Soviet science and convinced the public that the nation required a greater national effort in education. At the President's urging, Congress soon passed the National Defense Education Act. In the opening sentences of the bill, the lawmakers expressed their purposes in no uncertain terms:

The Congress hereby finds and declares that the security of the Nation requires the fullest development of the mental resources and technical skills of its young men and women.

We must increase, in efforts to identify and educate more of the talent of our Nation, those existing programs that will give assurance that no student of ability will be denied an opportunity for higher education because of financial need.

Although the terms of the Act were less ambitious than these sweeping goals implied, Congress did provide extensive low-interest loans for needy students and extended even more generous support for those entering fields of critical need, such as foreign language training and Ph.D. programs. This emphasis on encouraging particular types of needed manpower later grew to include the health professions, engineering, and elementary and secondary school teaching.

Congress took a further step forward in 1965, at the request of President Johnson, in the Higher Education Act of that year. The government moved beyond a concern for national preparedness to emphasize an even more ambitious goal, in Johnson's words:

Every child must be given a good, meaningful education, not just for the adults he will be, but for the nation he will join. Nothing makes more sense to the father of our country in a son's future preparation for a world of peace and our productive economy. For we cannot justify a world without trained manpower and our education system is a government responsibility. It is our duty to the citizen of government to be free from the grip of illiteracy and ignorance.

To further these ends, Congress created a new program of undergraduate scholarships for low-income students, supplemented by funds to subsidize student jobs and loan guarantees to make credit available to those needing helpful private loans to cover the cost of their education.

President Nixon continued to these goals in his budget and in his annual messages of 1970. In his words: "No qualified student

who wants to go to college should be barred by lack of money." Emphasizing a commitment that went beyond assisting talented students or students in fields of acute national need, the President declared that "equal educational opportunity . . . must now become a reality for every young person in the United States, whatever his economic circumstances." In 1972, Congress responded with an ambitious program, offering Basic Educational Opportunity Grants, as well as additional loans and stipends, to secure a college education for all students with financial need.

Yet another step was taken in President Carter's administration when Congress recognized the growing financial strain encountered by middle-income families in paying for advanced education. The Middle Income Student Assistance Act of 1978 expanded the definition of need expressed in earlier legislation so that Basic Educational Opportunity grants could now go to students from families with incomes up to \$25,000 per year. Two-year, half-federally guaranteed and subsidized loans were offered not only to families of low and moderate income but to all students regardless of need. With this amendment, President Carter could declare that "we've brought college within the reach of every student in this Nation who's qualified for higher education. The idea that lack of money should be no barrier to a college education is no longer a dream, it's a reality." In fact, not only had *college* become a reality, but increased applicants had already insured and subsidized loans made it possible for students to finance their graduate and professional education as well.

The size of these programs grew rapidly as more and more students began to take advantage of them. By the end of the Carter administration, total federal outlays were approaching \$7 billion per year—over \$2.5 billion in scholarship grants, almost \$2 billion in subsidized loans, approximately \$2 billion in scholarships for dependent and independent students, and most of the remainder in work study stipends. As a result of these generous appropriations, over 2.25 million students were receiving federal grants by FY 1979, while 2.7 million obtained subsidized loans.

It was obvious from the outset of the Reagan administration that these programs would receive careful scrutiny. None does after his inauguration, preceding over the installation of his new Secretary of Education, the President announced that the Secretary's mission would be "to look at the appropriate role of the federal government in education, *of the 1970's*, and to report back." (Emphasis added.) The average



college graduates are more successful employees or do they merely use a college degree as a convenient shortcut, a sorting device to identify applicants who have at least shown enough intelligence and persistence to make their way through four more years of education?

Beyond these troublesome inquiries, skeptics have still more vexing questions to ask. Even if we assume that a college education helps people perform better in demanding jobs, does the economy need more graduates than we would have without expensive federal programs? Although we affirm the goal of opportunities for all, isn't it true that those who really wish to better themselves will somehow find a way to obtain a college education? And if some financial assistance is required, hasn't this traditionally been the responsibility of the states, abetted by private philanthropy to create scholarships for the needy?

These are all legitimate questions. We should ponder them carefully. But as we do, we cannot succumb to that extreme skepticism that asks us to legitimate each federal expenditure by proving its value conclusively and demonstrating its effectiveness empirically. Such requirements are simply not feasible. In estimating the effects of a college education, for example, it is hard to devise truly reliable yardsticks to measure progress. And even if we had them, it would be difficult to isolate the value added by a college education, since it is so hard to find an adequate control group. It is a truly comparative group of young people who did *not* go to college. Such difficulties are not peculiar to higher education; they affect most forms of public expenditure. For example, we have no way of being sure that each new bomber and battleship is necessary to our safety, nor can we be certain that the weapons we buy today will help us in the uncharted waters we may face in the future. All public programs depend on estimates arrived at in the face of inadequate information. Although we should consider the available evidence and make the most of our experience and logic, our ultimate decisions must often remain little more than informed and plausible guesses.

From this perspective, what can we say about the need for higher education? Is it growing? Is it overdone? We cannot be certain, but such evidence as we have strongly suggests that the need is increasing steadily.

To begin with, there is a widely shared perception that the

tasks of leadership in all walks of life are becoming more difficult. Whether one looks at legislators, high public officials, business executives, hospital directors, college presidents, or school principals, one has a sense of mounting complications—more information to assimilate, more factors to consider, more sophisticated techniques to utilize, more constituencies to satisfy. We have only to look at Harvard's own record of executive education to see the effects of these developments. Starting several decades ago with business executives, the demand for mid-career training has gradually spread to lawyers, judges, health care administrators, high school principals, state and local officials, even newly elected congressmen and mayors. These people do not come to us to relax or to savor Harvard; for we often work them harder than our regular students. They come because their jobs are growing more difficult and they are looking for a framework, a method of analysis, a chance to search with colleagues for some systematic approach that will help them meet professional challenges that seem to be constantly growing in difficulty.

This mounting complexity—with its demand for greater breadth, greater knowledge, and greater sophistication of technique—creates an urgent national need to identify as many talented students as we can find and give to each the best preparation we can offer. Only then can we maintain a sufficient pool of able people to fill a growing number of key positions that already tax human capacities to the utmost. Since almost all leadership positions require at least an undergraduate education, the attempt to develop talent presupposes an effort to encourage every young person of unusual ability to enter college, and probably to obtain suitable graduate or professional training as well.

If we look beyond key leadership positions, to the labor force as a whole, the need for expanded educational opportunities seems equally clear. In the past thirty years, the percentage of professionals in our work force grew appreciably; as did the proportion of managers and administrators. In contrast, the percentage of blue-collar workers dropped and that of farm workers fell precipitously. To be sure, the service sector has also expanded with its waiters, salespersons, taxi drivers, and others holding less skilled jobs. But service occupations require large fractions of highly skilled people—almost twice the proportion, in fact, as the manufacturing sector. Labor Department projections suggest that these trends will continue in the foreseeable future.

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Various groups in the work force essential to national needs illustrate these tendencies especially clearly. In the military, for example, 42 percent of all Navy billets called for highly skilled personnel in 1980, as opposed to 23 percent in 1945. In competing for world markets, we likewise perceive the critical role of products, such as computers, aircraft, and precision instruments, that require advanced skills and large numbers of people trained in science and engineering. As other nations continue to develop, with wage levels well below our own, our ability to compete is bound to call for increasing emphasis on sophisticated fields of endeavor where advanced technology and education are the key ingredients. In the words of two economists, Eli Ginzberg and George Vojta:

The U. S. cannot maintain its position among the industrial nations of the world unless it pursues policies that encourage the greater use of resources in which the country has gained comparative advantage as a result of its generous investment in human capital, such as research and development, management and organization, the development of new products and improved services ranging from financing to marketing.

Is a college education truly important in meeting these needs? We may not be able to *prove* that it is, but a great many people have relied heavily on that assumption. Millions of college students are currently enrolled in some form of vocational major, presumably because they believe that such training will equip them for a better career. It is also virtually impossible today to be a business executive, an engineer, a doctor, a lawyer, a teacher, or a military officer without a college degree, typically in the liberal arts. One must assume that these professions have not put such emphasis on an undergraduate diploma merely as a formality or guild restriction but rather because of a strongly shared belief that a college education provides a useful foundation for a successful career. Similarly, it would be strained to assert that employers prefer college graduates for many demanding jobs simply as a sorting device; there are other techniques that would work better for this purpose if an undergraduate education did not seem to enhance the performance of employees in these positions.

It is true, of course, that the premium paid to college graduates declined during the 1970s, since enrollments were high while demand in many occupations requiring the B.A. tended to stagnate or decline. These trends might lead us to wonder whether we may not be enrolling *too many* students

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in college, thus casting doubt on any federal program to increase the number further. Yet even in the 1970s, the economic return on a college education continued to be substantial. And in the 1980s, the demand is likely to rise appreciably.

During the next fifteen years, the number of 18- to 21-year-olds in this country will undergo an unprecedented decline of more than 20 percent while the need for college-trained people continues to increase. As the supply of young people diminishes, we will have to be particularly energetic in helping enough highly talented students to acquire the best available education in order to maintain an adequate pool of outstanding people for particularly important positions. At the very least, we should be careful not to create higher economic barriers to higher education, since we will presumably need a greater, not a lesser, proportion of college-trained people in a generation that is so much smaller than its predecessor.

We have traditionally believed in education as a means not only of increasing productivity and economic growth but of achieving the social goals of promoting social mobility and allowing individuals to advance according to their merits. On this score, the case for attending college is even simpler. Do we continue to believe, as a national ideal, in maximizing individual opportunity and minimizing rigid barriers of social class? If so, access to college is indispensable, because so many of the most desired occupations require at least a college education and often a professional degree as well. In addition, we should avoid policies that would rebuke students of modest means to the lowest cost institutions, since such a result would hamper young people in advancing as far as their talents permit and would also tend to segregate our colleges and universities according to social class.

These arguments take on particular force in the context of our continuing struggle to overcome the problems of race in our society. No one can feel confident in prescribing exactly how we can finally succeed in this effort. But surely everyone will agree that it cannot be helpful to continue, as we did until the mid-1960s, with virtually no minority persons in positions of leadership and with less than 2 percent of our doctors and lawyers and less than 3 percent of our engineers, our scientists, and our college professors being black.

However clumsily administered, our national commitment to affirmative action is based in part on the premise that the presence of more minority persons in leadership positions in our professions and major institutions will help build

findes to increase and standing and give encouragement and motivation to other minority youth who will follow. We cannot be certain the this prescription will work. But there are no alternatives if it offers as great a prospect for success and it would be absurd not to do our best to make the strategy succeed. If it is to work, however, it will require a continuing effort to make higher education readily accessible to minorities along with other promising young people who might otherwise find it difficult to attend.

Assuming we agree that there are important public benefits to be expected from encouraging qualified students to pursue a higher education, it does not automatically follow that the *default position* has a responsibility to intervene. Why should we not leave the task where it was traditionally left -- in the hands of individual students and their families, supplemented by the efforts of the various states and the generosity of private benefactors?

Of course, almost all students who contribute a substantial share of the cost of their education. Even if they come from the lowest economic groups, they must either take out loans or pay for part of their expenses by working and part-time for the remainder, thus having been in the case of Howard Hughes and the sign his emblem, the administrative and not other students, to cover all of the costs of attending the college in the period that such assistance would be normally supplied. Today, whether or not Howard Hughes receives help from the government, even the poorest and least fortunate at least \$1,000 per year (though still help over expenses at certain special months \$2,000) by seeking loans. In theory, of course, it would be possible to ask that in certain cases of those expenses by working and borrowing. If such a scheme to assist a student could be a his education for several years, he can enough to pay for his college expenses. And some would not be troubled by this idea. As Senator Orrin Hatch has put it: "I am not at all offended that if you take needy students here are six years to obtain their baccalaureate not that more sweat may be generated along the way."

In practice, however, there are several problems with this approach, not only from the student's point of view but from the perspective of the public interest as well. To begin with, most high school graduates would have to work for a year or two to earn enough to defray their college costs. Many of them might not even find a job that would allow them to save much money in a time when teenage unemployment is

over 20 percent and exceeds 30 percent for black youths in many cities. Young people can always seek loans, but without some sort of government program, banks will normally refuse credit to finance a college education unless they know the family and feel confident that it has the assets to repay the debt. Moreover, human nature being what it is, many students of modest means will not be far-sighted enough to forgo present earnings and incur large debts at high rates of interest to prepare themselves for careers that offer a distant prospect of comfortable salaries after long years of study.

For all these reasons, the nation cannot safely adopt a laissez-faire attitude toward higher education and expect students to acquire the amount and type of education they need to meet the needs of the society. On the contrary, there is good reason to believe that many students, especially from poor families, would not attend college without some form of public aid. Thus, a careful study by David Wise of our School of Government estimates that more than half of all students from families with incomes under \$12,000 would not enter college in the absence of a loan. Education by poor families. The same will be even truer of and after the college school level. If students from low- and moderate-income groups must delay their education in order to earn their way through college, they may be reluctant to go to work again simply to finance their professional training, especially in fields that require many years of study or lead to occupations that do not offer high salaries. One can already condemn such students for not being hard enough, but when they are not these complaints are just the fact remains that from the public standpoint, we will have lost whatever benefits the nation might have gained from having these individuals receive the added education they need to make their greatest social contribution.

Even granting the existence of a public need for some form of student aid, is it not proper to ask the States to assume this responsibility? After all, they have traditionally played the major role in securing advanced education for their residents. In each of the fifty states, extensive systems of higher learning have gradually developed to include institutions ranging from community colleges to world-renowned universities. In 1990 alone, a total of \$21 billion was appropriated to operate these vast networks.

Notwithstanding these efforts, the States, by and large, have not succeeded in facilitating access to college and graduate school for all deserving students. In 1985, before the

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enactment of the Higher Education Act, federal officials asserted that more than one hundred thousand talented youths of modest means were not continuing beyond high school. This estimate is probably understated. In fact, approximately one third of all high school seniors from the highest ability quartile and the lowest economic quartile have traditionally failed to go on to college. Despite the low tuitions at public institutions, many of these students presumably cannot afford to forgo full-time employment and pay the living costs and fees required to attend colleges and universities. Although many states have provided some scholarship funds, the average awards in 1980 ranged from \$313 in Georgia to \$1,421 in California, sums that are hardly sufficient to induce many needy students to attend.

There are several reasons why many states are likely to provide less than an optimum amount in scholarships and student loans. In the first place, even if broader educational opportunities will stimulate growth and productivity, a single state cannot be certain to capture all of the resulting benefits, nor will it pay the full penalty for underinvesting in higher education. A state that brings college and graduate school within reach of all its citizens will see a substantial fraction of them leave the area for employment elsewhere. Conversely, a state that offers much less generous opportunities may not suffer all of the consequences, since skilled manpower can be recruited from beyond its borders. In these circumstances, no state will necessarily feel that its economic interests require it to achieve the levels of access which might be optimal for the nation as a whole. There is reason to believe, moreover, that temptations to skimp on funds for higher education will grow stronger in the future. Most states are laboring under heavy financial burdens, especially now that the federal government is cutting back on many programs that assisted them in the past. With college-age populations declining, most legislatures will also feel diminishing pressure from their constituents to spend large sums for higher education. Already, tuitions for public universities are climbing more rapidly than the cost of living while scholarship funds are failing to keep pace.

Just as the states may not see to it that public institutions achieve all of their important social objectives, so can private philanthropy fall short of insuring access and quality in our independent colleges and universities. During the past fifteen years, private institutions have greatly increased their efforts to attract gifts. Even so, faced with rising inflation and lagging

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stock markets, private colleges have had to raise tuitions more rapidly than the cost of living while still being forced to defer needed maintenance of their buildings, cut back acquisitions to their libraries, and allow their faculty salaries to decline substantially in real terms. Without the growth of federal aid, it is clear that these colleges would have had to limit the scholarships and loans they provide to needy students while probably having to lower the quality of their educational programs as well. Although one can always exhort donors to do more, the prospects for success are not bright. Uncertainties in the economy are likely to have a depressing effect on philanthropy. And most experts predict that the administration's tax cuts will inhibit private gifts by reducing the tax savings to donors, especially the wealthiest benefactors who supply the bulk of total giving to higher education.

For all these reasons, there is an important though supplementary role for the federal government to play if we are to satisfy the public need for recruiting talented leadership, maintaining a suitably educated work force, and providing social mobility and opportunities for individuals to progress according to their merits. In short, the federal government must be the ultimate guarantor to secure reasonable access to colleges and graduate schools. Moreover, although the government may not have an obligation to support colleges and universities, it does at least have a strong interest in avoiding sudden or drastic shifts in student aid that would significantly threaten the strength and quality of higher education. These are not responsibilities that Washington should assume grudgingly. In an interdependent society, the quality of our leadership, the performance of our economy, the fulfillment of our commitment to equal opportunity, and our desire for an informed and involved citizenry are not merely state and local concerns. They are national objectives, and the national government has a part to play in seeing to it that they are achieved.

### EVALUATING FEDERAL POLICY

With these aims in mind, how can we assess the programs that existed at the end of President Carter's term and the new directions now proposed by the Reagan administration? In answering this question, we can proceed more clearly if we separate the policies pertaining to undergraduate education from those that apply to graduate and professional training.

*Undergraduate Education.* The foundation of Federal policy from 1973 to 1980 was the Basic Educational Opportunity Grant. Its chief purpose was to encourage more students of modest means to go to college by reducing the cost. As far as one can tell, the program has made progress toward this goal. Recent studies suggest that as many as half of the recipients from families earning less than \$12,000 per year would probably not have continued their education without federal aid. Almost all of them chose to attend two-year colleges or technical and vocational institutes where they could presumably prepare for better and more productive jobs.

Despite these gains, one can criticize the Basic Educational Opportunity Grants on at least two counts. In 1978, Congress liberalized the eligibility requirements to authorize payments to students from families earning up to \$25,000 per year. This step greatly increased the cost of the program. But studies indicate that almost none of these newly eligible recipients decided to continue their education because of the grants; virtually all of them would have gone to college anyway. As a result, the effect of the liberalization was not to improve access but simply to put more money in the pockets of middle- and upper-income families. The scholarship benefits of a number of institutions, consequently, the grants may have ended up in the hands of those who were already doing well. Nevertheless, we have no evidence that the use of the small grant program to enable income students would not appear to exert much effect on their choice of institution. As a result, we are left with a program that has added expenses, brought pain to a number of institutions, and done little to improve access to higher education.

The second problem with the program was that it made no effort to avoid giving grants to students who ultimately failed to complete their education. This is no small problem: studies approximately 40 percent of all students entering college do not receive a degree. Although those who drop out are not completely waste men, since it is safe to say that one half of the value of the government subsidy by providing opportunity grants will be lost on young men and women who fail their courses or leave college prematurely. Of course, there is no sure way of predicting which students will fail by the way side. But we do know that students with low college board scores stand a low chance of ranking in high school and that it is more likely to drop out than students who do better. According to these measures, indeed, students in the lowest

quartile of their high school class with a combined College Board score of 700 or less will have only a 30 percent probability of finishing their course of study. With these odds, it would be wise to consider some way of targeting grants on those who seem likely to complete the programs they enter. Otherwise the possibility that the recipient would have come to college anyway, coupled with his low probability of receiving a degree, produces very high odds that the grant will not achieve a significant public purpose.

In sum, the previous program succeeded in improving access but was more expensive than it had to be. In these circumstances, what can we make of the Reagan administration's policies? Although we cannot yet tell just what the government has in mind for the federal grants, the rapid, severe cuts originally proposed by the Office of Management and Budget (OMB) make one wonder whether some officials would not prefer to do away with the grants altogether. That would be a serious mistake. Clearly, a properly staffed program can serve a useful purpose in making substantial numbers of low-income students to attend college and receive an education that promises to change their opportunities and enhance their contribution to the economy. Even to cut the program back, as OMB originally proposed, to cover only students from families earning less than \$7,500 per year seems far wiser than to let it wither. It would reduce the number of young people for whom an award will make the difference in the choice to continue further education. The final budget proposal, however, is better in this respect. First, there would be no means test for families earning up to \$10,000 per year. Identification, however, of the maximum grant has been shifted substantially, while administrative costs have continued to rise rapidly. Such cuts seem counterproductive, since they are likely to sharply reduce the number of students who are or whom they underwriting the primary purpose of the program.

Whether that same money, in other words, the government could have used in other ways, substantially and only cost some modest fraction of a college board score and high school ranking to increase the odds that recipients will complete their education program. Since this requirement may seem too arbitrary, it might be even better to convert the entire program to a loan and then use of repayment for all recipients who finish their course of study. By this device, the government

could make certain that all of its grants go only to students who actually achieve some significant educational goal. Such measures may seem harsh. But limited funds will surely produce greater results if they are targeted in this fashion instead of being spread thinly over a larger number of students who may never use their grants to acquire enough education to benefit themselves or the economy.

At least as important as the federal grants is a program to insure that students have access to credit to finance their education at terms they can afford. Most banks and credit sources are presently unwilling, without federal assistance, to loan money to college students; the process of collecting the loans is too burdensome and the risks involved too high. Hence, some form of federal intervention is required, or hundreds of thousands of students will be unable to enter the college of their choice, or indeed to attend any college at all, even though they are quite willing to pay the cost.

To solve this problem, Congress developed an elaborate system whereby the government guaranteed loans of up to \$2,500 per year at subsidized rates of interest (9 percent) and undertook to relieve students of the burden of paying interest during the time that they remained in school. This program plainly succeeded in making credit available to students. By 1980, over three million undergraduates were borrowing under arrangements of this sort for many of them. Federal loans made a crucial difference in enabling them to achieve the education they desired. Once again, however, the program reached levels of liberality that are exceedingly hard to justify. In the amendments to the Middle Income Assistance Act of 1980, Congress actually extended eligibility for subsidized loans to all families *regardless of need*. As a result, the wealthiest families found it profitable to seek a college loan at 9 percent and invest the money saved at substantially higher rates. This result was indefensible, even in affluent times.

The Reagan administration has already acted to cut back subsidized loans by restricting eligibility to students who can demonstrate need. This step is appropriate, and even the current rules could be tightened somewhat further, as the government now proposes. But the administration has gone far beyond this point by urging steps that would chip away at the in-school subsidy by charging each student a 10 percent origination fee while bringing the interest rate from 9 percent

to market levels commencing two years after graduation. The effect of these changes would be to increase the interest cost on student loans by almost 50 percent.

Conceivably, these measures will have no irreparable effects. Students may find some way to scrape up the few hundred extra dollars they need each year to cover the government's new origination fee. And faced with the prospect of higher rates of interest, many may work full time to pay off their loans within two years after graduation—provided they can find a sufficiently remunerative job, have no added debts or dependents, and face no other pressing obligations. No one can be certain that these adjustments will not occur, nor is it possible to locate the point at which the burdens of financing an education will become too severe. Nevertheless, as the government continues to reduce the in-school subsidy and increase the interest charges, the risks will mount and their nature will be clear. Some students may decide not to attend college. Many will have to work more hours than they should in college to earn enough to pay the origination fees or other charges. Many more will feel obliged to attend lower-cost institutions in order to minimize their debt burden.

These dangers do not trouble everyone. In the words of Senator Hatch: "Many middle-income students protest that without assistance they will be forced into precariously substandard state schools and barred from the high-priced four-year institutions. I am basically unsympathetic. . . . A student committed to learning can obtain a fine education at even a less than 'glamorous' school." Stripped of its laudable objectives, Senator Hatch's statement suggests that the government need not be concerned over restricting students in their choice of college. For some students, this observation is undoubtedly correct. In fact, one can think of many individuals enterprising enough to educate themselves without ever going to school at all. Yet I suspect that most senators *do* believe that it matters that their own children go to the college of their choice. Certainly, it matters a great deal to most parents and to their children as well. It matters because, despite the guesswork and uncertainty involved, we have a strong conviction that colleges do differ significantly and that some will be much more beneficial than others for the education and

The interest cost on a \$1,000 loan under the current program would be \$70.00 over the ten years of the loan. Assuming a market rate of interest of 14 percent, the total interest charge would rise to \$845.80—an increase of 48 percent.

development of our own sons and daughters. In the same way, we should assume that some loss of educational quality will follow from federal policies that seriously restrict the choices available to the student population as a whole.

Finally, although most of us suspect that our children could work a number of hours each week without harming their education, we are reasonably sure that beyond a certain point working at an outside job will begin to diminish the value of a college education by taking too many hours away from study and by making excessive demands on all the intellectual and human relationships that enable the college years to add significantly to growth and personal development. Since a majority of students are financially already well off, all three categories have, in reality, already been taken care of in one way or another. It is about the effects of forcing them to work, however, that we must be concerned. In fact, it is not only the parents but the students themselves who are beginning to feel that the government is seeking to take care of them, not to help them. In fact, the government is seeking to take care of them, not to help them. In fact, the government is seeking to take care of them, not to help them.

Another factor in the government's policy is that it is not only the parents but the students themselves who are beginning to feel that the government is seeking to take care of them, not to help them. In fact, the government is seeking to take care of them, not to help them. In fact, the government is seeking to take care of them, not to help them.

take us a significant way toward relegating the poorest students to community colleges while transferring many of the most sought after institutions into privileged enclaves populated chiefly by the well-to-do.

We should also be aware that a policy which eliminates supplemental grants and substantially increases the cost of educational loans puts private colleges and universities at a particular disadvantage because of their higher tuition charges. To this concern, one can quickly retort that it is not the business of the federal government to keep individual colleges afloat. While that statement is undoubtedly correct, the problem is not so simple. In the first place, academic institutions are not corporations competing in an open market. If private colleges cannot survive, it may not be because they are less efficient or provide a poorer education than their counterparts; they are likely to fail because they do not have the benefit of large state subsidies to keep tuition low. In addition, while the federal government has no necessary concern for the fate of any single institution, it does have a strong interest in the system of higher education as a whole, since that system is essential to the achievement of many national goals.

Throughout our history, the mixture of public and private colleges and universities has been a major source of strength for America in higher education. A scientific network of state institutions have not only produced some outstanding achievements, they have provided the means for making certain that a wide range of public educational needs are satisfactorily met. If public colleges and universities did not exist, we could hardly have to invent them. But private institutions have likewise made important contributions. They have offered a diversity of choice by providing small colleges, denominational colleges, black colleges, single sex colleges, experimental colleges—a diversity that has been important in accommodating the varying needs and aspirations of a larger, heterogeneous student population. Private institutions have also permitted many more centers of initiative and experiment in a field of endeavor that is inherently intractable, and in need of new ideas. Finally, private universities, aided by their independent status, have so far largely accounted for most of the nation's highest ranking academic departments and professional schools, as well as even though they enroll only 25 percent of the nation's students. Such achievements have not only made a contribution

in their own right; they have also set standards to which public institutions can point in order to protect themselves from ill-adviced political efforts to resist innovation, cut salaries and staff, or curtail expenditures for libraries and other academic facilities. All in all, therefore, the peculiar success of our system of higher education is due in large part to the reinforcement and the stimulus that public and private institutions give to one another.

In the past thirty years, the enrollment of students in private colleges and universities has shrunk from more than one half to less than one quarter of the total undergraduate population. In the next generation, private institutions face serious problems caused not only by high inflation but by the prospect of severe enrollment declines resulting from a dwindling college-age population. At such a time, the government should think very carefully before imposing greater burdens on these colleges by sudden, drastic changes in its financial aid policies. Harvard will surely survive, as will Princeton, Stanford, or Yale (although we will all be hard-pressed to maintain our policy of admitting every qualified student regardless of his or her financial circumstances). But many other private colleges may have to close down or substantially reduce the quality of their programs. If the government does not take care, therefore, its proposals could permanently weaken one side of a partnership that has played an important role in lifting America's higher education to a level unequalled in the world. And that would be an odd result from an administration so committed to a vigorous private sector.

With these considerations in mind, one can evaluate the administration's proposals in the following terms:

1. With respect to basic grants, the administration is on sound ground in seeking to restrict awards to students from low-income families. Such grants are plainly intended to increase access to higher education, and there is no good evidence to suggest that students above a modest income level will be affected in their decision to enter college by the existence of a federal stipend. On the other hand, if the government wishes to use its funds to the maximum effect, it would do well to offer higher grants and restrict them to students who can succeed in completing their chosen course of study.

2. In the case of guaranteed loans, the administration is likewise justified in offering subsidized credit only to students

who can actually demonstrate that their college costs exceed their means. In stringent times, it may also be defensible to eliminate subsidized interest rates after a reasonable period following graduation.\* Even with the maximum accumulated loan of \$10,000, most college graduates can earn enough to pay back their indebtedness in a few years. Granted, those who wish to pursue their education further may have to delay their plans. But this is not an unreasonable demand to make in a time of austerity; in fact, it may even be beneficial for many students to gain the experience of working for a time before finally committing themselves to graduate or professional school.

3. The most troublesome measures advanced by the administration are those that would chip away at the in-school loan subsidy: severely reduce work-study programs, and eliminate supplemental grants. These measures would have serious effects, but it is important to be clear about what those results are likely to be. There is no strong evidence that the proposals would keep students from attending college, especially if the basic grants are increased; for available data suggest that only grants to poor students have much effect on the decision to pursue some sort of postsecondary education. Nevertheless, such initiatives could well have an adverse impact on the quality of education that students receive. They would restrict choice by discouraging students from attending the more expensive public and private colleges. They would segregate student bodies by forcing low- and moderate-income students into less costly institutions. They would also force students to take more time from their studies to pay for their college costs while restricting their employment opportunities, especially the more convenient campus jobs made possible by work study programs.

The administration's proposals would further affect the quality of education by threatening the standards and even the survival of many colleges. During the 1970s, subsidized loans, work-study, and supplemental grants may not have accomplished much to increase access to higher education. But they did enable most colleges to weather a difficult decade by allowing them to raise tuitions without intolerable student assistance costs. To shrink federal programs to the extent

\* I would prefer to extend the period of subsidized interest to at least three or four years following graduation, since the two-year period proposed by the administration seems too brief to enable many college graduates to repay up to \$10,000 in accumulated loans.

now proposed would seriously deplete the financial aid resources of many institutions at the very time when their economic difficulties will be compounded by a sharp drop in the college-age population. I on leading public universities, the effects will depend on the reactions of their state legislatures. Under present conditions, however, the likely consequence of such reductions will be to reduce access or to lower the quality of educational programs, as many states conclude that they cannot replace all that Washington has taken away. For private colleges, the risks do not merely involve an erosion of quality; many colleges may actually have to close their doors if they are not blessed with large endowments or ample applicant pools. Whether these results are warranted by the savings to the federal budget is clearly a matter of opinion. But at a time when investments in human capital seem more important than ever to the nation, the drastic cutbacks proposed by the administration are highly questionable. In seeking to correct a short-term fiscal problem, the administration threatens to lower the quality of many students' education and to weaken colleges and universities to a degree that could do long-term harm to the public interest.

*Graduate and Post-graduate Education.* Learning to succeed in a profession beyond the college level, we find somewhat different patterns that have changed markedly over the years. When Congress first asked in the wake of the Sputnik launch efforts that concern was to expand particular fields of specialized training that received especially vital to the national interest. Accordingly, the government made low interest loans available to Ph.D. candidates and international students. Later on, students who became school teachers could convert their loans to grants while newly spouses were offered to medical students to enlarge the nation's supply of doctors. Commencing in the 1970s, however, the emphasis shifted to undergraduate education with the overriding goal of opening our colleges to all students regardless of their financial means. Grants to doctoral students were reduced to very modest levels. School teachers were no longer relieved of their obligation to repay student loans. By 1981, the only major program available to graduate and professional school students was the same subsidized loan program provided to undergraduate students.

As previously in an area, this loan program was gradually eroded by a combination of factors: Congress extended zero interest subsidies not only to students of modest incomes but

to the children of wealthy families as well. Such liberality is hard to defend, especially in the present fiscal climate. As a result, the government stands on firm ground in cutting back subsidies to restrict them to needy students.

More recently, however, the administration has gone much further by proposing to eliminate the regular Guaranteed Student Loan program for graduate students and, instead, to provide credit up to \$8,000 per year at a 14 percent rate. Interest would be payable immediately with no subsidy while a borrower remains in school. If enacted, these recommendations would raise the total cost of graduate student loans by up to 67 percent while increasing the interest charges by a full 142 percent.<sup>1</sup> Worse yet, few students would be able to borrow at 14 percent—or even borrow at all—since banks are normally reluctant to make educational loans if the government will not pay the interest costs while the students are still in school. Thus, most poor and middle-income students could be effectively barred from entering professions that require a substantial period of training. Without loans, newly students have no way of affording the tens of thousands of dollars required to become a doctor, a scientist, an architect, a dentist, or a college professor. The results would be intolerable not only for the individuals affected but for the national interest as well.

Even if the administration's program can be made to work, graduate students will face much stiffer credit terms than those available to undergraduates. It is not immediately obvious why Congress should approve this result. Graduate and professional students make up less than one sixth of total enrollments and account for less than one third of all guaranteed loans, so that the cost of subsidizing their loans is relatively low. In addition, graduate and professional education is particularly important to our economic and social progress, since it is here that students prepare specifically for such key occupations as medicine, law, teaching, scientific research, business administration, and many others. If there is any level of education in which it seems most important to break down economic barriers for talented, needy students, it is in the graduate and professional schools. Is there any reason, then, to treat these students more se-

<sup>1</sup> Under the present program, a student borrowing \$1,000 would pay \$150 in interest and fees over the seven-year term of the loan. The administration's proposals would hit the total interest burden to \$1,503.60.

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verely apart from the obvious fact that they are less numerous and hence less politically influential?

One possible reason for disfavoring graduate students is that many of them seem more able to take care of themselves. As President Eliot declared generations ago, "Ordinary scholarships . . . should be given sparingly in graduate schools, because by that time an energetic student ought to be able to provide in large part for his own support." Although the costs of graduate education have grown enormously since Eliot's day, his remarks still have considerable force for some professional fields. In business and law, for example, students can look forward to substantial salaries immediately after graduation; many of them from the leading schools may actually earn more than \$40,000 in their first year of work. Even while they are still in school, summer employment is often available at attractive salaries, thus making it possible for them to begin paying interest on their loans during the years prior to graduation. For these students, then, the pressing need is to have access to credit but not to receive large Federal subsidies.

Unfortunately, there are many other important occupations in which mere access to credit is not enough. Some of these fields may offer attractive salaries but only after a prolonged period of preparation. Medicine is the prime example. With tuition in many schools exceeding \$10,000 per year, needy students will have to borrow heavily to complete their training. Since they will often emerge from college already owing a substantial sum, they may be fearful of accumulating much greater debts at high rates of interest over the many years required to prepare them for practice. Unless they receive more liberal credit, many poor students will decide that they simply cannot afford medical school. Even those of moderate means may feel impelled to go to the lowest cost school they can find and to enter lucrative specialties rather than fields, such as primary care, that are more urgently needed by the public. None of these results will serve the national interest.

Even more serious problems for the country will arise in occupations that are socially important yet provide relatively low levels of compensation. Teaching affords one illustration; the ministry another. Both fields are already attracting a smaller pool of talent than seems desirable. In public school teaching, for example, salaries are relatively low, conditions of work have deteriorated, and able women—who contribute so much to the profession for so long—can now find

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opportunities in much more lucrative callings. As a result, the College Board scores of students entering teacher training have sunk far below the national median.<sup>7</sup> Higher interest costs on student loans will surely aggravate the problem, since many young people, already burdened with undergraduate debts, will not have confidence that they can earn enough as school teachers to repay a further round of loans with annual repayment charges far above those applicable in the past. This prospect should be daunting even to conservatives, such as Senator Hatch. In his words, "Whatever form our responses take we must spare no effort to enlist from among our most effective motivators, our most perceptive analysts, our most skilled technicians, from among our best and most highly principled people in the broadest sense those who will instruct and, in many aspects, shape our youth." Alas, the abilities of the students we are now recruiting to "shape our youth" over the next forty years fall far below the senator's expectations. And at a time when the public is already disenchanted with the quality of education in many of our public schools, the current administration's proposals will only make matters worse.

A final example of particular concern to Harvard, involves the Ph.D. and the recruitment of talented young people to become the college teachers, the basic scientists, and the scholars who will serve us for the next generations. The situation facing our Ph.D. programs is somewhat different from those previously described. Jobs are rapidly drying up because of the expected drop in student enrollments resulting from the demographic trends earlier described. Because of this sharp decline, universities are enrolling far more Ph.D. candidates than can possibly find academic jobs, and this situation may well persist for a long time to come. Even so, while doing our best not to increase the number of Ph.D. students, universities must attract at least a few thousand students each year of truly outstanding talent or the quality of science and the advancement of knowledge are bound to decline. In short, a sound strategy for graduate education must embrace two seemingly irreconcilable goals: to recruit fewer students but still enroll a substantial number of the very highest ability.

<sup>7</sup> In 1976, the SAT verbal scores for college seniors majoring in education were 46 points below the average for graduating seniors, while math scores fell 52 points below the average. Of 16 occupational groups, only office clerical and vocational-technical had lower verbal scores, and only office clerical had lower math scores.

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At present, the prospects for maintaining high levels of quality are not good. The dismal prospects for an academic career are undoubtedly causing able biology students to become doctors, noble history majors to go to law school, able political science concentrators to attend business school. The effects are already visible at Harvard, as at other universities. Fifteen years ago, over 80 percent of our *senior class final* seniors expressed an intent to pursue the Ph.D. Last year, the figure had dropped to 41 percent. Worse yet, we should not forget that much of the postwar Institute of American science and the preeminence achieved by our best universities were actually due to the influx of outstanding scholars and scientists who fled from Europe after 1935. This stream of talent has dwindled markedly, and will probably decline still further. In these circumstances, we have a major problem on our hand: if we mean to uphold the standards of our faculties around the country.

In view of these difficulties, the response of the current administration is deconcerting. Facing many scared grad students and well-to-do alumni prospects, the administration has decided to cut back on the number of graduate programs offered each year to the first and standing students entering doctoral programs in the sciences. No one can *guess* what effect such a measure would have on the quality of people who decide to become scientists. Nevertheless, in view of the critical importance of research to the nation and the concerns of maintaining the quality of our graduate student population, the risk is hardly a prudent one to take. Any adverse effects will be irreparable; talented students who have once decided to enter other fields are not likely to return to graduate school later on. They will be permanently lost to science.

These difficulties illustrate the complexity of student and beyond the undergraduate level. Far more than college, graduate and professional education is made up of many different fields with which varying characteristics and problems in a time of austerity. When government and annual returns on investment have great magnification for positive, it is with all these differing situations in a manner that serves both national aims.

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Several possibilities come to mind. For example, the government might consider some form of contingent repayment plan that would require borrowers to pay back loans for a stipulated period of years with the payments being set at a small, fixed percentage of taxable income. Such schemes would offer various advantages. They would minimize payments while students are still in school and unable to assume large interest charges. They would keep the cost of repayment at manageable levels for teachers, ministers, and others performing socially important tasks that yield low levels of compensation. At the same time, they would allow the government to recover all or most of its costs while relying on the federal tax system to minimize the burden of administration. Such plans do place heavier burdens on borrowers who eventually earn larger incomes. If this feature seems politically unacceptable, the government could at least impose a ceiling on the percentage of income that a borrower would have to devote to repaying loans—or even defer repayment by students earning less than a stipulated minimum per year. As with contingent repayment plans, the intent of such measures would be to keep able students from turning away from important occupations with relatively low salary levels through fear of being unable to discharge their debts.

Congress would also do well to reconsider the use of federal scholarships in limited situations where the nation has an interest in increasing the supply of particular specialists—as in the case of M.S.'s and Ph.D.'s in computer science—or where the supply of students is adequate but the national interest requires a continuing flow of exceptionally gifted people, as in the basic sciences or university teaching. Such grants should help to attract able students who are interested in these fields but deterred by the large debts they will incur during the course of their studies. To be sure, a substantial fraction of the awards will probably go to students who would have chosen such careers in any event. Even so, much of this support will doubtless help to relieve the scholarship budgets of the schools that talented students wish to attend and thus will work indirectly to strengthen the best graduate and professional schools. Far from wasting public funds, such aid offers a simple way of preserving quality education in fields of particular national importance—and at a time when financial pressure might otherwise endanger the maintenance of high standards.

Regardless of the specific programs ultimately chosen, the

national interest plainly demands some workable scheme to insure that graduate students can actually have access to credit to finance their studies. Moreover, the nation's special need for talent in particular occupations will require more than measures that simply seek to save money by doing away with graduate scholarships and raising the cost of student loans to near market levels. As we have seen, these needs can be met in creative ways that will cost much less than the programs currently in place. Under the administration's proposals, however, we run a grave risk of impoverishing important fields of endeavor that are already short of talent while restricting other professions to students wealthy enough not to need large loans.

#### CONCLUSIONS

This brief review reaffirms the public interest in maintaining strong financial aid programs in our colleges and universities. In today's world, we must encourage all students to acquire the education they need to make their fullest social contribution. Experience suggests that we will not achieve this goal by relying simply on private initiative or even on the support of state governments and private benefactors. Instead, the federal government must ultimately guarantee that all students have access to credit at terms they can afford that poor students receive the help they need to induce them to continue their studies, and that able young people are not deterred by educational costs from entering modestly paid careers that serve important public interests.

Despite these needs, we are clearly in the midst of a profound shift in our attitudes and policies toward the federal role in human development and higher education. From a time of extreme liberality—where even the affluent could receive federal largesse—we have suddenly entered an era of severe retrenchment that promises a substantial rise in the cost of higher education for millions of students from low- and moderate-income families. This rapid swing, of course, reflects an equally profound change from a national mood of confidence and growth to a feeling of austerity marked by a widely shared concern that we have been living beyond our means.

Such swings in national attitudes are inevitable. But those who guide our country should not overestimate the permanence of these moods or exaggerate the degree of change that has actually occurred in our underlying situation. It was

a mistake to use the taxpayers' money to offer subsidies to well-to-do college students. It would likewise be a mistake to move too far in the opposite direction. The United States is still the most powerful country with the largest economy in the world. It has serious problems, to be sure, but it is important to be clear about what these problems are lest we prescribe false remedies that merely aggravate our ailments.

America faces no threat of immediate collapse or national bankruptcy. It does confront a longer-term danger of losing its vitality, its competitive edge, its ability to find creative solutions to persistent issues that afflict our domestic well-being and erode our position in the world. Our place in the international economy is increasingly challenged by other nations that are vigorous and ingenious in encouraging economic progress. Our society at home suffers from a host of nagging problems, problems of productivity, inflation, unemployment, race, crime, and many more. It may be difficult to know how to attack these issues, or even to perceive how best to begin. In the long run, however, one thing is clear. As a nation, we can no longer depend on the protection of the oceans or on unlimited land and abundant national resources. We must increasingly rely on the abilities and imagination of our people and on the knowledge and discoveries they provide.

It is especially important to keep these needs fully in mind during the next decade. In contrast to the swelling enrollments in colleges and professional schools so characteristic of the 1970s, the 1980s will bring an unprecedented drop of more than 20 percent in the number of college-age men and women. Under these conditions, we cannot take for granted that we will readily find all of the able, well-trained people that a vigorous society requires. At such a time, therefore, it is hardly wise to shift to policies that run the risk of discouraging talented people from developing their abilities to the utmost, from entering important occupations, and, ultimately, from making their fullest contribution to the welfare and progress of the society.

In the words of economists Eli Ginzberg and George Vofsi: "The proposed reindustrialization of an economy dominated by services is an exercise in futility. Americans must unshackle themselves from the notion, dating back to Adam Smith, that goods alone constitute wealth whereas services are unproductive and ephemeral. At the same time, they should act on Smith's understanding that the wealth of a nation depends on the skill, dexterity, and knowledge of its people."



THE WHITE HOUSE

WASHINGTON

March 11, 1982

Dear Dr. Bok:

Thank you for your thoughtful letter indicating your concern over the Administration's proposal to reduce funding of student financial assistance programs. I would like to outline for you our perspectives on these issues and the underlying rationale for our budget policies.

We certainly agree that special attention must be given to the student financial assistance programs. The opportunities for developing the intellectual capabilities of our citizens are too important to be decided without close and careful examination. I should also note that we have identified aid to higher education in our preliminary assessment of programs to continue as federal responsibilities under the Federalism Initiative.

Given the necessity of achieving far-reaching reductions in federal spending without affecting the ability of the Federal Government to assist those most in need, the Administration does feel constrained to make expenditure reductions in a wide variety of programs. We share your concern about the student financial assistance programs, but in the budget process difficult decisions had to be made about the funding level for each program in the context of a critical need to reduce the rate of growth of the federal budget. In 1982, federal spending on higher education in one year will almost equal what the government spent in eleven years from 1960 to 1970.

We believe, however, that the President's budget proposals will allow the student financial assistance programs to continue to be instrumental in opening the doors of our colleges and universities to low-income people. In 1982, we estimate funds will be available for 2.5 million Pell Grant awards. About \$9.5 billion will be made available for about 3.8 million new Guaranteed Student Loans. Campus-based student aid will provide an additional 2.4 million awards. In 1982, a total of 8.7 million awards and loans will be made available for eligible students. These levels will provide support for about half of the 12.3 million students projected to be enrolled in institutions of higher education even when we take into consideration that many students use more than one program to finance their education.

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In 1983, we are proposing to make available 1.8 million Pell Grant awards and to aid 1.3 million students through campus-based student aid funds. In addition, \$10.3 billion will be made available for about 3.8 million new Guaranteed Student Loans. In 1983, a total of 6.9 million awards and loans will be made available under the President's budget request. In 1977, for comparison, Pell Grants (then called Basic Educational Opportunity Grants) provided 1.8 million awards to eligible students, the campus-based student financial assistance programs provided another 2.1 million awards and \$1.5 billion was made available for less than one million Guaranteed Student Loans. In total, only 4.8 million awards and loans were made available that year, 30% less than projected for 1983.

The Administration does not believe that its proposals will have a negative impact on higher education. We cannot accept as a "floor" the levels of expenditure reached during the very recent, major expansion of federal aid. There have been neither large increases in enrollment as a result of a national need or federal policy, nor has this funding improved the quality of education available. What has largely resulted, we believe, is the replacement of funds from parents, local, State and private sources with federal dollars. The President feels that it is time to move toward restoration of the proper balance among these sources of financing for higher education costs.

The millions of students served under the President's proposals will be those who meet stricter definitions of need, a critically important reform needed to assure that federal funds only go to those with the most need. For example, before the liberalization of the Pell Grant program under the Middle Income Student Assistance Act (MISAA), over half the recipients (52%) were from families earning \$6,000 or less, and less than 2% of the recipients were from families with incomes over \$20,000. After that Act, in the 1979-1980 school year, the percentage of recipients from families earning under \$6,000 dropped to 40% and the number of recipients from families earning over \$20,000 grew to 15%.

The Administration's detailed proposals to reform Pell Grants will be available shortly. Their objective is to restore the focus of the Pell Grant program on the needy. They will assure that low income families will be able to obtain the largest share of available funds.

Dr. Derek C. Bok  
March 11, 1982  
Page 3 of 4

With regard to campus-based aid (Supplementary Education Opportunity Grants, National Direct Student Loans, and College Work Study), we propose to concentrate limited new funds on the one program that calls for the strongest demonstration of commitment from the individual to his education--Work Study. In addition, over \$400 million annually will continue to become available from repayments to the National Direct Student Loan program and allow for almost 600,000 new loans.

We do not believe that the switch of eligibility for graduate and professional students from student loans to auxiliary loans will create a major hardship. By the 1982-1983 school year, we expect most States to have established the necessary procedures to implement this program. Auxiliary loans will be made available even in those States without programs under a contingency plan now being negotiated between the Department of Education and three guarantor agencies.

The switch from the GSL to the Auxiliary Loan program does not necessarily increase a graduate student's financial burden while in school. The Auxiliary (formerly the PLUS) Loan program will allow the full-time graduate student to defer payment of principal while in school or in a deferment period and will permit the interest to be accrued and capitalized for payment after graduation, if borrower and lender agree. We are also proposing to increase the loan limits of the Auxiliary Loan program from \$3,000 to \$8,000 annually and increase the aggregate limit from \$15,000 to \$40,000. Therefore, we believe that graduate students will not lose the ability to finance their education. They will ultimately have to pay higher interest rates for loans and will likely choose to finance a larger part of their education from their own or their families' resources. These conditions should apply to all seeking federal aid as we restore the prime responsibility for financing higher education to the family and curtail spending levels the government can no longer afford.

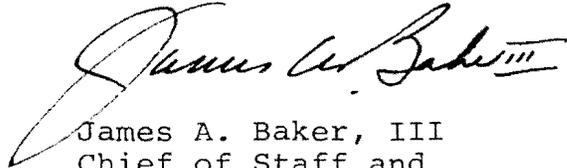
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Dr. Derek C. Bok  
March 11, 1982  
Page 4 of 4

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Thank you again for sharing your views with us. I enjoyed our meeting on this subject, and hope you will continue to advise us of your thoughts on the policies of this Administration.

Sincerely,

A handwritten signature in cursive script, reading "James A. Baker, III". The signature is written in dark ink and is positioned above the typed name and title.

James A. Baker, III  
Chief of Staff and  
Assistant to the President

Dr. Derek C. Bok  
President  
Harvard University  
Cambridge, Massachusetts 02138

THE WHITE HOUSE

WASHINGTON

March 11, 1982

  
Dear ~~Dr.~~ Bowen:

Thank you for your thoughtful letter indicating your concern over the Administration's proposal to reduce funding of student financial assistance programs. I would like to outline for you our perspectives on these issues and the underlying rationale for our budget policies.

We certainly agree that special attention must be given to the student financial assistance programs. The opportunities for developing the intellectual capabilities of our citizens are too important to be decided without close and careful examination. I should also note that we have identified aid to higher education in our preliminary assessment of programs to continue as federal responsibilities under the Federalism Initiative.

Given the necessity of achieving far-reaching reductions in federal spending without affecting the ability of the Federal Government to assist those most in need, the Administration does feel constrained to make expenditure reductions in a wide variety of programs. We share your concern about the student financial assistance programs, but in the budget process difficult decisions had to be made about the funding level for each program in the context of a critical need to reduce the rate of growth of the federal budget. In 1982, federal spending on higher education in one year will almost equal what the government spent in eleven years from 1960 to 1970.

We believe, however, that the President's budget proposals will allow the student financial assistance programs to continue to be instrumental in opening the doors of our colleges and universities to low-income people. In 1982, we estimate funds will be available for 2.5 million Pell Grant awards. About \$9.5 billion will be made available for about 3.8 million new Guaranteed Student Loans. Campus-based student aid will provide an additional 2.4 million awards. In 1982, a total of 8.7 million awards and loans will be made available for eligible students. These levels will provide support for about half of the 12.3 million students projected to be enrolled in institutions of higher education even when we take into consideration that many students use more than one program to finance their education.

Dr. William G. Bowen  
March 11, 1982  
Page 2 of 4

In 1983, we are proposing to make available 1.8 million Pell Grant awards and to aid 1.3 million students through campus-based student aid funds. In addition, \$10.3 billion will be made available for about 3.8 million new Guaranteed Student Loans. In 1983, a total of 6.9 million awards and loans will be made available under the President's budget request. In 1977, for comparison, Pell Grants (then called Basic Educational Opportunity Grants) provided 1.8 million awards to eligible students, the campus-based student financial assistance programs provided another 2.1 million awards and \$1.5 billion was made available for less than one million Guaranteed Student Loans. In total, only 4.8 million awards and loans were made available that year, 30% less than projected for 1983.

The Administration does not believe that its proposals will have a negative impact on higher education. We cannot accept as a "floor" the levels of expenditure reached during the very recent, major expansion of federal aid. There have been neither large increases in enrollment as a result of a national need or federal policy, nor has this funding improved the quality of education available. What has largely resulted, we believe, is the replacement of funds from parents, local, State and private sources with federal dollars. The President feels that it is time to move toward restoration of the proper balance among these sources of financing for higher education costs.

The millions of students served under the President's proposals will be those who meet stricter definitions of need, a critically important reform needed to assure that federal funds only go to those with the most need. For example, before the liberalization of the Pell Grant program under the Middle Income Student Assistance Act (MISAA), over half the recipients (52%) were from families earning \$6,000 or less, and less than 2% of the recipients were from families with incomes over \$20,000. After that Act, in the 1979-1980 school year, the percentage of recipients from families earning under \$6,000 dropped to 40% and the number of recipients from families earning over \$20,000 grew to 15%.

The Administration's detailed proposals to reform Pell Grants will be available shortly. Their objective is to restore the focus of the Pell Grant program on the needy. They will assure that low income families will be able to obtain the largest share of available funds.

Dr. William G. Bowen  
March 11, 1982  
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Dr. William G. Bowen  
March 11, 1982  
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Thank you again for sharing your views with us. I enjoyed our meeting on this subject, and hope you will continue to advise us of your thoughts on the policies of this Administration.

Sincerely,



James A. Baker, III  
Chief of Staff and  
Assistant to the President

Dr. William G. Bowen  
President  
Princeton University  
Princeton, New Jersey 08544

*P.S. I hope I will get to see  
you during Reunions. I'm trying  
very hard to get back for '82's 30<sup>th</sup>.*

*Best -*



Handwritten notes, possibly a list or a set of instructions, located in the upper middle section of the page. The text is very faint and difficult to decipher.

Handwritten notes, possibly a signature or a date, located in the lower middle section of the page. The text is very faint and difficult to decipher.



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Thank you again for sharing your views with us. I hope you will continue to advise us of your thoughts on the policies of this Administration.

Sincerely,

1172

THE WHITE HOUSE  
WASHINGTON

January 15, 1982

MEMORANDUM FOR EDWIN L. HARPER

FROM: Jim Cicconi *Jim*  
SUBJECT: Letter from Derek Bok  
and William Bowen

JAB asked that OMB take a look at the attached letter on student financial aid and, if you would, draft a response to the points it lays out.

An interim response has been sent.

The draft would be for Baker's signature, and if it is routed back to me I'll take care of getting it out.

Thank you for your help.

3:10  
3:10  
3:10



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET

Date: 1/18/81

TO: Beth Strauss

FROM: Deputy Director / E. Rock

Please staff a  
response for J. Baker's  
signature. Clean through  
ELH.

HARVARD UNIVERSITY

OFFICE OF THE PRESIDENT

MASSACHUSETTS HALL  
CAMBRIDGE, MASSACHUSETTS 02138

December 14, 1981

Dear Mr. Baker:

Thank you so much for being willing to talk with us at such a busy time. Because of the demands on your schedule, we thought that it might be helpful to leave with you this letter summarizing our concerns over the proposed FY 83 reductions in student aid, as reported in the public press. In our view, these proposals go far beyond what one might expect from short-term austerity measures and threaten to have serious long-term consequences for students, for educational institutions, and for the nation as a whole.

In assisting some 3.5 million young people every year, federal student aid programs serve two important public purposes. First, at a time when the costs of undergraduate education average \$4,500 a year for four-year public institutions and \$7,000 to \$9,000 for private colleges and universities, federal grants and loans have made it possible for millions of poor and middle-class students to have access to higher education and thus to prepare themselves for careers and opportunities commensurate with their abilities. Second, by providing such opportunities, the government has done much to develop the productive talents of all young people and to provide the country with the new ideas, trained personnel, and educated leadership that our society requires.

The reported FY 83 proposals would have effects on student assistance that can only be described as extremely severe. Apart from their substantial impact on the guaranteed student loan program, these new proposals in conjunction with budget measures already taken or proposed for FY 82 would bring student assistance (other than guaranteed student loans) more than 60 percent below the level of the summer reconciliation bill. Moreover, these reductions would come on top of an earlier decision to eliminate \$2 billion per year in social security benefits for education (affecting 750,000 students).

The proposed reductions for FY 83 would have the following effects:

1. Undergraduate education. The current proposals would not merely reduce federal expenditures but would effectively dismantle a bipartisan federal program built up over the past decade to make educational opportunities available to deserving young

Americans. Today, basic opportunity grants plus guaranteed loans make it possible for poor students to secure a college education. At the same time, supplemental opportunity grants, work-study programs, and federally guaranteed loans allow students from low and moderate income families to choose among various institutions and select the college best suited to their particular needs and talents.

Under the new proposals, we understand that basic grants will be cut from \$2.3 billion to \$1 billion; supplemental grants and National Direct Student Loans will be completely eliminated; and interest rates on Guaranteed Student Loans will rise to market levels within two years after graduation. If these measures are enacted, an estimated 1.9 million students will lose their basic opportunity grants; 600,000 students will be deprived of supplemental grants; and 300,000 students will no longer receive National Direct Student Loans. We also estimate that a quarter-million students will be eliminated from work-study programs and that approximately 2 million students will face increases of more than 30 percent at current market rates in the annual cost of repaying federally guaranteed loans.

If these proposals are adopted, many students (probably in the hundreds of thousands) will no longer be able to afford to continue their undergraduate education. Many more will have to interrupt their college careers and transfer to lower-cost institutions. Large numbers of poor and moderate income students will find repayment costs on student loans so high as to cause them to forgo plans for graduate and professional education, especially in less remunerative fields, such as teaching, nursing, and the ministry, and in careers, such as medicine and research, that require extended periods of training.

These effects are not likely to be temporary but will cause a long-term loss of able people for a number of important occupations and professions. As you know, the country already faces serious shortages of talented individuals willing to enter careers in engineering and scientific research. Other important callings are likewise experiencing difficulty in attracting able people; for example, students seeking careers in public school teaching now have college board scores substantially below the national median. The proposed reductions will seriously aggravate these problems while also creating serious budgetary problems for a great many state-supported institutions and threatening the survival of scores of independent colleges that are already hard-pressed financially.

2. Graduate and Professional Education. Beyond the college level, the proposed reductions would severely damage the loan

programs that currently support approximately 700,000 graduate students (70 percent of all graduate students) in preparing themselves for careers in science, medicine, teaching, and other important professions. At present, the principal form of assistance for these students is the federally guaranteed loan program that permits banks to offer each borrower up to \$3,000 per year, repayable after graduation at an interest charge of nine percent. Under the current proposals, these guaranteed loans would no longer be offered to graduate students. Instead, the only federal assistance available to such students would be a \$3,000 loan program (intended mainly for parents) at an interest rate of 14 percent with no deferral of repayment while the student remains in school.

The financial effects of this proposal will be twofold. First, annual repayment charges for the parent loans will be approximately 25 percent above the charges under the current guaranteed student loans, and students will face repayment obligations while still in school. Second, in the absence of federal guarantees, most banks will be unwilling to extend loans to graduate students to cover annual expenses beyond the \$3,000 maximum parent loan. Few, if any, universities have the resources to replace these losses in bank credit. Even if the \$3,000 limit were increased, it is unlikely that graduate students could afford to borrow substantially increased amounts under the terms of the parent loan program.

The human consequences are clear. First, many students from poor families will be unable to pursue graduate education at all, thus depriving the nation of many talented individuals who might otherwise pursue careers in important fields that require advanced training. Moreover, many middle-income students will be forced to avoid careers in fields that provide relatively low compensation or that require many years of preparation. Finally, many of the nation's most talented students will no longer be able to afford the best available training but will be forced instead to settle for the least expensive.

Here again, the results will not be temporary; talented students who cannot afford to become scientists, school teachers, or engineers in their youth are not likely to enter those professions in later life. To forestall such consequences, any federal program must provide, at a minimum, access to guaranteed loan funds sufficient to insure enough bank credit to cover education costs plus provisions to allow students to defer interest payments until they graduate and enter productive employment.

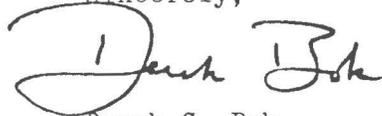
In conclusion, the current budget proposals will not merely reduce expenditures; they will profoundly alter an entire

December 14, 1981

structure of student aid that has been built up over many years and will not be easily reconstructed once it has been disassembled. The effect of this action will be to endanger many institutions and disrupt the education of hundreds of thousands of young people. Most important, the proposed reductions will have adverse effects for the country by keeping many talented students from entering occupations that are important to the nation's welfare while preventing many more from obtaining the best possible preparation for demanding careers. In our judgment, these consequences would be destructive of values that most Americans support and would be clearly out of proportion to any fiscal benefits that such drastic actions may provide.

Again, thank you very much for meeting with us,

Sincerely,



Derek C. Bok  
President  
Harvard University



William G. Bowen  
President  
Princeton University

Mr. James A. Baker III  
The White House  
1600 Pennsylvania Avenue, N. W.  
Washington, D.C. 20500

~~Aileen~~  
~~W/ AAB~~  
~~Missy Hodapp~~  
~~has letter~~  
~~please call~~  
~~her; letter is from Pres, compliments~~  
~~2 Ambassadors who handled~~  
~~the regot. I tell her~~  
~~since I would like a copy~~  
~~it but he hasn't seen~~  
~~① who has action~~  
~~on it? what~~  
~~will be~~  
~~done?~~  
~~80~~

2-25-82

Called Missy - she was <sup>(meeting)</sup> busy, will call back  
2800

2-26-82

Called; left message

3-1-82

Missy will send copy of draft as well as comments by various people

THE WHITE HOUSE  
WASHINGTON

2-9-82

Jim -

Carol Browning remembers the letter, but has no copy. She has checked w/ someone else who was copied on the suggested letter in hopes that we might get copy from there.....

THE WHITE HOUSE  
WASHINGTON

395-3204

William E. Brock

James

2-3 - she is checking

2-3 - Carol Browning sending copy

2-B - received memo -- not letter

*[Handwritten signature]*

THE WHITE HOUSE  
WASHINGTON

AA

Jan 2

Please call

Amb. Brock's

secretary for me,  
mention JAB got  
att'd note ref'g

to letter Brock says he  
suggested for Pres on the  
Multifiber Arrangement =

problem is we don't know  
what letter he's ref'g to;  
we don't have a copy - did he  
give to JAB personally, etc. Thanks  
JC

*fe-c.*

*Brock*

THE UNITED STATES TRADE REPRESENTATIVE  
WASHINGTON, D.C. 20506

January 13, 1982

*1/19 How handle?  
3/4 No Resp Nec.  
JC*

The Honorable James Baker  
The White House  
Washington, D. C. 20500

Dear Jim:

Just a reminder of the letter I suggested for the President on the Multifiber Agreement.

Do you consider it worthwhile, or wish to modify it, or can we discuss further?

Very truly yours,

WILLIAM E. BROCK

WEB:cb

*Cicconi handle for JAB  
please - per him  
"run it down"  
find out what Brock  
is belly about" -  
etc. -*

William E.

THE UNITED STATES TRADE REPRESENTATIVE

WASHINGTON, D.C. 20506

January 13, 1982

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please - per him  
"seen it down"  
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tally about" -  
etc. -*

1/25 Central Files has no record of any correspondence from Brock to JAB re: RE letter on the Multifiber Agreement.

KC

THE WHITE HOUSE  
WASHINGTON

2-3-82

Jim -

The attached was received  
in response to my request to  
receive a copy of a letter  
drafted for Pres. re Multifiber  
agreement... not what we want,  
don't think - this might have  
been the back-up for the letter.  
Will try to track letter.

L.C.

THE UNITED STATES TRADE REPRESENTATIVE  
WASHINGTON  
20506

December 21, 1981

MEMORANDUM FOR THE PRESIDENT

FROM: William E. Brock 

SUBJECT: Status of the Renegotiation of the Multifiber Arrangement (MFA)

Issue

The Multifiber Arrangement (MFA) is the multilateral agreement governing international trade in textiles and apparel. At the time this memo was written intensive negotiations were drawing to a close in the General Agreement on Tariffs and Trade (GATT) Textiles Committee which should provide for the renewal of the MFA.

Background

The MFA, negotiated under the auspices of the GATT, seeks to promote the orderly development of international trade in textiles and apparel while avoiding the disruption of participating countries' markets and production. The 42 signatories of the MFA, which account for approximately three-quarters of world trade in textiles and apparel, negotiate and implement their bilateral textile restraint agreements according to the provisions set out in the MFA. The MFA initially entered into force on January 1, 1974 and was extended by a protocol in 1977 to be in effect until the end of this year.

MFA negotiations throughout the past year produced positions of the developing, exporting countries and the European Community (EC) that were widely divergent. The United States sought to bridge this gap by taking a leading and constructive role in reconciling the two sides. Failure to renew the MFA would produce unacceptable consequences for the future of the GATT trading system as well as threaten to unravel the MTN tariff reduction results.

As of the date of this memo the participating countries were very close to agreeing to renew the MFA by a new protocol of extension. Although renewal of the MFA seems certain at this time, there are some remaining problems, particularly with regard to agreement between the EC and Korea on the interpretation of certain paragraphs in the draft protocol. You should be aware that the draft protocol reflects the U.S. position which was recently strengthened according to your instructions. By the time of the December 22 meeting of the Cabinet Council on Commerce and Trade the exact language of the draft protocol should be available and hopefully agreed upon by the participating countries. I will provide an oral briefing at that time.

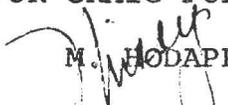
THE WHITE HOUSE

WASHINGTON

March 1, 1982

MEMORANDUM FOR CRAIG FULLER

FROM:

  
M. HODAPP

SUBJECT:

Bill Brock Letter on MFA

Dennis Whitfield allowed that Brock authored the attached draft himself -- as he is known to do every now and then -- and feels certain that Brock would have no problem eliminating the third sentence.

Additionally, Whitfield thinks a congratulatory letter sent to Murphy and Smith directly, as Darman suggested, would also satisfy Brock and serve the same purpose, certainly.

Although Whitfield has not seen the letter, he feels sure that any policy references in the text of the letter are simply Brock's way of restating what he feels are the successes/significances of MFA -- nothing more.

If Brock himself mentioned to JAB that some question could be raised by the third sentence, we can probably assume that he is sensitive to language which may have policy implications and the need for caution in that context.

**OFFICE OF CABINET AFFAIRS  
ACTION TRACKING WORKSHEET**

**Action resulting from:**

- document (attached)
- telephone call
- meeting (attach conference report if available)

**Document Date:** 81 / 12 / 22

**From:** Bill Brock

**Date Received:** 81 / 12 / 23

**Subject:** Presidential letter to Brock re: Multifiber Agreement

**ROUTE TO:**

Date Sent	Name	Action	FYI	Date Due	Action Taken
<u>82/01/23</u>	<u>Dennis Kass</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>82/01/29</u>	
<u>82/02/02</u>	<u>Ken Cribb</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>82/2/5</u>	<u>MH checked/ Whitfield 2/25</u>
<u>82/03/01</u>	<u>C. Fuller</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>/ /</u>	
<u>/ /</u>		<input type="checkbox"/>	<input type="checkbox"/>	<u>/ /</u>	
<u>/ /</u>		<input type="checkbox"/>	<input type="checkbox"/>	<u>/ /</u>	
<u>/ /</u>		<input type="checkbox"/>	<input type="checkbox"/>	<u>/ /</u>	

**COMMENTS:** Check out and advise on appropriate wording.

① would you talk to Dennis Whitfield about this. I agree w/ Dennis. It has fallen to us to clear. (Note: Bill gave it to Jim Baker).

**Originator:**  Fuller  Cribb  Hart  Hodapp  Gonzalez  Faoro

**KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING MATERIAL AND WHEN THE ASSIGNED ACTION IS COMPLETE, RETURN TO:**

Office of Cabinet Affairs  
Attention: Karen Hart (x-2823)  
West Wing/Ground Floor

DD: Bill Brock handed me this today.

Would like to implement. He points out that some question could be raised by 3rd sentence.

DRAFT

Pls. put this request in the system for decision.

Thanks.

*JTB*

The Honorable William E. Brock  
U. S. Trade Representative  
600 17th Street, N.W.  
Washington, D. C. 20506

057145

Dear Bill:

The new Multifiber Agreement reflects a substantial improvement upon the one just terminated. It is far stronger and offers our industry a full competitive opportunity for renewed growth. [It does so in a fashion which also offers growth to smaller developing nations, without violating our commitment not to 'roll back' sales from any producing country.] It is, in every sense, a well balanced and positive achievement.

*Could trouble domestic industry.*

During the past years of textile arrangements our domestic industry has made tremendous strides in reinvestment, technological innovation, and modernization. The new MFA will allow this process to continue, and I am fully confident the textile industry, which is such a vital component of our domestic economy will accept the challenge to maintain a leadership role in our economic recovery program.

2/25

Please give a hearty 'well done' to Peter Murphy, our Textile Negotiator. He, Ambassador Mike Smith, and our entire Geneva team have served this Administration well.

Very truly yours,

RONALD REAGAN

*CLF*  
*What do you think?*  
*This would be a wrap. It's Brock*  
*try to get some he looks like*  
*we have. If best of interests, why*  
*not talk to Murphy and*  
*check it out?*  
*D.C.D.*

THE WHITE HOUSE  
WASHINGTON

1/25

TO: CRAIG FULLER

FROM: DENNIS KASS *DJ*

Why do we need to send this letter?  
A simple congratulatory note  
would be fine. No need for any  
policy content beyond commending  
Brock for fulfilling the  
President's campaign pledge to  
strengthen the MFA.

*... this today.  
... He points out  
... be raised by 3rd sentence.*

*T  
... in the system for discussion.*

*Thanks.*

*JAB*

057145

a substantial improvement upon the  
er and offers our industry a full  
wth. [It does so in a fashion which  
ng nations, without violating our  
in any producing country.] It is, in  
ve achievement.

*Could  
... domestic  
industry.*

...ements our domestic industry has  
...ent, technological innovation, and  
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fully confident the textile industry, which is such a vital component of our  
domestic economy will accept the challenge to maintain a leadership role in  
our economic recovery program.

Please give a hearty 'well done' to Peter Murphy, our Textile Negotiator.  
He, Ambassador Mike Smith, and our entire Geneva team have served this  
Administration well.

Very truly yours,

RONALD REAGAN

*CLF  
... what do you think  
... makes me wonder. IS Brock  
... same he looks like  
... If he's of about 40, why  
... to reemployment and  
... ?  
D...*



## TERRANCE J. BROWN, ASSOCIATES

1331 H ST., N.W.  
SUITE 700  
WASHINGTON, D.C. 20005  
202-628-8615

August 5, 1982

Office of Mr. James Baker, III  
Attention: Mr. J. Cicconi  
The White House  
Washington D.C.

Dear Mr. Cicconi,

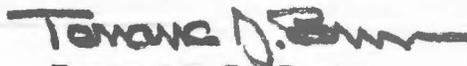
This letter is written by Terrance J. Brown, Associates, on behalf of the Indian Tribes it presently represents, regarding the President's Proposed Draft Statement on American Indian Policy.

Based on our preliminary review of the policy draft, we find it raises serious policy and programmatic concerns and appears to commit this Administration to policies of past Presidents that have proved to be devastating to Tribes.

As you may recall, the Indian Tribes placed their trust in President Reagan rather than his opponent during his campaign. We do not want to see that trust breached by a poorly articulated policy statement, such as the one proposed.

Our firm will be sending you a more detailed analysis of the draft policy statement under separate cover. We encourage you to carefully consider our comments and criticisms in compiling your final policy position on Indian Affairs.

Respectfully yours,

  
Terrance J. Brown

Bush, George

December 4, 1981

Dear Mr. Vice President:

I wanted to follow-up with you concerning our discussion of the possibility of Ray Shafer serving on the President's Foreign Intelligence Advisory Board.

As you know, I have nothing but the highest regard for Governor Shafer and his abilities. Our problem at this point, though, is that the PFIAB has already been announced by the President and to expand it now would create both in-house and external problems for us.

We certainly appreciate Governor Shafer's willingness to serve, and hope he understands the difficulties such an expansion would cause.

If you speak with Governor Shafer personally on this matter, please give him my warm regards.

Sincerely,

*JB*

James A. Baker, III  
Chief of Staff and  
Assistant to the President

The Vice President  
United States Senate  
Washington, D. C. 20510

f & c (JOB)

Clements, William P.

May 6, 1982

Dear Bill:

Thank you for your recent letter of recommendation and endorsement.

I have forwarded your letter to the appropriate director in the Reagan Administration. Please be assured that your comments will be given every consideration and will be further noted in our personnel files.

I sincerely appreciate your interest in bringing to our attention qualified men and women such as Dr. Richard Rubottom.

Sincerely,

James A. Baker, III  
Chief of Staff and  
Assistant to the President

The Honorable William P. Clements, Jr.  
Governor of the State of Texas  
Austin, Texas 78711

cc: Pen James & incoming  
Jim Cicconi & incoming  
Central Files



OFFICE OF THE GOVERNOR

STATE CAPITOL  
AUSTIN, TEXAS 78711

April 13, 1982

WILLIAM P. CLEMENTS, JR.  
GOVERNOR

Mr. James Baker  
Chief of Staff and  
Assistant to the President  
The White House  
Washington, D. C. 20500

Dear Jim:

I would like to highly recommend Dr. Richard "Dick" Rubottom of Dallas for a position on the Board of Directors of the Inter-American Foundation. I have contacted Pen James previously, but wanted to re-emphasize my strong support of Dick Rubottom for a position on the Board, and in particular, to serve as Chairman of the Inter-American Foundation. Attached for your consideration is a copy of Dick's resume.

Dick currently serves as my Foreign Relations Advisor and has accompanied me many times to Washington and to Mexico in that capacity. His long-term interest in Inter-American relations and his leadership capabilities would serve him well on the Inter-American Foundation. Both personally and professionally, he has my utmost respect and my unqualified support and recommendation.

Dick will be in Washington in early June, and if you feel it is advisable, he will be available to meet with any of the appropriate officials regarding this appointment. In any case, I would appreciate your very serious consideration of Dick Rubottom and your apprising me of any developments regarding my recommendation. Please do not hesitate to contact me if I can provide additional information or references.

Sincerely yours,

A handwritten signature in black ink that reads "Bill".

William P. Clements, Jr.  
Governor of Texas

WPCJr:es

Enclosure

cc: Mr. Pen James

JAN 20 1981

Curriculum Vitae

R. RICHARD RUBOTTOM  
Professor Emeritus  
Southern Methodist University

Personal:

Place and date of birth: February 13, 1912 Brownwood, Texas  
Wife's maiden name: Billy Ruth Young  
Children: Eleanor (Mrs. Allan Odden); Frank Richard; John William

Education:

B.S., Southern Methodist University, Dallas, Texas, 1932  
M.A., Southern Methodist University, 1933; graduate study, U. of Texas  
LL.D. (honorary), Southwestern College, Winfield, Kansas, 1968

Affiliations:

Metropolitan Club, Washington, D.C.  
Rotary Club  
Lambda Chi Alpha - International Board, 1968-1976 (Vice-President; Secretary)  
Sigma Delta Chi (Journalism)  
Pi Sigma Alpha (Political Science)  
United Nations Association of U.S.A. - National Board  
Boy Scouts of America - (International Committee) - Represent U.S. on  
Inter-American Scout Committee

Awards:

Superior Service Award by Department of State, 1952  
Citation by National Civil Service League, 1958  
SMU Distinguished Alumnus Award, 1958  
BSA Silver Beaver Award, 1976

Career:

Foreign Relations Advisor to Governor William P. Clements  
Member, Advisory Board, Inst. of L. A. Studies, U.T. Austin, 1980  
Member, Steering Committee sponsored by Aspen Institute and OAS to study  
international governance in Western Hemisphere, - 1980  
Public Member, Sixth Tex. Distr. Bar Association Grievance Bd., 1980  
Diplomat-in Residence, World Cruise, Semester-at-Sea, 1979  
Professor Emeritus, Political Science Dep't., S.M.U., 1977-  
Fulbright Hays Lecturer, Columbia, 1977  
Director, Center of Ibero-American Civilization, Southern Methodist  
University, 1975-77  
President, University of the Americas, Puebla, Mexico, 1971-73  
Vice President for Planning, Southern Methodist University, 1970-71  
Administrative Vice President, Southern Methodist University, 1967-70  
Vice President for University Life, Southern Methodist University, 1964-67  
Department of State, 1947-64  
Served in foreign service posts in Latin America and Spain, and in  
Washington, D.C.; Director of U.S. Operations Mission in Spain, 1953-56;  
Assistant Secretary of State for Inter-American Affairs, 1956-60;  
Ambassador to Argentina, 1960-61; Department of State advisor to Presi-  
dent, Naval War College, 1962-64. Member of U.S. Delegation to many  
international conferences. Retired with rank of Career Minister.

Richard Rubottom - page 2

Active Duty, U.S. Navy, 1941-46  
 Assistant Dean of Student Life, University of Texas, 1937-41  
 Business, 1935-37  
 Traveling Secretary, Lambda Chi Alpha, 1933-35

Publications and Lectures:

"The Goals of U.S. Policy in Latin America," THE ANNALS OF THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE, July 1962.  
 "Latin America--Revolution or Evolution as the Answer to Insurgency?" NAVAL WAR COLLEGE REVIEW, June 1963.  
 "The Inter-American System: An Evaluation," NAVAL WAR COLLEGE REVIEW, June 1964.  
 "An Assessment of Current American Influence in Latin America," THE ANNALS OF THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE, July 1966.  
 Frequent book reviews in THE ANNALS.

Lecturer, University of Texas - 1959  
 Lecturer, Naval War College - 1962-64  
 Lecturer, Occidental College - 1964  
 Lecturer, University of Michigan - 1964  
 Lecturer, Brown University - 1965  
 Lecturer, Air War College - 1965  
 Lecturer, Texas Christian University - 1968  
 Lecturer, American Graduate School of International Management - 1975  
 Lecturer, Baylor University - 1976  
 Keynote Speaker, Seminar on Immigration Policy, Dallas, Texas - 1977  
 Discussant, Latin American Studies Association National Meeting - 1977  
 Fulbright Lecturer, University of the Andes; Rosario University; Javeriana (Pontifica) University, Bogota, Colombia - 1977  
 Principal Investigator - U.S. - Spain Cultural Commission project - "Impact of U.S. Mutual Assistance Programs on Spain" - 1980-1981

Languages:

Spanish fluency; Portuguese and French - read



OFFICE OF THE GOVERNOR  
STATE CAPITOL  
AUSTIN, TEXAS 78711

WILLIAM P. CLEMENTS, JR.  
GOVERNOR

February 4, 1981

Mr. Pen James  
Director of Presidential Personnel  
The White House  
Washington, D.C. 20500

Dear Pen:

I would like to highly recommend Dr. R. Richard "Dick" Rubottom of Dallas, Texas for consideration for the position of U. S. Representative on the Council of the Organization of American States in the State Department, or for the position of President of the Inter-American Foundation. Attached for your consideration and review is a copy of Dick's resume.

I have known Dick for a number of years and have the utmost respect for him both personally and professionally. In addition to his responsibilities at Southern Methodist University as Professor Emeritus in the Political Science Department, Dick also serves as my Foreign Relations Advisor. In this capacity, he is doing an outstanding job. I can very highly recommend him for either position and know that he will indeed be an asset to the new Administration. His experience and background in political science and foreign relations well qualifies him for consideration, and he has my unqualified support and recommendation.

Again, I would appreciate your very serious consideration of Dick Rubottom and your apprising me of any developments regarding my recommendation. Please do not hesitate to contact me if I can provide additional information or references.

Sincerely yours,

William P. Clements, Jr.  
Governor of Texas

WPCJr:swm  
Enclosure



# HIGH FRONTIER



1010 Vermont Avenue, N.W. • Suite 1000 • Washington, D.C. 20005 • (202) 737-4979

*Coakley, Jack*

*f GC  
(paper sent in  
in NSC)*

January 7, 1982

The Honorable James A. Baker III  
The White House  
Washington, D.C. 20500

Dear Jim:

At 2:00 PM on January 8th the President will be given a briefing on the attached space proposal.

I'm not sure you have been kept abreast. This document is the latest summary. Dr. Keyworth has copies.

Keep up the good work.

Sincerely,

*Jack*  
Jack Coakley

JC:vvm  
Enclosure: Summary

*To Cicconi - FYI  
1/8  
MDT*

2-11

BARBER B. CONABLE, JR.  
NEW YORK, 35TH DISTRICT

*Conable, Barber Jr.*

WASHINGTON OFFICE:  
237 CANNON HOUSE OFFICE BUILDING  
WASHINGTON, D.C. 20515  
(202) 225-3615

DISTRICT OFFICE:  
311 FEDERAL OFFICE BUILDING  
100 STATE STREET  
ROCHESTER, NEW YORK 14614  
(716) 263-3156

COMMITTEES:  
WAYS AND MEANS  
BUDGET  
JOINT COMMITTEE ON  
TAXATION

**Congress of the United States**  
**House of Representatives**  
Washington, D.C. 20515

*f.c.c.  
(Conable)*

*Reading file?  
to FHI  
to Frank -  
5/14*

May 7, 1981

Mr. James A. Baker III  
Chief of Staff and Assistant to the President  
The White House  
Washington, D.C. 20500

Dear Jim:

Since I bothered you about the acid rain conference at the State University of New York at Buffalo, I thought you might be interested in a follow-up letter I received from the man in attendance who complained about the American government's attitude toward what he thought was an important issue between our two countries. Living where I do, I continue to be sensitive about U.S./Canadian relations, and so I asked him to let me know how the conference actually turned out.

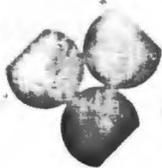
I am not asking you to do anything with this letter, but I pass it on to you out of concern that the State Department may have acted on faulty information, exposing the Administration unnecessarily, in urging the Deputy Director of OMB not to speak at the conference.

Very truly yours,

*Barber Conable*

Barber B. Conable, Jr.

C/1  
Enclosures

**Genesee Public Affairs Incorporated**

May 5, 1981

The Honorable Barber B. Conable, Jr.  
U. S. House of Representatives  
237 Cannon House Office Building  
Washington, D.C. 20515

Dear Barber:

You are sufficiently aware of what went on at last week's Acid Rain Conference at SUNY Buffalo that I don't need to fill you in on the details. I would like to share two fairly obvious conclusions with you, and ask if possible that you pass them on to responsible officials in the Reagan Administration.

The first is that whoever was giving them the information on which they based their decisions not to participate in the conference should be taken out and hanged. As I got it from Harry (and other sources), people in Washington- 1) were afraid they were being set up, 2) felt that they were being lured to Buffalo by the promise of big names on the Canadian team who were not in fact going to show up (especially Foreign Minister MacGuigan) and, 3) that busloads of demonstrators were being brought in from Canada.

Taking these in reverse order, I saw neither buses nor demonstrators, Mark MacGuigan was there all day Saturday, and there was no visible evidence whatever of a setup. If anyone had come, they doubtless would have been in for sharp questioning, but they could easily have gotten away with what I believe is the truth, namely that key officials in this area have not yet been confirmed and that the policies of the Reagan Administration on acid rain fallout in Canada have yet to be formulated. This, coupled with the most modest recognition of the fact that the Canadians are upset and we share their concern, would have saved them from severe embarrassment -- which brings me to my second point.

The only reason they were not severely embarrassed is that Senator Moynihan on his own initiative went way beyond the call of duty to pull their chestnuts out of the fire. I had alerted his office on Friday to the fact that the United States had a small disaster on its hands at the conference. He immediately contacted Washington and, with the help of OMB officials, concocted the telegram from Acting Secretary of State William Clark which he shared with his press conference and the luncheon meeting. There was considerable applause from the 300 or so in attendance.

Page #2

To: Congressman Barber B. Conable, Jr.

Re: Acid Rain Conference

You and Pat have worked together closely enough so that I know you are not surprised at this display of statesmanship, but I invite you to imagine how much fun somebody with partisan intent could have had with this one. With no difficulty they could have stuck acid rain firmly in the Administration's ear.

I don't mean to overemphasize this; U.S.-Canadian relations are not going to stand or fall on whether some high official from Washington does or does not attend a particular conference. But the fact remains that the Administration got lousy information and advice on this one, and they would have been on the hook if Moynihan had not gotten them off.

Aside from that, it was an extremely interesting gathering. I enclose for your interest a copy of the program, a copy of the famous telegram, some press clippings, and a copy of the luncheon speech by Keith Norton, Minister of the Environment for the Province of Ontario, that is a first-rate summary of Canada's concern on the acid rain problem.

Best regards,



Edward P. Curtis, jr.  
President

EPC/g  
Encl.

# U.S. Officials Shun UB Panel On Acid Rain

← SAT. MAY 2, 1981

By PAUL MacCLENNAN  
News Environmental Reporter

Canadian government appeals for action to stem the flow of acid rain over the border, fell on deaf ears Friday as key U.S. officials failed to appear at a two-day seminar at the State University of Buffalo.

"We invited them" declared the conference coordinator, Joanne Harris Burgess.

"Two key environmentalists for the Reagan administration agreed to participate, but they told us at the last minute that present conditions in Washington have dictated that they are not free to come."

The no-shows included: James McAvooy, director of the Ohio District of the Environmental Protection Agency, and Frederick N. Khedouri, associate director of the Office of Management and Budget, who is in line for appointment to the prestigious White House Council for Environmental Quality.

Mr. McAvooy has stone-walled efforts at further emission requirements on coal-fired generators, much to the displeasure of New York State officials, and reportedly is in line for a key environmental position in the Reagan administration.

While UB sponsors refused to comment on why the U.S. officials pulled out, Ms. Burgess said, "President Reagan's policies are not fully established yet and it is difficult for those holding public office to take public positions."

ONE GOVERNMENT official attending the conference said while it is good to bring diverse viewpoints together, "it doesn't make much sense if government policymakers won't participate because they're the ones who are going to make it work."

The failure of top U.S. policymakers to appear angered many of the 100 participants who interpreted it as simply "another indication of the Reagan administration's indifference to environmental issues."

Canada, in sharp contrast, as represented by Keith C. Iorton, Ontario Minister of Environment, and today, Secretary of State for External Affairs Mark MacGuigan is scheduled to deliver, "a major policy statement of the Canadian government on acid rain."

Mr. Norton, while voicing hope that the United States would cooperate on acid rain, said since the two governments

signed a memorandum of agreement last year, the new administration in Washington appears to be renegeing on its promise.

The minister said he became concerned when the U.S. Environmental Protection Agency agreed to relax emissions for 18 coal-fired power plants in Ohio, along with statements by David Stockman of the federal Office of Management and Budget.

MR. NORTON quoted Mr. Stockman as saying: "I kept reading these stories that there are 170 lakes dead in New York ... well how much are the fish worth in these 170 lakes? And does it make sense to spend billions of dollars controlling emissions from sources in Ohio and elsewhere if your talking about a very marginal volume of dollar value."

Scientists and industry speakers were in agreement that there needs to be more research on acid rain, but Professor Eville Gorham of the University of Minnesota said acid rain "is a very serious and widespread environmental problem," adding that any delay imposing strict control measures would result in "severe damage to part of our vital life supplying system."

Calling drastic control measures costly in economic terms and a loss in efforts to gain energy independence, William N. Poundstone, executive vice president of the Consolidated Coal Co., said:

"The evidence is not there to support such a move. I do not believe that acid rain is a crisis that demands action regardless of cost or risk. Acid rain is an environmental problem that does deserve our most serious and considerate attention."

Raymond M. Robertson, assistant deputy minister of Environment Canada, claiming acid rain's effects cannot be reduced to a traditional cost-benefit ratio, asked, "How can you put a price on a lake devoid of life or the loss of a national heritage such as the cry of the loon in the Canadian wilderness?"

SUNDAY  
MAY 3, 1981

## Moynihan Uses Diplomatic Skills In Attempt to Ease Acid Rain Fuss

By MODESTO ARGENIO

With the finesse of a former U.N. ambassador, Sen. Daniel P. Moynihan on Saturday attempted to soothe the Canadians ruffled by the failure of key Reagan administration officials to attend a conference at the State University of Buffalo on acid rain.

During a whirlwind session on the UB Amherst Campus, he handled a barrage of questions from angry Canadian reporters, conferred privately with the Canadian secretary of state, and piled a series of apologies from Washington.

"I can assure you that the United States will continue to work on the acid rain problem," the affable New York Democrat told a press conference. The Canadians were miffed when key U.S. officials failed to attend the opening day of the international conference on Friday, and Canadian newspapers on Saturday chided the

border also complain of ruined lakes.

Canada's Secretary of State for External Affairs, Mark MacGuigan, who is Secretary Haig's opposite number, attended the UB conference and cided skeptics who doubt that acid rain is a problem.

Canadians feel that Washington and the American public in general refuse to admit that acid rain is a growing environmental menace.

"To those who doubt the seriousness of acid rain, I extend an invitation to come to our country and see for themselves," Secretary MagGuigan said. "There they will find signs of the depredations of several million tons of sulfur dioxide and oxides of nitrogen." Half of those pollutants, he said, come across the border from U.S. industries. He called

acid rain "a serious bilateral issue" and suggested that unless Washington gears up its response to the problem, it could strain relations with Ottawa.

"We in Canada are convinced that we cannot resolve acid rain ourselves," he said in remarks aimed directly at Washington.

Earlier, Dr. Robert Flacke, the New York State environmental conservation commissioner, also took a shot at Washington.

Calling acid rain "a very real and immediate threat to the lives of thousands of lakes and ponds throughout the Northeast," he chided Washington for "foot dragging" on cleanup efforts.

They noted that Washington and Ottawa are scheduled to begin negotiations on the acid rain problem next month, a step keyed by President Reagan's visit to Prime Minister Pierre Trudeau in March.

Anne Park, a Canadian specialist from the Department of External Affairs, told the conferees that acid rain "is an emotional issue" in Canada because Canadians fear that the pollutants will inflict a "widespread damage to our natural resources."

Cruikshank, Robert J.

THE WHITE HOUSE  
WASHINGTON

February 2, 1983

MEMORANDUM FOR DON DEVINE

FROM: Jim Cicconi

SUBJECT: Attached

Jim Baker would appreciate it if your office could prepare a response on his behalf to the attached letter from Robert Cruikshank, with a blind copy to me, at your earliest convenience.

Thank you.

*acknowledge?*

1200 Travis  
Houston, Texas 77002  
(713) 651-1700  
Telex 762840

January 17, 1983

*Je  
What's going on  
in CFC area?*

The Honorable James A. Baker III  
Chief of Staff and Assistant to the President  
The White House  
1600 Pennsylvania Avenue, N.W.  
Washington, D. C. 20500

Dear Jim:

As Chairman of the Board of the American Heart Association and now past Chairman, I have imposed on you from time to time to consider matters that I and our approximately 40,000 volunteers feel are important.

We are concerned that the introduction in 1982 of regulations by the Office of Personnel Management (5CFR Part 950) to carry out Executive Order #12353 will weaken eligibility requirements and permit national agencies to become members of the Combined Federal Campaign (CFC) that do not have the "direct and substantial local presence requirement".

In the past the CFC has diligently tried to make certain that agency admissions have met very responsible requirements that will help our country meet its needs in the health and welfare areas. However, a perfunctory appeal to the OPM by agencies refused have usually resulted in certification on what many of us believe to be inadequate evidence. In other words, a strict definition would not have recognized them as health or welfare organizations with a "substantive local presence". Should examples be helpful, we shall be happy to furnish them.

Jim, we will be happy to work with you or your designate in finding ways to make it possible for all worthwhile organizations to have methods of public appeals to Federal employees, but, at the same time, exclude ineligible organizations from reducing the fund-raising efforts of organizations like the American Heart Association, American Cancer Society, United Way, etc. that are striking at some of the most important problems this country has in deaths from cardiovascular diseases, cancer, community welfare (United Way), etc.

I will look forward to hearing from you.

With warmest personal regards, I am

Sincerely,

Robert J. Cruikshank

East, John P.

December 23, 1981

Dear John:

I appreciate your bringing your December 15 letter to the Attorney General to my attention and will be sure to look into this matter. I understand your concerns over possible problems in bringing about the Department of Education's proposed change in the definition of "federal financial assistance."

In the meantime, please accept my wishes for a Merry Christmas, and I will be in touch with you on this as soon as possible.

Sincerely,

James A. Baker, III  
Chief of Staff and  
Assistant to the President

The Honorable John P. East  
United States Senate  
Washington, D.C. 20510

# United States Senate

WASHINGTON, D.C. 20510

December 18, 1981

The Honorable James A. Baker III  
Chief of Staff and  
Assistant to the President  
The White House  
Washington, D. C. 20500

12/18  
C...  
eyes

Dear Mr. Baker:

The Department of Education has proposed a change in the definition of "federal financial assistance" in regulations issued under Title VI of the Civil Rights Act of 1964, Title IX of the 1972 Education Amendments, and Section 504 of the 1973 Rehabilitation Act. The proposed change would free from federal regulation those colleges which receive no federal financial assistance but have students receiving government loans or grants.

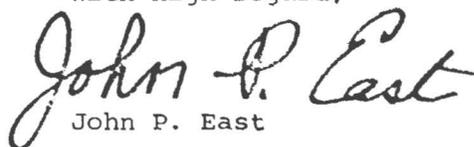
Sixteen senators have signed a letter urging Attorney General William French Smith to support the Department of Education's proposed change in the definition of financial assistance. I have enclosed a copy of the letter that was signed by the sixteen senators only two days after newspaper articles in the New York Times and the Washington Post disclosed opposition within the Department of Justice to the Department of Education's proposed change in regulations.

The prompt response of such a large number of senators indicates the depth of concern in the Senate over the inexplicable opposition of officials in the Department of Justice.

President Reagan has long supported limits on the growth of bureaucratic control over higher education and I hope the Reagan Administration will do everything possible to establish such limits. I have enclosed a copy of President Reagan's column in the Denver Post on January 7, 1977 in which he complimented Hillsdale College for fighting overreaching bureaucratic regulations. The Department of Education is now proposing to change the same overreaching regulations that were criticized in the column.

It is basic to the principles of liberty that Hillsdale College and other private institutions of public learning should enjoy independence from federal regulation during this Administration and future Administrations. I will greatly appreciate your thoughtful consideration of this important issue.

With high regard,

  
John P. East

JPE:jsh

Enclosures

# United States Senate

WASHINGTON, D.C. 20510

December 15, 1981

Hon. William French Smith  
Attorney General  
Department of Justice  
10th and Constitution Ave., NW  
Washington, D.C. 20530

Dear Mr. Attorney General:

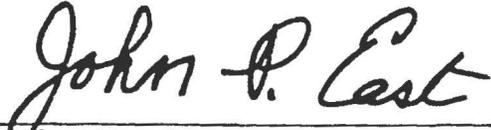
An article in the Washington Post for December 15 indicates that the Department of Justice will not support the Department of Education's proposed change in the definition of "federal financial assistance" to colleges. The change would free from federal regulation those colleges which have no federal link but have students receiving government loans or grants.

The plain language of Title VI of the Civil Rights Act of 1964, Title IX of the 1972 Education Amendments, and Section 504 of the 1973 Rehabilitation Act indicates that only "programs or activities receiving federal financial assistance" are subject to federal control and jurisdiction. It is overreaching to argue that schools like Hillsdale College, Grove City College and Brigham Young University, which accept no government aid, are recipient institutions because students at these schools receive direct government aid.

We do not wish to condone any manner of invidious discrimination by any college. We simply believe that the scope of federal regulation of higher education must be limited by the plain meaning of Titles VI, IX and Section 504. In addition, we believe that the continued growth of federal regulation of private higher education is inconsistent with President Reagan's position in his column on the subject which appeared on January 7, 1977 in the Denver Post and other papers. In that column, President Reagan complained that "when it comes to higher education, /the bureaucracy/ seems to be exercising 'the arrogance of officialdom,' which Cicero once described in ancient Rome."

We urge you to support the Department of Education's proposed change in the definition of financial assistance.

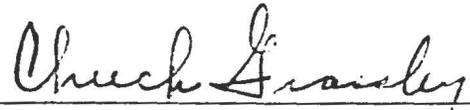
Sincerely,



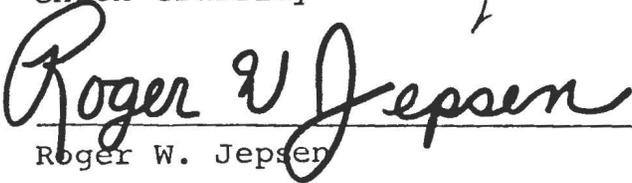
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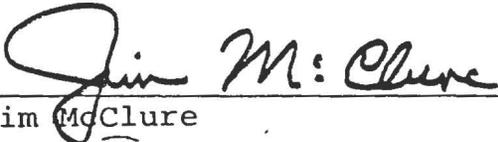
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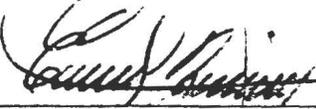
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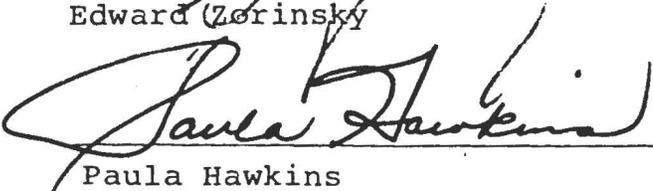
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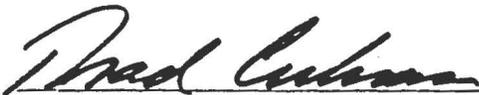
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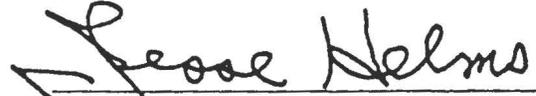
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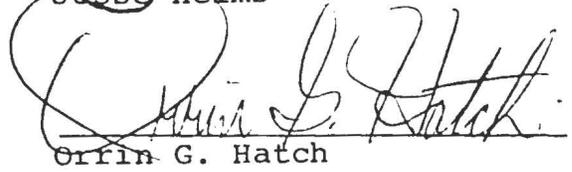
Paula Hawkins



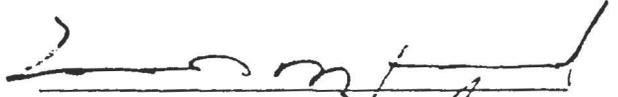
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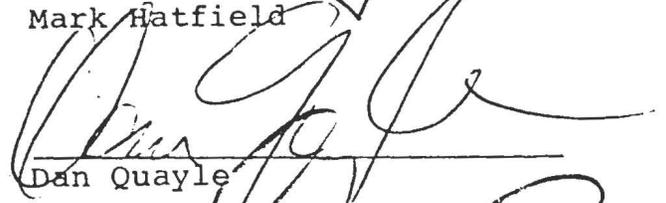
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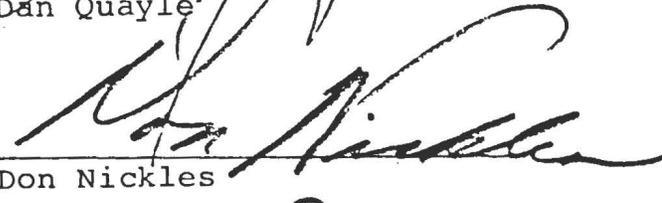
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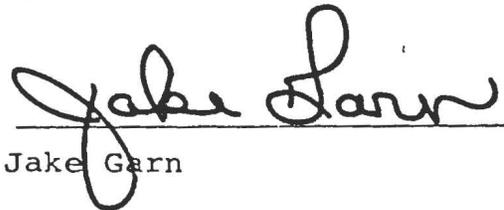
Mark Hatfield



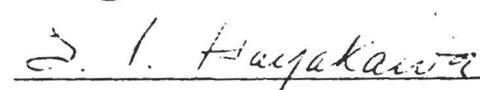
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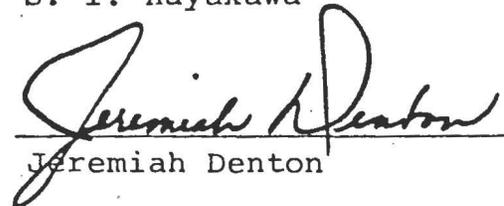
Don Nickles



Jake Garn



S. I. Hayakawa



Jeremiah Denton

CC: President Ronald Reagan,  
Edwin Meese III, James A. Baker III, Michael K. Deaver,  
Hon. Terrell Bell, Max L. Friedersdorf, Lyn Nofziger  
Hon. William Bradford Reynolds, Martin Anderson

The Denver Post, Jan. 7, 1977

By RONALD REAGAN

## Federal Harassment Worsening

RALPH NADER pouted. The bra burners blustered. Jimmy Carter had not done precisely as they wished when it came to picking his cabinet. At least they weren't willing to withhold judgment till after he had finished the process and taken office.

Behind them was a Greek chorus of editorial page and airwave pundits who stroked their chins and furrowed their brows while second-guessing all of Carter's decisions.

The political reporters—themselves facing deadlines as inevitable as ever, but with very little to report—resorted to a non-stop speculative hash and rehash of who would be chosen for which job and how well he or she could be expected to perform on the job.

Altogether, the transition between administrations has been a restless time for Washington, D.C. With Congress not around to arm twist the special interests and assorted axe grinders have had to make do by trying to lean on Carter through whatever attention they could attract from the news media.

THOUGH I DON'T expect to be bashful about criticizing Carter goofs when they occur, it seems to me we owe the new President the benefit of the doubt, at least for now.

He will have his hands full, wrestling that King Kong of bureaucracies by-the-Potomac; nudging

the economy forward without aggravating inflation; and preventing the Russians from permanently assigning us to No. 2 in defense capability. He should have a chance to get on with those jobs without a lot of Monday morning quarterbacking doing their stuff before the game has begun.

Speaking of that giant bureaucracy, when it comes to higher education, it seems to be exercising "the arrogance of officialdom," which Cicero once described in ancient Rome.

The bureaucrats' interpretation of "affirmative action" is a case in point. Congress didn't mandate it; the bureaucrats of HEW and EEOC stitched their "guidelines" together after interpreting a presidential order.

Bureaucratic harassment over such matters has gotten so bad that the President of Columbia University, William T. McGill, recently told a conference group that it just doesn't pay to fight city hall—or Washington, D.C.—anymore.

He warned his listeners of "coercive regulation as an exercise of power by inexperienced young advocates of narrow constituency groups" in one breath, but in another argued for colleges and universities to appease the federal bureaucrats when they come calling. Alas, he noted, the cost in time and money of fighting them in court—even if you win—is just too great.

BUT, WHILE Columbia is caving in, little Hillsdale College in Michigan is determined to knock the stuffings out of the bureaucrats. For 132 years it has been fiercely independent of government. Not a nickel has been asked for or received. Of course this gives the HEW elitists fits, but they think they have finally found a way to strangle Hillsdale.

HEW alleges that because some individual Hillsdale students receive veterans benefits and national student loans, the college itself is the recipient of federal aid. If HEW wins, it could move in on Hillsdale with customary arrogance.

Discrimination isn't the issue, according to Hillsdale President George C. Roche III. Freedom is. "We will not comply with Title IX (so-called anti-sex discrimination) regulations as put forth by HEW," he says, "but this does not mean that we wish to discriminate against any group. On the contrary, since its founding, Hillsdale has voluntarily maintained a policy of non-discrimination. Blacks and women have had equal standing in Hillsdale's classrooms since before the Civil War."

Instead of giving up, Hillsdale is beating the bushes for \$29 million in endowment, some of which will go to replace those federal student loans with private ones.

President McGill, meet President Roche.

King Features Syndicate

fec

JACK EDWARDS  
1ST DISTRICT, ALABAMA

2369 HOUSE OFFICE BUILDING  
WASHINGTON, D.C. 20515  
TELEPHONE: 202 225-4931

DISTRICT OFFICES:  
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109 ST. JOSEPH STREET  
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GROVE HILL, ALABAMA 36451  
TELEPHONE: 205 275-3344

Congress of the United States  
House of Representatives  
Washington, D.C. 20515

June 7, 1983

Edwards, Jack  
COMMITTEE ON  
APPROPRIATIONS  
SUBCOMMITTEES:  
DEFENSE  
TRANSPORTATION

CICCONI  
Pls. Follow UP  
FOR JAB  
PER JAB  
6/8  
MOT

Honorable James A. Baker, III  
Chief of Staff and Assistant to  
the President  
The White House  
Washington, D. C. 20500

Dear Jim:

Last November 30, the President issued a proclamation establishing a reexport program in keeping with his philosophy on the importance of trade with our Caribbean neighbors.

On April 8, 1983, the Department of Agriculture published proposed regulations to implement the President's proclamation. Among other things, those proposed regulations would allow our domestic sugar refiners to import raw sugar in excess of quotas if the sugar is to be reexported after refining. Our sugar market is depressed at this time, and this ability to reexport is vitally important. Unfortunately, the USDA's Office of the General Counsel seems to be procrastinating in signing off on the final regulations. As I understand it, the 30-day comment period produced no significant opposition to this proposal and there is no objection to finalization of the regulations. The hold-up appears to be the result of a slow bureaucracy rather than of any policy disputes.

I would appreciate your intervention with the Department of Agriculture in this matter. These regulations are badly needed and should be finalized expeditiously.

With kindest regards,

Sincerely,

*Jack*  
Jack Edwards

JE:net

6-13  
Problems were  
cleared up  
6-10-- it's  
in motion  
now.  
Adrian  
JAB  
FYI I  
called Edwards  
and let him  
know on your  
behalf.  
6/13

AGC  
(Baker)



5/5

Response needed?

NO

THE SECRETARY OF ENERGY TO FRANK  
WASHINGTON, D.C.

TO CHECK FOR

JAB - 5/5/81

MDT

Honorable James A. Baker III  
Assistant to the President  
1600 Pennsylvania Avenue, NW  
Washington, D.C. 20500

Dear Jim:

I received the enclosed information through a friend of mine and wanted to share it with you. I think it is "must" reading as we consider the Clean Air Act and other environmental aspects of our problems.

With warmest regards,

A handwritten signature in cursive script, appearing to read "Jim", written over the printed name "James B. Edwards".

James B. Edwards

Enclosure

File  
Clean Air  
ACT

cc: Speechwriting Staff

May 4, 1981

## THE U. S. ENERGY PICTURE IN 1981

by

Dr. John J. McKetta<sup>1</sup>  
E. P. Schoch Professor of Chemical Engineering  
The University of Texas at Austin

For years we have heard "real experts" tell us on the tv shows (Meet the Press, Issues and Answers, Face the Nation, etc.,) that we would have energy self sufficiency by 1975. Then later, we were told that we would have energy self sufficiency by 1980 - then 1985 - then 1990. Just recently you have heard from some of the politicians that we will not only be energy self sufficient but that we would also be exporting large amounts of energy by 1995.

I'm sorry to tell you that there is no way that you will have energy self sufficiency by 1990 or 1995. In the vernacular of the boxer you have been hit hard on the chin energy-wise - you are flat on your back - the count is up to nine - and the referee has both feet on your chest.

The sad part about our present energy dilemma is that we do have vast, vast quantities of energy of all kind. Unfortunately this energy is unavailable because we have been prevented by our own regulatory rules from taking much of the energy from the ground. Also, much of the energy that we are able to bring from the ground cannot be used because of other stringent regulatory rules brought about by the demands of the public. Our energy wounds are self inflicted. It's quite possible that these wounds may prove to be fatal - yes, fatal to what we have known as the free enterprize system in the United States.

Individuals, as well as groups of people, establish certain priorities under which they wish to operate. When things go awry they do not hold themselves accountable for the troubles that their demands have brought. The priorities resulting from the demands brought about from "Earth Day" pressures have resulted in the use of 3 1/2 to 4 million barrels of oil equivalent a day more than we would have had if these demands had not been adopted by the congress (See appendix 2 and 3).

### TOTAL ENERGY

During 1979 we used about 19 million barrels of oil/day. Since oil was only 47% of the total energy used this means that the total energy used in 1979 was approximately 40 million barrels of energy equivalent per day. In 1980 there was a decrease in the total energy used in the U.S.A. to approximately 18.3 million barrels of liquid a day (39.0 million barrels of energy equiv./day). In 1979 we imported 8.2 million barrels of oil a day at a total

<sup>1</sup>See Appendix 1.

cost of \$64 billion. This resulted in a \$34 billion balance of payment deficit. In 1980, even though we imported much less oil (6.8 million barrels/day) the price per barrel of oil increased from \$20 to \$37 per barrel. That means we paid people outside the United States \$85 billion for the liquid that we imported. This amount is greater than the net assets of General Motors, G.E., Ford, and IBM combined. Most people believe that the decrease in the energy usage from 1979 to 1980 was a result of conservation of energy. In truth, most of the decrease resulted from the fact that the U.S. was in a recession all of 1980 and therefore the industrial usage was much lower.

#### LIQUID HYDROCARBONS

During 1980 over 40% of the liquid we used in the United States came from sources outside of the U.S. border. The total amount of import was 6.8 million barrels/day. Dr. Harold Brown, Ex-Secretary of Defense (under President Carter) said "there is no greater threat to our national security than our dependence on 40% of our imported energy much of which comes to us over sea lanes that we do not control."

#### NATURAL GAS

In 1980 we imported 5% of our natural gas. Most of this came from Canada. The cost of this imported gas was approximately \$3 billion.

#### U.S. SETS DRILLING RECORD

1980 was a record year for drilling of wells in the United States. The total number of wells exceeded 62,000. The previous high number of 58,300 wells drilled was in 1956. The majority of the wells drilled are development wells or extension wells. Unfortunately the new field wildcat wells drilled in 1980 is still only 62% of the new field wildcats drilled in 1956 (8,500 in 1980 compared to 13,600 in 1956). The total budget recommended for the Department of Energy by President Carter approached \$13 billion for 1981. The drilling industry could have drilled 110,000 average wells with this amount of money. What is your priority - regulation or production?????

#### WINDFALL PROFITS TAX

227B  
 President Carter recommended and Congress passed a windfall profits tax which was really an excise tax of \$227 billion on liquid hydrocarbons. The use of the tax was supposed to be as follows: 60% was to be used to reduce taxes in the United States, 25% was to be used to provide fuel for the poor people and 15% was to encourage conservation and synfuels program. The general public is now outraged because of the increasing costs of liquid fuels. They now realize that they are the ones who ultimately will pay all of this added windfall profit tax. However, everyone is not against windfall profit tax. The OPEC people love it! The windfall profit tax makes the search for oil less profitable - if the search is less profitable they know that we will find less - if we find less they know we will buy more from them - if we buy more from them we are more dependent on them.

? The windfall profit tax had a highly detrimental result immediately. Over 23,800 wells were plugged and abandoned in 1980 because windfall profit tax makes them uneconomical. Over 260,000 barrels a day of oil were lost by this one move. About \$16 billion and 10 years would be required to build sufficient synfuel plants to make up this loss of 260,000 b/d. What is your priority?

#### COAL

In 1970 my National Energy Policy Committee recommended to President Nixon that we double the amount of coal produced (and coal used) in the United States by 1985. This would have been a simple goal that we could have met very easily at that time. President Nixon presented his energy policy to the Congress, but because of the clamor and pressures of Earth Day, Congress did not even take up the bill. Instead, the Clean Air Act and other regulations were passed which resulted in the formation of EPA, OSHA Mine Safety Administration (MESA), and other helpful (?) groups.

How MESA helped with the coal problem:

- +
- a. 22% of the coal mines were closed in 1970 because they could not meet MESA standards.
  - b. The productivity in the coal mines fell from 16.8 tons per man per day in 1969 to 7.8 tons per day per man in 1979.

For this reason the utilities in Jacksonville and Tampa, Florida find it cheaper to buy coal from South Africa and Poland than to bring the coal from West Virginia. Houston Light and Power was offered coal from a company in Australia at a lower price than Houston Light and Power could obtain coal from Kentucky.

+

Incidentally, in spite of OSHA, there were 32% more accidents in 1980 than in 1970 in the coal mines.

How EPA helped with the coal problem:

- a. Over 700 foundries were closed in 1970 because they could not meet the Clean Air Act.
- b. 235 coal fired electric generating plants were forced by the United States government to change from coal to another fuel. They all chose gas or oil (two fuels that were in very short supply). To this day, only one of these 235 coal fired electric generating plants has converted back to coal. This is a 430 megawatt plant in Massachusetts which was converted back to coal in the spring of 1980.

Eighty percent of the economically recoverable coal in the west is owned or controlled by the Federal Government. Less than 1% of this has ever been released. Since 1971 a complete moratorium has been in effect on coal leasing programs until three days after the 1980 election. On that date Secretary of

Interior Andrus offered 16 million acres for sale (1.8% of the Federal controlled land). The writer suspects that this was done so that the Carter administration cannot be accused of not leasing any land.

So you see there are only three problems with coal:

- a. Federal leasing policy makes it illegal to get near the coal
- b. MESA makes it illegal to mine the coal
- c. EPA makes it illegal to burn the coal.

The extremists continuously bring up different arguments against the use of coal. At first they wanted 99.5% removal of the particulate matter from the stack. Now that most of the stacks are essentially free of particulates these antis bring up other topics to rouse the emotions of the public.

- a. The carbon dioxide greenhouse effect (see Appendix No. 4)
- b. Sulfur dioxide health effects (see Appendix No. 5)
- c. Acid rain and acid lakes (see Appendix No. 6).

#### NUCLEAR POWER

Years ago our recommendation to President Nixon was that we should have 1,000 nuclear power plants in operation in the United States by the year 2000. We had a very good acceptance of the nuclear program. Eight new nuclear reactors were ordered by industry in 1970, 16 in 1971, 31 in 1972, and 35 in 1973. 1973 is when the anti-nuclear people became highly active so that by 1974 only 23 new nuclear plants were ordered (19 of these have been cancelled). In 1975 only 4 were ordered (3 were cancelled) and in 1976 and 1977 3 were ordered each year and 2 were cancelled each year. In 1978 2 were ordered. In 1979 and 80 no new plants were ordered.

As I said at the outset we are not going to have energy self sufficiency this century. However we could alleviate the energy problem only through large use of both coal and nuclear in addition to conservation. Unfortunately, over 300 new electric generating plants have been cancelled during the past 7 years. Although 300 sounds like a small number there are only 680 large electric generating plants in the United States. Over half of these are 25 years old or older and 75% of these 680 plants are small compared to the 1,000 megawatt plants that have been cancelled.

#### ALTERNATE ENERGIES

We learned earlier in this report that the United States imported 6.8 million barrels of oil/day in 1980. Suppose we wanted to replace just one million barrels of oil/day using any of the alternates or any combination of alternates. What would be required of the most popular alternates to produce one million barrels of oil/day? These are shown in Table 1 along with the initial cost in billions of dollars for the installations.

Table 1. ALTERNATES REQUIRED TO PRODUCE EQUIV OF 1MMBOPD

<u>Source</u>	<u>Cost/Installation \$</u>	<u>No. Installations Required</u>	<u>Initial Investment Bill. \$</u>
1. OIL FROM SHALE, SANDS	0.2 bill	100 @ 10,000 b/d	20
2. GAS FROM COAL			
a) 150 Btu gas	0.05 bill/module	6000 modules @ 1 bill Btu/day	30
b) 300 Btu gas	0.50 bill	84-75 bill Btu/day	42
c) 1000 Btu gas	2.00 bill	25-250 bill Btu/day	50
3. GEOTHERMAL	1500/kw installed	1110 req'd @ 45 mw each	75
4. COAL LIQUEFACTION	3.00 bill	20-50,000 b/d	60
5. FORESTS		30,000 sq miles	80
6. NUCLEAR	1.5 bill	70-1000 mw	100
7. HYDRO			
a) small	3,000/kw installed	12,500 @ 4 mw ea	150
b) large	3,500/kw	60-1250 mw ea	180
8. ETHANOL		300,000 sq mi to grow grain	200
9. WIND	6,000/kw	35,000 req'd @ 2 mw ea	210
10. SOLAR			
a) cells		3000 sq mi cells	480
b) orbiting satelite	10-20,000/kw		1000
11. TIDAL MACHINES		1500 linear miles	1000

J. J. McKetta  
U. of Texas  
Austin, TX

## SYNFUELS PROGRAM

The U.S. government has set aside \$20 billion to encourage the synfuels program. The government still insists on developmental sized plants rather than full size plants. It is my recommendation that we go directly to the full size plants. Unfortunately the goal set by President Carter cannot be met. One bit of information we have is the SASOL II plant. This plant is in South Africa, cost \$2.2 billion to build and produces approximately 50,000 barrels of oil/day. Because the costs are higher in the United States (again, because of our senseless regulatory pressures), the \$20 billion could produce approximately 7 similar plants in the United States by 1990. These seven plants would produce only 350,000 barrels/day rather than the 500,000 barrels/day that President Carter aimed for at that time. It's interesting when you weigh your priorities because you could save 350,000 barrels of oil/day beginning next month if you would cut out forced busing of school children in the United States. You would also have prevented the loss of 260,000 b/d of oil if you did not adopt the windfall profits tax. Just what are your priorities????

There is a great loss of energy when one converts solid coal to another fuel. For example, if you start with a pound of coal that has 12,000 Btu's, you would end up with approximately 6500 Btu's of gas, or you could end up with about 5,000 Btu's in the form of a liquid. My recommendation, of course, is to burn the original coal and go after the 12,000 Btu's.

The argument against my suggestion is that we need liquid. If you need liquid then make the liquid from a solid fuel which has no other purpose. Coal can be burned. Neither oil shale nor tar sands can be burned directly as a fuel. Therefore I recommend we make liquid hydrocarbon from tar sands and shale oil. Incidentally, you can do it for approximately 2/3 of the price of making liquid from coal.

What can we do to ease up the energy problem?

There is a lot that can be done by the public, industry, and government to alleviate the energy problem. The President should ask the people to try a voluntary conservation program that would be matched by the government.

A. VOLUNTARY SAVINGS BY PUBLIC:

The voluntary conservation bordering on hardship and sacrifices by the public would include many of the following:

- a. Eliminate the use of air conditioning in automobiles.
- b. Cut back on heating (60° maximum) and air conditioning (80° minimum).
- c. Cut out the use of clothes dryers - this is one place where solar energy is very effective.

- d. Cut out the use of escalators - cut down the use of elevators.
- e. Cut out buying disposable containers.
- f. Buy smaller, more efficient automobiles.
- g. Increase car pooling tenfold.
- h. Retain the 55 miles speed limit. (The average car uses 15 percent less fuel at 55 than 75 mph. More important, we have found that we save 10,000 lives per year in addition to 250,000 bbl/day of fuel.)
- i. Increase mass transportation threefold.
- j. Use re-refined lubricating oil instead of first grade.
- k. Make sure that the new buildings are better insulated.
- l. Make sure that the new office buildings have windows that can be opened.
- m. Burn solid waste and garbage in your communities.
- n. Raise the legal age of car driving to 18 years of age.
- o. Decrease use of cars on Saturdays and Sundays.
- p. Decrease highway driving to absolute necessity.

The above steps could save 3 1/2 million barrels/day of oil equivalent.

#### B. SAVINGS BY THE GOVERNMENT:

After making these requests, the President and Congress should promise to match the voluntary conservation by the public with some corrective actions by the U. S. government as follows:

- a. Cut out forced busing of school children.
- b. Cut out catalytic mufflers from automobiles (except in the Los Angeles Basin and downtown New York City and Chicago).
- c. Put lead back into the gasoline.
- d. Change the Interstate Commerce Commission laws that permit deadheading and indirect routing of trucks.
- e. Ease up on environmental restrictions to permit burning of more coal without sulfur removal equipment.

- f. Cut back on unnecessary governmental regulations.
- g. Go back to the free enterprise system and let the market place decide the price of the energy.
- h. Encourage energy producers to produce more energy.

For example:

- 1. Triple coal production consumption by 1990.
- 2. Have 400 nuclear reactors by 2000.
- 3. Bring back the breeder reactor program.
- 4. Discover and produce 10-15 percent more oil and gas by 1990.
- 5. Open more federal lands for coal mining and drilling.
- 6. Encourage shale, tar sands development.
- 7. Support research and development on solar, on the breeder, fusion, wind, etc.

The government in this manner could decrease the demand and increase the supply by approximately 2 1/2 million barrels/day by 1990. But this will require a congress and administration to set a policy with conviction. The combination of A & B above would cut import requirements by 6 million barrels oil/day. This ought to be your priority!

#### What Will Happen by 1985?

I predict that if we continue on the plan under which we are presently operating that:

- a. That we will average only about 10% conservation per year.
- b. The inflation will continue in double digit numbers.
- c. We will be producing less energy and importing more.
- d. We will have about 10-12% unemployment.
- c. We will have a severe recession by 1985.

Dr. Milton Freidman, Nobel prize winning economist in 1977 said the following:

"The Carter proposal is a monstrosity. Its end result would be less energy and more wasteful use of energy. The consumer

would pay the high costs - producers of all products would be forced to use energy inefficiently - the Carter proposal is a prescription for stagnation."

We must support fully a program similar to the one proposed by the Halbouty Energy Advisory Committee to President Reagan (immediately after his election).

#### What are the Basic Decisions?

The answers today are the same as they were in 1955, 1965, 1970, 1975, 1980:

- a. Reconsider our priorities.
- b. Turn the energy exploration, production and distribution over to those who understand what they are doing.
- c. Ease up on the extreme environmental demands. We do want clean air but we can't have essentially zero pollution.
- d. Let the market place determine the price and the choice of fuel to be used and where it is used.
- e. Let the various energy producers decide on whether they should use gas or coal, or shale, or whatever source.
- f. Let's go back to a free competitive system where the various energy companies will compete and you and I will select the winners of the competition.
- g. Let's go back to the free enterprise system that once made this country the greatest in the world.

#### What Can You Do?

You and I must let the Congress know how we feel. We wish to support the Reagan Energy Plan as recommended by the Halbouty Committee. We wish to decrease the importing of large amounts of energy. When you hear or read irresponsible or just plain wrong arguments about energy you should respond. Get yourself fully, completely, sincerely involved. Tell the people the hard truth - you and I and our families and our friends and our citizens have slipped into an unimaginable catastrophe. There is every possibility of great social upheaval in the next five years.

If you don't carry this message - who will?

## Appendix No. 1

Brief Biographical Data  
for  
John J. McKetta

Dr. John J. McKetta was born in Wyano (Y&O), Pennsylvania. He could speak only Ukranian, the language of his ancestors, until he entered first grade. He now has served over 20 years on the Board of Regents (Trustees) of his undergraduate alma mater, Tri-State College, Angola, Indiana; is a member of the Board of Directors of over 11 companies; is a member of the National Academy of Engineering; serves on numerous national advisory boards; holds or has held 50 separate local and national offices in his 8 professional, education, and technical societies; is named in 19 listings such as Who's Who in America, International Who's Who, Who's Who in Engineering (the one he grins about is Who Knows - and What); has published over 355 technical articles covering his research; is co-editor of the twenty four volume Encyclopedia of Chemical Technology which is found in every science and engineering library and is now in its 2nd edition; has authored or co-authored 17 other technical books, including the internationally famous 10 volume reference on "Advances in Petrochemicals and Refining" which has been translated into 9 different languages, and is now Executive Editor of the 45 volume world famous Encyclopedia of Chemical Processing and Design. He has been awarded membership in every honorary society (12) in his field and in bordering specialties; has been awarded the "Distinguished Alumnus" citation from both his undergraduate and graduate alma maters, Tri-State University and University of Michigan. He also has received Honorary Doctorates in Science and Engineering from Tri-State University, University of Toledo, and Drexel University.

Dr. McKetta has been engaged in environmental work practically all of his professional life. As far back as 1939 he was the Chemical Director of the C. B. Schneible Company (at that time one of the world's largest environmental concerns). He is a charter member and also a member of the Board of Directors of the National Council for Environmental Balance. He was Chairman of the Committee on National Air Quality Management for the National Academy of Science and Engineering from 1970-75.

Dr. McKetta has chosen a staggering academic and professional schedule without provisions for a single hobby. He has worn at various times the hats of a coal miner, amateur boxer (winning 33 of 34 fights as a golden glove champion welterweight), Shakespearean actor, 14 times as best man for his friends, director of a dance band, sorority house cook, and a private pilot with an instrument license. In 1962, he held the highest honor of his profession when he was elected the National President of the American Institute of Chemical Engineers. After 15 years of administrative work at all levels at The Univeristy of Texas, including Chairman of Chemical Engineering Department, Dean of Engineering, and Executive Vice Chancellor of the entire University of Texas System, he chose to return to his first desire - the students and classroom teaching. He was appointed (1970) by President Nixon and Secretary Hickel to the Chairmanship of the National Energy Policy Committee. His door is always open wide to students, faculty members, ex-students, or to anyone else, and he is known to his colleagues and to his thousands of engineering friends throughout the world as just plain "Johnny".

In 1975 he won the coveted National Service to Society Award for his tremendous efforts in informing the public on the topics of energy and sensible environmental balance. He received the "Triple E Award" from National Environmental Development Association in 1976 for contributions to national issues concerning Energy, Environment, and Economics. Dr. McKetta was awarded the first Joe J. King Professional Engineering Achievement Award at The University of Texas at Austin in 1976. A permanent professorship called "John J. McKetta Energy Professorship" has been established at The University of Texas in 1977 in his honor. In 1969, he won the National W. K. Lewis Award for his strong efforts in engineering education excellence, and in 1976 Dr. McKetta received the highest award (The Lamme Award) from the American Society for Engineering Education as "The Outstanding Engineering Educator in the USA for 1976." He was chosen as the outstanding teacher in the College of Engineering at The University of Texas in 1979 and received the General Dynamics Teaching Excellence Award.

He admits openly that the two most important things in his life are his family and teaching. He is the father of 4 to whom strong family ties have always been vital and he is a teacher to whom engineering education is a deadly serious business.

## Appendix No. 7

## THE LAST PSALM

Dr. McKetta is my Professor, I shall not pass.  
He maketh me to exhibit my ignorance on every quiz,  
He telleth me more than I can write down,  
He lowerth my grades.  
Yea, though I walk through the corridors  
of the classrooms of knowledge,  
I cannot learn.  
He tries to teach me,  
He writeth the equations before me in hopes that I  
can understand them,  
He bombardeth my head with "rules of thumb".  
My sliderule freezeth up.  
Surely enthalpies and entropies shall follow me all the  
rest of my life,  
and I shall dwell in the College of ChemEngineering forever.

AMEN

Anonymous,  
ChE 454, Spring '74  
U. of Texas

## Appendix No. 2

## CAN WE HAVE ZERO POLLUTION???

In the late 1960s there was a great clamor from many of the environmental extremists for zero pollution. Many nationally noted people asked the public "Do you want zero pollution or emphysema?" The answer is obvious. Which would you choose?" In April of 1970, 25 million people in the United States took part in what was called "Earth Day". Their efforts were hailed by the communications media as "Advances for Humanity". These people marched on the city halls, the state capitols, and the national capitol. President Nixon opened the White House gates to them, Congress was very happy to see 25 million votes all in one pile. The Muskie supporters were elated and sure enough the Muskie Clean Air Act passed unanimously in the Senate....an impossible bill whose provisions are impossible to bring about. The resulting standards have been set far, far too low. The National Environmental Protection Administration was formed with William D. Ruckelshaus as the first Administrator. Ruckelshaus was responsible for setting most of the ridiculously low standards. In setting these senseless standards, the NEPA listened to the cries of the extremists rather than to common sense from the science, engineering and medical sources. Standards were set and rules were made and now are being enforced to such a degree that the cost is not only more than 10% of the GNP, but more important, the extra energy needed is in the neighborhood of 4 million barrels of oil equivalent energy *each day*. The standards are still not being met because they are not reasonable. In fact, today Ruckelshaus himself admits that they went too far when he recently stated "I question whether the aggravation and expense of achieving absolute conformance to the air quality standards is worth the resultant social benefit. We have no credible, universally accepted process to arrive at a common data base. Nor is there any public understanding of what adverse health effects we are trying to protect against. Automotive emissions account for as much as one-quarter or as little as one-hundredth of the pollution. Thus, autos may contribute as little as one-millionth of the urban health hazard. We need to re-examine our basic goal - zero health risk air quality - in light of our experience of trying to achieve it. Without a strong effort by EPA to inform, it is unlikely the public will ever understand their choices. The result is an environmental overkill."

Jacques Costeau was quoted by the Los Angeles Times as saying "When the exhaust from factory smokestacks can be breathed and the effluents from paper mills can be drunk, only then will we have done a credible job in cleaning up the environment. What we need is zero pollution - nothing less will be acceptable." If one of my freshmen made such a statement I would have to give him an F since if one has perfect combustion, the discharge from a smokestack would be only carbon dioxide and nitrogen. I'd like to see Jacques Costeau take three whiffs of the results of perfect combustion. He would never be quoted again.

The reason that you cannot have zero pollution is because of nature itself. Nature puts the following contaminants into the air and has been doing so millions and millions of years before man ever came on the scene: 55% of the particulates, 65% of the sulfur dioxide, 70% of the

## Appendix No. 2 (cont'd.)

+  
+  
hydrocarbons (Did you know that the grass in my yard puts out more hydrocarbons each day than my automobile does? I hope you will not tell EPA because they might require that I put catalytic mufflers on my grass blades.), 90% of the ozone, 93% of the carbon monoxide, and 99% of the total oxides of nitrogen and 99% of the carbon dioxide. We now require catalytic mufflers on automobiles to remove the hydrocarbons, carbon monoxide, and oxides of nitrogen so that they will not form ozone. We are nuts! Not only did we spend 31 billion dollars the first year on catalytic mufflers and multi-billions since, but we now waste approximately 12-17% of our crude oil making unleaded gasoline in order that we can continue to use these catalytic mufflers.

In January, 1979, while he was still the Attorney General of the U.S.A., Mr. Griffin Bell said "What happened to the South during the Reconstruction is a subject of continuing interest to political scientists as well as to historians. It was a period when one part of our country was under occupation by the armed forces of the nation. We have no occupation as such today, but the entire nation - not just the South - is presently regulated by a force more pervasive and more powerful than all the Union armies of the Reconstruction. That force is the *federal bureaucracy*, which by laws and regulations, by orders and printed forms, and by a thousand other unseen methods, subject all of us to some degree of federal scrutiny and control. If the Republic is to remain viable, we must find ways to reduce this government by bureaucracy. When our society is threatened from within and without by such awesome problems as inflation, energy, military aggression, poverty, world famine, and others, this ever growing bureaucracy is more than a painful nuisance; it is a subscription for societal suicide."

I agree that environmentally we are committing suicide. Sure, we all want *clean* air, but there is no way we can have *zero* pollution. We'd better get off that goal soon.

## Appendix No. 3

## CAN WE HAVE ZERO RISK?

EPA uses statistics to prove that "even negative experiments do not guarantee absolute safety."

Since when has it been a government function to "guarantee safety" to a 100 percent level? There is no activity of man, including normal basic physiological functions, without risk. As some witty Irishman once said, "The path from the cradle to the grave is so beset with perils, 'tis a wonder that any of us live to reach the latter." All that any of us have the right to expect, and all that the vast majority of us ask is that government regulations help keep the risks within reasonable bounds, not that they "guarantee absolute safety" - there is no such animal!

During the past 20 years we again have dire warnings from many highly educated people. They tell us of the imminent doom from hazards (which are, by any reasonable assessment, really quite small). They have helped convince the average U.S. citizen that *all chemicals* are dangerous and should be avoided. They proclaim the terrible danger that a *few* people *may* fall victim to cancer originated by the chlorination of public water supplies, and they cause widespread concern about the safety of the water

## Appendix No. 3 (cont'd.)

the public drinks. But they totally ignore the millions of people who died of typhoid, and other waterborne diseases before the general adoption of chlorination. They shudder over the possibility that a few people may be adversely affected by food preservatives. They neglect to point out that there would be greater incidence of disease, and loss of foodstuffs (in a world already concerned about adequate food supply) if the preservatives are not used. Here are other examples of their misguided crusading:

You know the plain fact is that there is no substance, including water and oxygen, which is not harmful to, or which will not produce toxic reaction in, laboratory animals or in human beings when administered in massive overdose. Similarly, there is *no* substance which, even in small amounts, will *not* cause problems to a *few unfortunate* individuals who happen to be sensitive or allergic to that particular material. We simply cannot guarantee complete safety by government fiat or any other means. Of course, we need to curb pollution, but we need to do it rationally, balancing general benefits against general risks.

Shouldn't we rather get a better perspective on relative hazards and devote more of our energies to stopping some of the more genuine menaces to the average citizen, such as our annual highway death toll, the rise of violent crime, increasing rates of rape, murder, etc.? If I should be injured in a collision with a drunken or reckless driver, or if helpless people should be robbed and perhaps murdered, it would be a small consolation to know that EPA has "protected" us from the very slight chance that we might develop cancer from an additive which has been in general and beneficial use for many years with no discernible ill effect on the general public health! Let's get off cloud nine and down to earth about the real risks and chances involved in living in this imperfect world.

When we consider zero risks, let's remember that in the 20-year history of commercial nuclear plant operations (1958-1979), no accidents have occurred involving public injury or over-radiation. Yet, in the same period in the United States alone, 986,000 people have been killed by motor vehicles and more than 80 million have been injured by this highly popular invention. To my knowledge there is no popular movement to "ban the auto".

In 1977 alone there were over 31,000 truck accidents which included 3,000 deaths and over \$20 million worth of damage. Should we eliminate trucks from our highways?

In 1976 over 154 miners were killed in the United States and over 1,000 people were electrocuted from electric power lines and appliances. Should we cut out electricity and shut down the coal mines?

In 1976 over 70,000 teachers were assaulted in the classroom by their students, ranging from slaps by the student to killings with knives or ice picks. Should we eliminate classrooms? Over 24,000 people were murdered in the U.S. in 1976.

## CARBON DIOXIDE GREENHOUSE EFFECT

A number of scientists have alarmed the public and members of congress that the increased use of coal will produce large quantities of carbon dioxide which will form a carbon dioxide blanket around the earth. This blanket then supposedly decreases the nightly re-emission of the energy from the earth to the outer space and causes an accumulation of heat between the earth and the carbon dioxide blanket. The theory is then the earth will heat up, the ice caps will melt and the coastal states will be inundated. There is no evidence - merely speculation. We are advised by the National Atmospheric Laboratories that although the carbon dioxide concentration of the atmosphere has increased from 288 ppm to 320 ppm during the past 90 years, the actual measurement of the earth shows that the temperature is continuing to decrease (not increase). They also predict that it will continue to decrease for the next 7,000 years.

It's embarrassing when we have to advise the anti-coal people that the burning of natural gas, oil and wood also produce carbon dioxide. In fact, there is more carbon dioxide produced at the present time from oil and gas than there is from coal simply because we burn much more oil and gas than we do coal.

Also, you will recall that 99% of the carbon dioxide comes from nature and the additional amount that would result from the burning of coal should not have the dramatic results that they predict. Of course, we should observe the conditions and keep close track of the temperature, but we should not shut down the coal, oil, gas, and wood industries because of these alarming predictions.

## Appendix No. 5

SO<sub>2</sub> HEALTH EFFECTS

In 1975 EPA called sulfur dioxide a "deadly atmospheric pollutant killing thousands of people each year."

The response to this statement (from the world's outstanding epidemiologists who specialize in sulfur dioxide health effects in mankind) deny that there are any adverse health effects. These include world experts such as Dr. Arend Bouhyus (Chairman of the Cambridge Medical College), Dr. Robert Buechley, Dr. Merrill Eisenbud, Dr. Arthur Stern, Dr. Herbert Shimmel, Dr. Lawrence Hinkle, Dr. A. Battigelli, Dr. Thaddeus J. Murawski, and many others.

Here are a few of their comments:

Dr. Murawski of the New York Academy of Medicine said "There is no convincing medical evidence that SO<sub>2</sub> below 10 ppm (the national requirement is 0.02 ppm in the ambient air) has any adverse health effects, either acute or chronic. The evidence is even less that there are synergistic effects with pollutants."

Dr. Herbert Shimmel of the Albert Einstein Medical College says, "We do not find any association between SO<sub>2</sub> pollution and mortality."

## Appendix No. 5 (cont'd.)

Dr. Lawrence Hinkle, the great toxicology expert of Cornell University Medical School says, "Man can tolerate exposure to SO<sub>2</sub> up to 25 ppm (that's 800 times the current ambient level of 0.02 ppm) with no ill effects. Even at these high concentrations the nasal filters are so effective that very little SO<sub>2</sub> gets into the lungs."

Now, after hearing the comments of the above experts, EPA calls "SO<sub>2</sub> a mild respiratory irritant which must be removed." This is quite a bit different than their original claim as shown above "a deadly atmospheric pollutant killing thousands of people each year".

## Appendix No. 6

## ACID RAIN AND ACID LAKES

Acid rain is one of the most abused, overused and dramatized terms since "Three Mile Island". Some people in the northeast claim that acid rain is making the lakes in the northeast acid. In fact, many newspapers and magazines displayed a map showing the acid lakes. The lakes that were shown were the volcanic origin lakes which have been acid for millions of years. These lakes have few or no fish. Generally the fish are extremely small. Within a relatively few miles of these lakes there are lakes that are not volcanic based and these lakes have fish that are of standard size.

There have been emotional statements made about fish kills in Canada, Norway, and Sweden. These fish kills in Norway and Sweden have been observed nearly every spring for the past hundred years. The forest soil micro-organism activity produces natural acidity, sulfates, and nitrates which flush into these lakes as it rains, or as snow melts. The fish kills are nothing new. The media which have covered the documentaries on acid rain have done a great disservice to the American and Canadian people by over dramatizing the issue and quite obviously citing some scientists out of context and interjecting their own side comments as prophets of doom.

The acidity of most of the waters involved are actually the greatest in the spring time of the year. The fish kills occur almost yearly even in the mid-western United States lakes such as Wisconsin because of the interception of the light by ice and snow on the lakes green aquatic plants are not able to produce adequate oxygen and then the fish simply suffocate.

Up to this date (March 1, 1981) there has not been a single incidence anywhere in the world documenting an adverse effect of the quality of natural precipitation on natural or cultivated terrestrial vegetation that can withstand scientific scrutiny.

We have all noticed that rainfall makes the grass in our yard grow faster and become greener than it would if the grass were merely sprinkled by the water from our house source. The reason is that the green plants require the nitrates, ammonia, sulfates, magnesium, phosphorus, potassium, and other substances. The nitrates and the sulfates in rainfall are the ions which are used as the indicators of the major strong acid components in rain. Likens and Bormann pointed out way back in 1974 that the sulfur content of rain had decreased in New York State but that there was not a corresponding decrease in their rain acidity measurements. They concluded these observations might be due to the neutralization of sulfuric acid by particles in the air.

## Appendix No. 6 (cont'd.)

Since the ratio of sulfates to nitrates is two to one in eastern North America, sulfur gases have been labelled as the major contributor to rain acidity. The ratio is reversed in the West and in most instances the acidity of rain samples does not differ greatly between Eastern and Western United States.

The pH of natural, uncontaminated rain is near 5.6. This figure is based on the theoretical pH associated with the equilibrium of carbon dioxide in the atmosphere. Recent work in the Antarctica indicates that precipitation in that pristine environment, through analysis of the ice pack has not varied much from a value of 4.8 over the last 380 years. The "average" pH of rain in the Eastern United States, as well as in Scandinavia is between 4.4 and 4.5 which is certainly nothing to be alarmed about when one considers the natural nitrogen and sulfur emissions.

In my own back yard in Austin, Texas I have measured the pH of rain in January of 1981 at an average of 4.4. The normal direction of the wind was from the Northwest. There is no coal burning within a 1,000 miles of my house from that direction. Also the California Air Resources Board announced March 4, 1981 that "rain with more acid than vinegar is falling on California and may poison the lakes." CARB Chairwoman Mary Nichols added "We've learned that the Sierra Lakes are especially vulnerable to acid because of the chemistry surrounding them". There are no coal burning electric generating plants upwind of this area.

As a relative point the pH of sea water is about 8.2 which means that it is not acidic but basic.

There is a great deal of evidence that the acidity of the rainfall may have increased because of the catalytic mufflers on automobiles. The minute particles of material that have passed the catalyst is reported to be more reactive to form the acids.

Of course, we must carry on a strong research program concerning the acidic content of rain and lakes under very carefully measured conditions. There are those who are arguing hysterically that we must regulate now and cut out all burning of sulfur containing fuels because of the measurement of acid rain.

The general public must be told that approximately 65% of the sulfur dioxide, and 99% of the carbon dioxide and the total oxides of nitrogen come from nature. These components make acid rain too as well as the lower percentages that come from mankind.