Collection: Reagan, Ronald: 1980 Campaign Papers, 1965-80

Folder Title: [Jimmy Carter Positions and Record] (3 of 4)

Box: 221

INFLATION

INFLATION -- THE RECORD

Despite Mr. Carter's promise to strive for an inflation rate of four percent or less by the end of the first term, since 1976 to the end of the first half of 1980:

- Inflation, as measured by the Consumer Price Index, rose from an annual rate of 4.8 percent to 18.2 percent in the first quarter and 14.3 percent in the second. (Source: Bureau of Labor Statistics)

- All consumer goods and services have risen by 45.2 percent.
  It now costs $1.45 to buy the same quantity of goods and services that $1.00 could buy in 1976. (Source: Bureau of Labor Statistics)

- Food prices have risen by 39.3 percent. (Source: Bureau of Labor Statistics)

Other indicators show that:

- Productivity growth has fallen from 3.5 percent in 1976, to 1.9 percent in 1977, 0.5 percent in 1978, 0.9 percent in 1979, an anemic 0.6 percent in the first quarter of 1980. (Source: Bureau of Labor Statistics)

- Real GNP growth fell from 5.9 percent in 1976, to 5.3 percent in 1977, 4.4 percent in 1978, and 2.3 percent in 1979. In the first quarter of 1980, it dropped even lower to an annual rate of 1.1 percent. (Source: Bureau of Labor Statistics)

- Savings from after tax incomes have fallen from an annual rate of 5.8 percent in 1976 to 3.4 percent in the first quarter of 1980.
  This rate of savings is one of the lowest of Western industrialized nations. (Source: United States Department of Commerce, Bureau of Economic Analysis)

- Farm income (as measured in 1967 dollars) has fallen 20.3 percent. (Source: United States Department of Agriculture)

- Interest rates, as measured by the prime rate, rose from 6.8 percent in 1976 to a high of 20 percent in mid-April 1980.
  This is nearly three times higher than the rate when Mr. Carter took office. The prime rate charged to small business rose even higher to about 22 to 23 percent. (Source: United States Department of the Treasury)

- Real Purchasing Power of the average worker in the private non-agricultural sector is five percent lower today than it was in 1967.
  In the first quarter of 1980, the average worker saw his purchasing power shrink 6.5 percent per month. (Source: Bureau of Labor Statistics)

INFLATION: ANALYSIS

As a candidate, Mr. Carter promised to strive for a four percent rate of inflation by the end of his first term. In 1976 this indeed was a plausible goal, for, after all, his Republican predecessor brought the rate of inflation down from over 12 percent to 4.8 percent. By the end of his first year in office, inflation rose to 6.8 percent. This was followed by a nine percent leap in 1978. Last year, it lurched forward at an annual rate of 13.3 percent. By the end of the first quarter of 1980 inflation exploded to an annual rate of 18.2 percent.

Mr. Carter has tried to convince the public that the current inflation is a result of forces beyond his control, the most important of which is rising energy costs. In doing so, Mr. Carter has tried to shift the focus of the debate away from his own inadequacies to other causes. He has taken the easy route in ascribing the blame to OPEC and the oil companies.

In his 1980 State of the Union Address, Mr. Carter stated:

> *The biggest single factor in the inflation rate increase was from one cause: the skyrocketing world oil prices.*

By this statement, Mr. Carter reenforced a point he had made the previous Sunday when he said,

> *...all the increase for practical purposes of inflation rates since I have been in office have been directly attributable to increases in OPEC oil prices.* ("Meet the Press," January 20, 1980)

Yet just six months earlier he conceded:

> *We figure that by the end of 1980, this (the OPEC decisions to raise oil prices) might cost us...maybe two to two and one-half percent in the inflation rate.* (Presidential Documents, July 1, 1979)

This bright moment of candor came very close to the mark. For although inflation rose by 13.3 percent in 1979, only 2.2 percent of that rate could be attributed to domestic and foreign energy prices leaving 11.1 percent of the inflation rate attributable to non-energy related factors.

A comparison with other countries will show the fallacy of Mr. Carter's logic in blaming OPEC. Japan imports almost 100 percent of its oil, yet its rate of inflation in 1979 was 4.2 percent. (Federal Reserve Board, Washington, D.C.) West Germany imports nearly all its oil, yet its rate of inflation during that same year was 5.7 percent. (Federal Reserve Board, Washington, D.C.)

Mr. Carter's economic policies are characterized by their inconsistent zig-zag, as they shift from one direction to another. His economic policies are greeted with skepticism at home and bewilderment by the rest of the world. The Wall Street Journal (March 14, 1980) best summed up Carter's economic policies:

> ...inconsistency and a lack of follow through are the hallmarks of the Carter brand of leadership... this basic pattern has eroded Mr. Carter's credibility to influence events and achieve his goals...

Carter's economic policies react to events rather than anticipate them. They lack coherence and direction. New York Times financial columnist Steve Rattner observed:

> ...even in the context of the times, the record of the Carter Administration is disappointing. (New York Times, March 23, 1980)

The only thing consistent about Carter's economic policies is their predictable inconsistencies.

As a candidate, Mr. Carter endorsed standby authority to impose wage and price controls. After he won the general election, Mr. Carter was forced to reverse himself as the business community became apprehensive about its future inability to cover costs. The fear was that such a policy would accelerate, rather than contain, rapid price increases.

On January 27, 1977, a week after the inauguration, Mr. Carter declared the economy stagnant and proposed a $31.2 billion package of stimulative spending. The cornerstone of this program was a $50 per taxpayer tax rebate. The Carter proposal was clearly inflationary, as it came at a time when the economy was continuing in its recovery from the 1974-76 recession. This program set the tenor of the new Administration, indicating that it was not serious about inflation and that it would maintain the big spending programs of the 1960s.

Less than a month later, in the face of widespread congressional opposition, Mr. Carter was forced to abandon his program, citing that inflation was now the principal menace. It its place, he proposed the first of four anti-inflation programs.

A year later, Mr. Carter again asked for a $24 billion stimulative tax cut. Again, inflationary pressures forced him to scale it back and delay its enactment. Nevertheless, this was viewed as another indication that the Administration was not convinced of the seriousness of inflation.

Inflationary tax cuts of the variety Mr. Carter proposed have the effect of merely stimulating spending and do not call forth more output at levels of higher productivity. Policies which require that tax rates be cut at the margin tend to increase the after tax return on savings, investment and work. Ultimately, marginal tax cuts can serve as a strong incentive to call forth higher levels of productivity and non-inflationary growth. When the effect of the tax cut works its way through the economy, people are left with a higher standard of living. It is the latter type that the Administration has consistently opposed. Instead, it has stuck to the inflationary fiscal themes set forth by the now discredited New Deal.

As inflation took off in 1978, Mr. Carter offered his second and third anti-inflation programs. The latter included a series of quasi-mandatory wage and price standards which, in the opinion of many economists, set a floor rather than a ceiling on wage and price increases.

In any event, these guidelines proved to be an ineffectual means of countering inflation. Within a week of his third anti-inflation program, judgement was in. The dollar collapsed on the world markets, and the stockmarket plummeted. In the absence of an effective policy of his own, Mr. Carter turned to the Federal Reserve, which was forced to increase interest rates sharply.

Since then, Mr. Carter has made much rhetorical noise about the effectiveness of his wage and price guidelines. Yet, from their inception, the guidelines policy was destined to fail. The New Republic (TRB, February 23, 1980) hardly a bastion of conservative politics, noted:

> To the extent that guidelines work, they create the same problems as controls; to the extent they avoid those problems, they don't work.

The guidelines policy itself served to accelerate inflation. The New Republic editorial continued:

> The Carter inflation corps ultimately adopted a mountain to Mohammed strategy: instead of trying to bring down inflation to meet (the) guidelines, they fiddled with the guidelines to bring them into line with inflation.

Within a year after imposition of the guidelines, inflation surged forward at an annual rate of 13.3 percent. By now it was clear that inflation was this nation's number one problem. On January 28, 1980, Mr. Carter submitted his Fiscal Year 1981 budget. In it he called for the highest tax collections and spending levels in history; at a time of rampant inflation, he further proposed a $16 billion deficit. In an Orwellian exercise of "newspeak," the President called his budget *"prudent and responsible,"* one that *"continued the strategy of restraint."*

Within days of its submission, Mr. Carter was jolted by an "exploding" inflation rate of 18.2 percent.

By late February, Mr. Carter was forced to face the harsh truth. His *"prudent and responsible"* budget had once again confirmed that the Administration was not seriously facing up to inflation. In the words of the Wall Street Journal, (March 14, 1980), "...his economic plan was contributing to the problem rather than to the solutions."

Confusion and vacillation marked the first two months of 1980. On February 25, 1980, the day after Mr. Carter had summoned his economic advisors to an emergency meeting on inflation, he conceded to a group of editors that inflation had reached the *"crisis stage."* Later in the same discussion, Mr. Carter reversed himself and declared *"the basic policies that we now have suit me fine."* Thus, while Mr. Carter was publicly decrying the need to control inflation in private, however, he believed that those very policies that brought about an 18 percent inflation were suitable. Ultimately, Mr. Carter revised his budget estimates, increased taxes and spending, and abdicated his Administration's role in the battle against inflation.

Mr. Carter proposed a new budget which proposed a spending level of $611.5 billion and taxes amounting to $628 billion. Mr. Carter's game plan for fighting inflation was to raise spending by $47.9 billion and taxes by $104.2 billion from his Fiscal Year 1980 budget. And, programmed into all his assumptions now was the expectation that unemployment would increase from 5.9 percent in 1979 to 7.2 percent in Fiscal Year 1980. (Fiscal Year 1981 Budget Revisions: The Office of Management and Budget, March 1980)

The results of his new budget proposal were disastrous; they precipitated a recession. Inflation continued at an 18 percent clip, the prime rate rose to 20 percent, the automotive and housing industries were ravaged, and unemployment shot up to seven percent, the highest level in more than two years. At the end of February 1980, average weekly real earnings in non-agricultural industries fell to a level which was almost $4 less per week than that which was earned over 13 years ago.

The Carter Administration has failed to develop an effective fiscal policy with which to fight inflation. Instead, it has abdicated that responsibility to the Federal Reserve. Mr. Carter's first appointment to the position of chairman of the Fed was G. William Miller, now serving as Secretary of the Treasury. Mr. Miller's appointment did not result in a more effective and judicious management of this nation's monetary policy; instead, his presence was that of a loyal and pliable ally whose disposition was to meet the needs of the Administration. The consequence of Mr. Miller's tenure was an acceleration in the rate of growth of the money supply, which resulted in an explosive surge in interest rates and more inflation. These conditions, in turn, forced the collapse of the bond market, wiping out an estimated $500 billion in accumulated savings and pensions, caused the most severe downturn in the housing and automotive industries in almost 50 years, and produced rising unemployment. Under the chairmanship of Mr. Miller, as inflation increased, so too did the Fed's easy money policy. In the words of Henry Kaufman, Chief Economist for Solomon Brothers, "The Fed did not perceive the credit-creation momentum in the system."

Barry P. Bosworth, the Administration's former director of the Council on Wage and Price Stability, noted that the Carter economic policy was too weak for the task it was designed to confront and was implemented without clear goals and direction. Bosworth said:

> Each time the policy was too weak for the problem that appeared. We had no overall framework of what are the things we stand for and what are our priorities.

The late Arthur M. Okun, chairman of the Council of Economic Advisers under President Johnson, said:

> Until December 1978, you just couldn't find evidence that the Administration saw inflation as a serious problem.

Mr. Carter's inability to control inflation without resorting to the excessively severe remedy of recession became evident in the OMB Mid-Session Economic Review (July 21, 1980). In it the Administration was forced to concede a $60.9 billion deficit for this current fiscal year with a $29.8 billion deficit envisioned for next year. Unemployment, it projected, would rise from 5.8 percent in 1979 to 8.5 percent in both the current and prospective fiscal years. As the economy plunged even further into recession, inflation was now projected to average 12 percent in 1980 and 9.8 percent in 1981. It must be remembered that these are official Administration sources who are trying to put the best light on a recessionary situation, with a proven tendency to understate bad news.

In the past three and one-half years, Mr. Carter has further added to the inflation problem by supporting a host of legislative initiatives whose passage into law would result in higher prices. The following list highlights some of these actions:

Milk Price Supports: Mr. Carter supported milk price legislation in 1979 that resulted in an increase in the price of milk of five cents per gallon this spring. Through government purchases, an artificial shortage was created, resulting in higher prices faced by consumers. (Congressional Quarterly, October 6, 1979)

Soviet Grain Embargo: Mr. Carter initiated this action which will result in direct costs of $2.25 billion for American taxpayers. This action was taken to support grain prices in the face of large surpluses created by the embargo. (Congressional Quarterly, January 12, 1980)

Oil Import Fee: Mr. Carter proposed this action under the guise of oil conservation and independence. This action does neither, but results in an artificial increase of ten cents per gallon faced by consumers at the pump. Such an act will add an additional 0.5 percent to one percent to the annual inflation rate. (Congressional Quarterly, May 24, 1980)

With-holding Tax on Interest and Dividends: Mr. Carter proposed this action in order to retrieve revenues more quickly in a desperate attempt to balance the Fiscal Year 1981 budget. This action will cost the taxpayer, especially the elderly, undue burden and the expense of increased bureaucratic red tape, needed to co-ordinate this monumental task. (Congressional Quarterly, March 22, 1980)

Windfall Profits Tax: Mr. Carter's action against oil refiner profits will result in a loss of 1.7 million barrels per day in domestic production by the end of the decade. The tax is inflationary because of the disincentives created for refiners to produce more, search for other sources of energy and new oil reserves. (Congressional Quarterly, September 22, 1979)

Sugar Price Supports: Mr. Carter supported this action, which results in maximum government outlays of $50,000 per producer. The measure has been regarded as inflationary by consumer groups because of the artificially high sugar prices it supports and because of minimum wage provisions for sugar workers included in the proposal. (Congressional Quarterly, March 15, 1980)

The failure of Mr. Carter's economic policies are not by chance. Rather, their ineffectiveness was foreshadowed by a policymaking process which, from its inception, guaranteed inadequate results. The Administration has failed to recognize that many of its goals conflict with each other. The Administration strives to satisfy every constituency. In short, it tries to be everything to everybody. The inconsistencies in economic policies was particularly evident during the 1977-78 recovery when the Administration sought to overstimulate the economy, and balance the budget as it proposed a raft of new spending initiatives to stimulate high levels of consumer demand. At the same time, however, it glossed over the effects of rising inflation and high taxes which were sapping the vitality from the economy.

The economic crisis we face today represents the logical culmination of Carter politics. The current recession represents, in a perverse way, the success rather than the failure of this Administration's economic program. The high inflation, interest, and unemployment rates the economy suffers are not the result of unknown and incomprehensible forces. On the contrary, they were preordained by an Administration bereft of leadership and planning.

Mr. Carter lacks a credible economic policy. The only policy he has now and has always had is a re-election policy.

APPENDIX

"The biggest single factor in the inflation rate increase was from one cause: the skyrocketing world oil prices."

--State of the Union Address
January 23, 1980

"As a matter of fact, all the increase for practical purposes of inflation rates since I have been in office have been directly attributable to increases in OPEC oil prices."

--"Meet the Press"
January 20, 1980

"We figure that by the end of 1980, this [the OPEC decisions to raise oil prices] might cost us two or two and one-half percent in our gross national product increase, and maybe two to two and one-half percent in the inflation rate."

--Presidential Documents
July 1, 1979

"Domestically, the most significant challenge that I face is a high inflation rate, which is attributable in a major degree to the fact that after all these years we still do not have a comprehensive energy policy. And even after we have reached a crisis stage in energy supplies and inflation, the three major bills that will help to resolve the issues are still languishing in Congressional conference committees."

--New York Times
February 26, 1980

"So, I don't see any possibility of my supporting any move toward mandatory wage and price controls. There are other things that we can do. We are assessing a wide gamut of possibilities, and we're doing it very carefully and very cautiously. I would like to point out that the basic principles that we've espoused and the basic policies that we've espoused suit me fine; the tuning of those and the enhancement of those is something that we intend to do."

--Presidential Documents
February 26, 1980

SMALL BUSINESS

SMALL BUSINESS -- THE RECORD

- Small business bankruptcies have increased 48 percent since October 1979. ("Small Business Bankruptcies Rise After Credit-Tightening," Washington Post, May 15, 1980)

- An estimated 666,000 small businesses will fail in 1980. ("The Impact of Inflation on Small Business," Small Business Administration, May 1980)

- Small businesses have been forced to borrow money at rates upward of 22 to 23 percent, a 220 percent increase since January 1977. ("The Impact of Inflation on Small Business," Small Business Administration, May 1980)

- Small business faces a 3.2 million job and $228 billion sales loss in 1980. ("The Impact of Inflation on Small Business," Small Business Administration)

- Although small business is responsible for 43 percent of the nation's gross national product, small companies received only 22.2 percent of federal procurement monies in 1979. ("America's Small Business Economy: Agenda for Action," Small Business Administration)

- Small business is now receiving less than 3.5 percent of federal research and development dollars. ("America's Small Business Economy: Agenda for Action," Small Business Administration)

- Federal regulations cost small businesses $12.7 billion a year above and beyond their normal operating costs. ("Agency Says Government Paper Work Costs Small Business $12.7 billion a Year," Los Angeles Times, January 4, 1980)

7/23/80

SMALL BUSINESS: ANALYSIS

During his campaign, Mr. Carter assured small business it would have a friend in the White House when he was elected.

> *If elected, I will be the first small businessman since Harry Truman to serve as President. I have a deep and sincere concern for the future of America's nine million small businessmen and women and the 40 million Americans who work for small business concerns.* (Position Paper, Small Business, October 11, 1976)

After more than three years of Mr. Carter's presidency, however, small business owners and operators fear for the future as never before. A survey commissioned by the Chemical Bank of New York found that more than half of the respondents believed the role of small business in our economy is declining at an alarming rate and more than 40 percent saw a decline in entrepreneurial spirit in America. (Chemical Bank of New York, "Looking Toward the 80's," November 1979)

SMALL BUSINESS SHARE OF GROSS NATIONAL PRODUCT IS DECLINING

"The share of our gross national product being produced by firms with less than 500 employees is declining at a rate of approximately 0.4 percent a year." If this number is projected to the year 2000, small business will produce only 32 percent of our GNP, compared to 43 percent today. ("The Impact of Inflation on Small Business," Small Business Administration, May 1980)

Almost all of the decline in the share of production of GNP is occurring in businesses with up to 19 employees. If the present trend continues, these very small businesses, so vital to the creation of jobs and technological innovation, will produce only nine percent of our GNP in the year 2000, compared to 17.1 percent in 1976 and an estimated 15.9 percent in 1980. ("The Impact of Inflation on Small Business," Small Business Administration, May 1980)

It is no wonder that a recent study by the National Center for Economic Alternatives called small business "an endangered species in America." ("Study Says U.S. Policies Imperiling Small Business," Washington Post, January 13, 1980)

SMALL BUSINESS HIT HARD BY INFLATION

Mr. Carter's misjudgement of, and failure to control, inflation has placed our nation's small businesses in greater jeopardy than at any time since the Great Depression of the 1930's.

At a press conference early in his presidency, Mr. Carter said,

> *My own guess is that the inflationary pressures will continue at about the level that they have historically the last couple of years, around six or a little better percent.* (Jimmy Carter, press conference, March 24, 1977)

The recent runaway inflation, three times what Mr. Carter had anticipated, has placed small business in a terrible bind. Small firms must pay more for raw materials and supplies, but risk loss of business if they raise prices. Inflation has compelled small firms to borrow more, increased the cost of borrowing, and devaluled the purchasing power of funds spent.

"Raw materials and industrial commodity prices have been increasing at a rate of some 20 percent. For firms trying to increase their productivity by adding to capital stock, the cost of machinery and equipment went up an annual rate of almost 15 percent in the first quarter of 1980." ("The Impact of Inflation on Small Business," Small Business Administration, May 1980)

These price increases mean that small businesses have been forced to increase their prices to consumers. According to a Purdue University survey of January 1980, 46 percent of small firms were forced to plan price hikes -- a record percentage in the University's seven year history of conducting surveys. Twenty-four percent of the firms reported they would have to raise prices five percent or more, a jump of 11 percent from the January 1979 survey. ("The Impact of Inflation on Small Business," Small Business Administration, May 1980)

Since "small businesses are normally concentrated in the most competitive sector of the nation's economy," inflation-induced cost escalations put small firms at a greater disadvantage than large businesses. According to a survey conducted by the half million member National Federation of Independent Business (NFIB), 35 percent of their membership listed inflation as the most serious problem. NFIB members rated inflation as 2.2 times more serious than raising necessary capital, 2.3 times more serious than facing high taxes, and 3.9 times more serious than complying with burdensome regulation. ("The Impact of Inflation on Small Business," Small Business Administration, May 1980)

UNREASONABLE INTEREST RATES

When President Ford left office, the prime interest rate was 6.84 percent. Yet Mr. Carter, in his campaign, felt compelled to say,

> *This Republican Administration...has given business and the consumer the highest interest rates since the Civil War. As President, my economic policy will be designed to stimulate growth and maintain an adequate capital supply for the small business-man and woman at reasonable interest rates.*
> (Position Paper, Small Business, October 11, 1976)

Under Mr. Carter's Democratic Administration, the prime rate has risen as high as 20 percent. Since small businesses must pay interest at a rate of two to three percent above the prime rate, they have had to borrow at rates upward of 22 to 23 percent, an increase of 220 percent under Mr. Carter. ("The Impact of Inflation on Small Business," Small Business Administration, May 1980)

INADEQUATE SUPPLY OF CAPITAL AND CREDIT

"The cost of capital and credit went up by over 26 percent in 1979. For the first four months of 1980, the cost of both long-term capital and bank credit had increased at an annual rate of over 70 percent." ("The Impact of Inflation on Small Business," Small Business Administration, May 1980)

The cost of Mr. Carter's decision to use monetary policy as the primary tool to control inflation is falling most heavily on the smaller firms who can least afford it.

As a result of Mr. Carter's credit policies begun in October 1979, it is estimated that 666,000 small businesses will fail this year. These credit policies alone will cost small businesses 3.2 million jobs and $228 billion in sales. ("Small Business Bankruptcies Rise After Credit-Tightening," Washington Post, May 15, 1980)

The disproportionate impact of Mr. Carter's monetary policies on small business is evidenced by the fact that the debt-equity ratio for small manufacturing corporations is five times larger than for the largest firms and, in construction, the smallest firms have a debt-equity ratio of almost three and one-half times that of the largest firms. ("The Impact of Inflation on Small Business," Small Business Administration, May 1980)

BURDENSOME TAXES

U.S. tax laws continue to benefit large companies, forcing small businesses to drain working capital in order to pay a disproportionately large share of the nation's rapidly increasing tax bill.

In his campaign, Mr. Carter promised

> *As President, I will endorse legislation which will simplify our tax structure to make it fair and will work to reduce the current burden placed on small business.* (Position Paper, Small Business, October 11, 1976)

Despite the promise, Mr. Carter's 1978 "tax reform" package completely ignored the calls of small business for better capital gains breaks.

Today, companies with more than $1 billion in sales are able to claim investment tax credits and foreign tax credits equal to 61.1 percent of their tax liability while those with $1 million to $5 million in sales are claiming credits equal to only 6.5 percent of their tax liability. ("America's Small Business Economy: Agenda fo Action," White House Commission on Small Business, April 1980)

Mr. Carter's huge Social Security tax increases have hit small business particularly hard by substantially raising the cost of labor. The wage base for tax calculations increased from $17,900 to $22,900 in 1979, an increase of 29 percent. At the same time, the tax rate went from 6.05 percent to 6.13 percent, a 1.3 percent increase. In 1980, the Social Security tax base increased again to $25,900, an additional 13 percent increase.

Businesses, of course, must match the Social Security tax payment of each employee. Because small firms tend to be more labor intensive than larger firms, they are affected to a far greater degree by Mr. Carter's Social Security tax policies than larger companies. In addition, small firms are more competitive and cannot pass on the increased costs to consumers as readily as large firms, so they must either absorb the additional costs or maintain fewer workers.

NO FAIR FEDERAL SHARE OF FEDERAL PROCUREMENT DOLLARS

Although small business accounts for 43 percent of the nation's gross national product, small companies received only 22.2 percent of federal procurement monies in 1979, down from 24.4 percent in 1978. ("America's Small Business Economy: Agenda for Action," White House Commission on Small Business, April 1980)

This, despite Mr.Carter's campaign promise to,

> *...endorse a policy which assures that small business receives a fair share of the federal procurement dollar.* (Position Paper, Small Business, October 11, 1976)

To make matters worse Mr. Carter pledged, in negotiations for the Geneva multinational trade agreement, to relax long standing restrictions in federal procurement policies that have required key agencies to grant special preferences to domestic small and minority businesses. According to the Administration's own figures, the new policies would affect approximately $9 billion of the $18 billion in federal procurement contracts awarded to small businesses. ("U.S. Would Relax Preference to Small and Minority Firms," Washington Post, March 14, 1979)

LACK OF SUPPORT

A study by the Office of Management and Budget shows that more than half of the major technological advances in this century originated from individual inventors and small businesses. ("America's Small Business Economy: Agenda for Action," White House Commission on Small Business, April 1980)

A Deputy Secretary of Defense has testified that "small business...probably give us more for our (research and development) money than large businesses do." ("...And is Small Ignored," Boston Globe, January 14, 1979)

Even Mr. Carter recognized small business as *"a critical, essential ingredient in the creation and implementation of new technology"* (Position Paper, October 11, 1976) and promised to *"endorse the implementation of new programs which will encourage technological innovation..."* (Position Paper, Small Business, October 11, 1976)

Yet, since Mr. Carter took office, small businesses have received less than 3.5 percent of federal research and development dollars. Experimentation in solar energy devices, for example, is almost the exclusive province of small companies and individual inventors. But only 1.6 percent of federal funds for solar energy development went to small businesses in 1979. ("America's Small Business Economy: Agenda for Action," White House Commission on Small Business, April 1980)

THE BANE OF REGULATION

After more than three years of Mr. Carter's presidency, small businesses remain saddled with myriad federal regulations and the overwhelming, often incomprehensible, reporting requirements that go with them, despite Mr. Carter's promise to:

> *...allow the small businessman and woman to get back to running their business by completely reforming our federal regulatory agencies [and] their reporting requirements.* (Position Paper, Small Business, October 11, 1976)

Government paperwork costs small business $12.7 billion a year as more than 305 million reports containing 7.3 billion questions are submitted annually by small businesses to 103 federal agencies. ("Agency Says Government Paper Work Costs Small Business $12.7 Billion a Year," Los Angeles Times, January 4, 1980)

The recent Chilton/Weidenbaum study entitled "Small Business in the Regulated Economy" reports "One of the most serious threats to the continued existence of small firms is the requirement for major capital expenditures to meet [certain federal regulatory] standards. ("America's Small Business Economy: Agenda for Action," White House Commission on Small Business, January 1980)

APPENDIX

"If elected, I will be the first small businessman since Harry Truman to serve as President. I have a deep and sincere concern for the future of America's nine million small businessmen and women and the 40 million Americans who work for small business concerns."

--Position Paper
Small Business
October 11, 1976

"My own guess is that the inflationary pressures will continue at about the level that they have historically the last couple of years, around six or a little better percent."

--Press Conference
March 24, 1977

"This Republican Administration through its tight money policies has given business and the consumer the highest interest rates since the Civil War. As President, my economic policy will be designed to stimulate growth and maintain an adequate capital supply for the small businessman and woman at reasonable interest rates."

--Position Paper
Small Business
October 11, 1976

"As President, I will endorse legislation which will simplify our tax structure to make it fair and will work to reduce the current burden placed on small business."

--Position Paper
Small Business
October 11, 1976

"I will endorse a policy which assures that small business receives a fair share of the federal procurement dollar."

--Position Paper
Small Business
October 11, 1976

"Inasmuch as small business is a critical, essential ingredient in the creation and implementation of new technology, as President, I will recognize this fact and will endorse the implementation of new programs which will encourage technological innovation.and thus get the American economy rolling again."

--Position Paper
Small Business
October 11, 1976

"As a former businessman, I pledge to allow the small businessman and woman to get back to running their business by completely reforming our federal regulatory agencies, their reporting requirements, and tax laws to get the government off his back."

---Position Paper
Small Business
October 11, 1976

SOCIAL SECURITY

SOCIAL SECURITY -- THE RECORD

- The 1977 Social Security Amendments provided the American taxpayer with the largest peacetime tax increase in history. ("Congress Clears Social Security Tax Increase," Congressional Quarterly, December 17, 1977)

- The Social Security System now faces a long-term deficit of nearly $800 billion. (House Ways and Means Committee)

- The Old Age and Survivors Insurance Fund, the largest of the Social Security Trust funds, will run short of money to meet benefit demands sometime in 1981, barring Congressional action. (House Ways and Means Committee)

- "The maximum Social Security payroll tax on employees will have risen from $965 in 1977 to $1,975 in 1981, a leap of 105 percent in just four years." ("Social Security: Will it be There When You Need It?", U.S. News and World Report, April 30, 1979)

- Self-employed businessmen, professional people, and farmers face even steeper Social Security tax rises. By 1981, their maximum tax bite will have jumped 112 percent in four years. (Source: "Social Security: Will it be There When You Need It?", U.S. News and World Report, April 30, 1979)

- Payroll taxes would have to exceed 20 percent of payroll by early in the next century to continue the present financing system for Social Security. (Source: "The Social Security Deficit," Wall Street Journal, December 6, 1979)

- Mr. Carter has failed to live up to his promise to end Social Security benefit discrimination against women.

7/23/80

SOCIAL SECURITY: ANALYSIS

Social Security, the backbone of our nation's income support program for the elderly, has been one of the most popular programs ever enacted by the U.S. government. Since 1937, it has paid an estimated $1 trillion to millions of elderly, widowed, orphaned, sick and disabled persons. One-seventh of all elderly couples and one-third of all elderly individuals depend entirely on Social Security for their support, and almost nine-tenths of all persons over age 65 receive Social Security benefits. Millions of Americans would be in poverty without the Social Security system. (House Ways and Means Committee)

SYSTEM IN FINANCIAL CRISIS

Despite Mr. Carter's promise to *"completely restore the financial integrity of the Social Security system"* (Position Paper, "The Elderly," September 22, 1976), Social Security is now facing its greatest financial crisis in the history of the program.

His answer to the system's financial problems was simply to raise taxes, rather than institute meaningful reform. The 1977 Social Security Amendments, for which Mr. Carter took credit, gave the American taxpayer the largest peacetime tax increase in history. Yet the system faces serious deficit, both in the short and long term. The Old Age and Survivors Insurance Fund (OASI), the largest of the three Social Security trust funds, is expected to have insufficient money to make benefit payments at some point in 1981, barring Congressional action. (House Ways and Means Committee)

Although the smaller Social Security trust funds, the Disability Insurance Fund (DI) and the Hospital Insurance Fund (HI), are in relatively better financial condition, any reserve cushion they may have will not be enough to offset the OASI deficit through the early 1980s. (House Ways and Means Committee) Yet Mr. Carter's latest proposal to ease Social Security's financial crisis is to borrow money from the smaller two funds to offset the short-term cash flow problems of OASI. ("Carter Will Propose Accounting Change For Social Security," Wall Street Journal, January 21, 1980) The net result of such a step would provide only stop-gap relief for OASI, rather than long-term stability.

The Social Security system's long-range actuarial deficit is truly astounding, $800 billion in current dollars -- larger than the privately held national debt. (House Ways and Means Committee and "The Social Security Deficit," Wall Street Journal, December 6, 1979)

It is estimated that payroll taxes would have to exceed 20 percent of payroll by early in the next century to continue the present method of financing Social Security ("The Social Security Deficit," Wall Street Journal, December 6, 1979)

PUBLIC SKEPTICISM

Upon signing the 1977 Social Security Amendments into law, Mr. Carter stated that the bill *"assures today's workers that the hard-earned taxes they are paying into the system today will be available upon their retirement."* (Jimmy Carter, Statement on Signing S. 305 Into Law, December 20, 1977)

Today's workers, however, are not so sure. A survey cited in U.S. News and World Report, has shown that four out of five workers have less than full confidence in the program. Among workers under age 35, nearly half have "hardly any confidence at all" that their benefits will be paid when they fall due. ("Social Security: Will it be There When You Need It?", U.S. News and World Report, April 30, 1979)

Indeed, given current and future trust fund shortfalls, Mr. Carter has allowed public confidence to falter in one of our nation's oldest and most successful programs.

FLIP-FLOP ON USE OF GENERAL REVENUES

When campaigning for the presidency, Mr. Carter, in response to a question as to how he planned to restore the financial integrity of the Social Security system, said, *"The U.S. should do as much as possible to avoid general revenue contributors to the Social Security Fund."* (Boston Globe, September 5, 1976) However, in his 1977 Social Security proposals, Mr. Carter called for dipping into general revenue funds to finance Social Security when unemployment reached six percent.

Congress rejected Mr. Carter's proposal and, upon signing the bill, he said, *"We thought...that general funds should be used and triggered for those transient times."* (Jimmy Carter, Statement on Signing S. 305 Into Law, December 20, 1977)

Again, he was offering a stop-gap solution rather than meaningful reform. To draw upon general revenues to finance Social Security would be, in the words of Senate Finance Committee Chairman Russell Long (D.-La.), like "telling the Federal Reserve to print the money." ("Senate Panel Rejects Using General Funds for Social Security," Washington Post, July 28, 1977)

SOARING SOCIAL SECURITY PAYROLL TAXES

Under the formulas set forth in the 1977 Social Security tax bill, payroll taxes will have more than doubled for most middle and upper income families by 1981.

"The maximum tax on employees will have risen from $965 in 1977 to $1,975 in 1981, a leap of $1,010, or 105 percent in just four years. These taxes, which must be matched by employers, will go still higher" in the 1980s, to nearly $3,200 by 1987. ("Social Security: Will it be There When You Need It?", U.S. News and World Report, April 30, 1979)

"Even steeper rises are in store for self-employed businessmen, professional people, and farmers. Their maximum Social Security tax in 1977 came to $1,304. By 1981, the bite will be $2,762, a jump of 112 percent." The increase in 1981 alone will be $664, a single-year increase of nearly a third. ("Social Security: Will it be There When You Need It?", U.S. News and World Report, April 30, 1979)

Yearly increases are built into the Social Security payroll tax system through the middle of the next century, with the biggest jumps affecting middle and upper income workers. These huge increases have been accomplished by raising both the wage base and contribution rate for computing payroll taxes.

The contribution rate will rise steadily from the 6.05 percent level of 1977 to 7.65 percent by 1990. Yet Mr. Carter, in 1976, took the position that *"Raising the contribution rate...would put an even greater burden on the average wage earner without insuring comparably greater benefits."* (Position Paper, "The Elderly," September 22, 1976) He was certainly correct.

BROKEN PROMISES

Mr. Carter's performance in the area of Social Security benefits is no more credible than the financial integrity of the system itself.

While campaigning in 1976, Mr. Carter stated, *"The cost of living adjustment mechanism should be made more responsive during periods of rapid inflation so that beneficiaries do not have to wait a full year for catchup increases."* (Position Paper, "The Elderly," September 22, 1976)

But, not only has Mr. Carter made no move to pay cost of living adjustment increases more frequently than once a year, the Administration has also talked about cutting those increases. (House Ways and Means Committee)

Mr. Carter, in 1976, said, *"We need to change the ridiculous Social Security regulation that prevents many elderly men and women from being married."* (Speech on the American Family, Manchester, N.H., August 3, 1976)

Yet, Mr. Carter did not include provision to allow elderly citizens to remarry without loss of Social Security benefits in his 1977 Social Security proposals, and then tried to claim credit when Republican-sponsored legislation to this effect was included in the final 1977 Social Security Amendments bill passed by Congress. (House Ways and Means Committee)

Despite Mr. Carter's pledge that *"Workers should be guaranteed that, when they retire, Social Security benefits will bear the same relationship to their recent earnings as is true for those retiring today,"* (Position Paper, Social Security, 1976), such a provision has not been made. Mr. Carter did attempt to tie Social Security benefits to general revenue funding but this proposal, as mentioned, was rejected out of hand by Congress. ("Social Security Financing Proposals," HEW News, May 9, 1977)

Although Mr. Carter promised that *"consideration should be given to liberalization of the earnings test"* (Postion Paper, The Elderly, September 22, 1976), he did not include such a proposal in his 1977 Social Security proposals. When the House of Representatives voted to ease the means test, Mr. Carter threatened to veto the legislation. (Baltimore Sun, December 1, 1977)

Finally, Mr. Carter pledged to *"end discrimination against women in the Social Security system"* (Jimmy Carter, press release, June 13, 1976), but no reference to this promise was included in the 1977 Social Security proposals. The final Social Security Amendments signed by Mr. Carter merely mandated, on the initiative of Congress, a HEW study in consultation with the Justice Department's Task Force on Sex Discrimination. The final report only set forth options, none of which have been endorsed by Mr. Carter.

APPENDIX

"If I am elected President, I intend to completely restore the financial integrity of the Social Security system."

--Position Paper
"The Elderly"
September 22, 1976

"Most importantly it [S. 305] assures today's workers that the hard-earned taxes they are paying into the system today will be available upon their retirement."

--Statement on Signing S. 305 into Law
December 20, 1977

"The U.S. should do as much as possible to avoid general revenue contributors to the Social Security Fund."

--Boston Globe
September 5, 1976

"We thought that there ought to be some shift of funds from one social security reserve fund to another when needed, and that when the inflation rate and the unemployment rate had an exceptionally high drain on the social security system, that general funds should be used and triggered for those transient times."

--Statement on Signing S. 305 into Law
December 20, 1977

"Ford's plan [raising the contribution rate] would put an even greater burden on the average wage earner without insuring comparably greater benefits."

--Position Paper
"The Elderly"
September 22, 1976

"The cost of living adjustment mechanism should be made more responsive during periods of rapid inflation so that beneficiaries do not have to wait a full year for catchup increases."

--Position Paper
"The Elderly"
September 22, 1976

"We need to change the ridiculous Social Security regulation that prevents many elderly men and women from being married."

--Speech on the American Family
Manchester, N.H.
August 3, 1976

"Workers should be guaranteed that, when they retire, Social Security benefits will bear the same relationship to their recent earnings as is true for those retiring today."

--Position Paper
"Social Security," 1976

"In addition, consideration should be given to liberalization of the earnings test, which currently penalizes retirees who earn more than $3,280 per year."

--Position Paper
"The Elderly"
September 22, 1976

"I will act to end discrimination against women in the Social Security system."

--Press Release
June 13, 1976

TAXES

TAXES -- THE RECORD

Despite his promise to never increase *"taxes for the working people of our country and the lower and middle income groups,"* (New York Times, September 20, 1976) Mr. Carter and his Democrat-controlled Congress have raised taxes more than in any other four year period in history. Taxes now account for about 23 percent of the GNP.

The average taxpayer must have worked from January 1 to May 11, 1980 just to pay his federal, state, and local tax bill. Last year, in order for the American taxpayer to pay his taxes, he had to work a "mere" three days less than in 1980.

CARTER'S TAXES: ANALYSIS

To most Americans, Mr. Carter's performance in office conjures the visions of inefficiency and confusion -- visions of a man who, no matter how hard he tries, always seems to fail. The major exception to this is Mr. Carter's ability to enact, to induce through inflation, and propose more and higher levels of taxes than any President in history.

Since Mr. Carter came into office, taxes from all sources have skyrocketed, rising from $357.7 billion in 1977 to a proposed level of $628 billion for 1981 -- an increase of 75.6 percent. It took 38 administrations since the founding of the Republic to achieve a level of $357.7 billion in taxation in 1977. If reelected, Mr. Carter proposes a tax level of $724.8 billion for 1982 -- an increase of 103 percent -- more than double the level when he first took office. Mr. Carter has out-taxed every president who preceded him. (Budget of the U.S., Fiscal Year 1981) Moreover, with the exception of his January 1977 inflationary $50 tax rebate, he has opposed almost every effort to reduce taxes.

The results have been catastrophic to the economic health of the nation. Taxes interacting with inflation have increased the relative share that government takes from people's earnings -- rising to 23 percent of the GNP. A study released in February 1980 by the Tax Foundation, a non-profit public interest group, indicated that in Fiscal Year 1980 the average family of four earning the median income level of about $20,000 will pay $5,451 in total federal taxes. This represents more than 27 percent of their gross income. Of that amount, federal income taxes will claim $2,114, Social Security will claim $1,226 and indirect taxes will claim $2,111. In short, the average taxpayer will now pay more than one-fifth of his earnings out in the form of federal taxes alone, before state and local taxes are added.

Tax Freedom Day, the day economists calculate that an average worker's yearly taxes will be paid if all earnings from January 1 were applied to the federal, state and local tax bill, arrived on May 11, 1980. Tax Freedom Day was pushed ahead three days from 1979 -- meaning that taxpayers had to work an additional three days this year to pay the government. (Tax Foundation, February 1980)

Mr. Carter's zealous pursuit of increasing this nation's tax burden was catalogued in a report by the Republican staff of the House Ways and Means Committee. The report, presented by Rep. Barber Conable, Ranking Minority Member, (R-N.Y.), indicated that since Mr. Carter came into office he proposed new taxes, increased existing taxes, and extended other taxes which total up to $319.40 billion between fiscal years 1978 and 1983. (Congressional Record, August 2, 1979) If that were not enough, Mr. Carter proposed $30 billion in additional taxes with which he would attempt to balance his Fiscal Year 1981 budget. These new taxes, the 15 percent interest and dividend withholding tax, the 15 percent independent contractors tax and the 10 cents per gallon gasoline tax would merely enrich government coffers at the expense of the taxpayer. With these taxes Mr. Carter hopes to foster the illusion that his Fiscal Year 1981 budget is balanced and under control. (Fiscal Year 1981 Budget Revisions, March 1980)

However, nothing could be farther from the truth. Indeed, in March 1980, the President offered a budget which included $628 billion in taxes and $611.5 billion in spending programs. This proposed budget contained the highest one-year tax increase in this nation's history as taxes from all sources increased by $104.2 billion from the level Carter proposed in January 1979 -- a 20 percent increase. (Fiscal Year 1981 Budget Revisions, March 1980)

The irony is that even at these high levels of taxation the budget will not be in balance by the end of Fiscal Year 1981. A federal court ruled that the oil import fee was unconstitutional and although the Administration has stated that it will appeal this ruling, it seems near certain that Congress has stripped the President of his authority to impose the fee in the first place. Moreover, there is little enthusiasm in the House Ways and Means Committee for the imposition of the withholding tax. In the words of Sen. William L. Armstrong (R-Colo.): "Any idea that the 1981 budget is balanced is fantasy...We're at least $25 billion out of balance right now." (New York Times, May 15, 1980)

One may surmise that the budget will be further pushed into the red by an accelerated and programmed Carter recession whose depth and duration may be larger and longer than expected.

A study prepared by the Joint Economic Committee (April 1980) noted that the interaction of inflation and the progressive tax structure has the perverse effect of giving the federal government an inflation dividend. This occurs when inflation pushes people into higher income brackets and taxes increase by an amount greater than the rate of inflation. At the same time, however, real incomes have not grown. Indeed, when inflation interacts with higher tax rates individuals may be earning more in the form of nominal income but have less to spend after accounting for inflation and higher taxes. The report found that for every one percent increase in the rate of inflation, as measured by the Consumer Price Index, taxes go up 1.4 to 1.6 times as much. As a result of Carter's taxation and spending policies the American people will see their taxes increase to an astronomical $2.136 trillion over the next decade. It is most important to keep in mind that these are new taxes, and they are over and above the normal rate of growth for tax collections from individuals and business engaged in the normal course of economic activity. The largest component in this tax increase will be inflation induced income taxes -- $1.161 trillion on fictitious income.

Mr. Carter has programmed over $600 billion in new taxes within the next five years alone.

The following is a list of tax increases either proposed or signed into law by Jimmy Carter. In less than three years in office, Mr. Carter has broken his promise of never increasing *"taxes for the working people of our country and the lower and middle income groups"* (New York Times, September 20, 1976) not once but 19 times.

Carter clearly has an unsurpassed record in not only proposing or enacting the largest peacetime tax increases in history, but also at the astounding rate of almost one new revenue raising scheme every other month.

CARTER TAX INCREASES 1978-1983
(In Millions of Dollars)

New and Proposed Taxes	1978	1979	1980	1981	1982	1983
*Waterway User Tax	----	----	----	30	58	----
*Gax Guzzler Tax	500	500	500	700	900	1,200
Crude Oil Equalization Tax	2,884	7,173	11,933	13,637	13,259	12,875

*Enacted tax increases
[n]Proposed tax increases

New and Proposed Taxes	1978	1979	1980	1981	1982	1983
*Business Tax on Crude Oil and Natural Gas	----	2,745	7,555	10,499	12,467	16,467
*Taxation of Unemployment Benefits	----	151	203	205	204	211
*Gross Windfall Profits Tax	----	----	2,804	8,491	13,683	14,183
*Federal Withholding Tax	----	----	----	3,400	2,500	2,200
*Independent Contractors Tax	----	----	----	1,000	N/A	N/A
*Social Security Tax	----	2,400	6,200	14,000	20,000	22,000
[n]Repeal of Refund of Motor-boat Fuel Tax	1	4	4	4	4	4
[n]Increase in Gas Tax	----	3,750	8,750	13,750	18,750	23,750
*Repeal of State and Local Gas Tax Deduction	----	603	947	1,080	1,230	1,402
[n]Repeal of Sales Tax Deduction	----	1,734	2,720	3,100	3,535	4,030
Reduction for Medical and Casualty Exemptions	----	1,336	2,056	2,282	2,533	2,812
[n]Entertainment and Travel Expense	----	644	1,347	1,695	1,843	2,011
[n]Minimum Tax Changes	----	----	284	306	329	332
[n]Phase-out of DISC.	----	249	807	1,551	1,771	1,675
[n]Phase-out of Deferral of Tax on Foreign Source Income	----	40	174	580	796	860
Extended Taxes						
Extension of Excise Tax On Gasoline and Motor Fuel to Sept. 30, 1985	----	----	3,302	3,404	3,496	3,585
TOTALS	3,335	21,350	49,594	79,692	97,061	109,921

(Source: House Ways and Means Committee and the Joint Economic Committee)

*Enacted tax increases
[n]Proposed tax increases

Grand Total of Proposed and Enacted Tax Increases From 1978-1983 -- $319.40 Billion

INFLATION-INDUCED INCOME TAXES**

1977 -- $ 8.6 billion
1978 -- 11.7 billion
1979 -- 21.1 billion
1980 -- 16.0 billion
1981 -- 35.0 billion
1982 -- 50.0 billion
1983 -- 65.0 billion

TOTAL $207.4 billion

FOR A GRAND TOTAL OF $568.35 billion in new and proposed inflation-induced taxes.

**Source: Joint Economic Committee, Minority Staff

Carter did not introduce any tax increases in 1977 but he did preside over an $8.6 billion increase in inflation-induced taxes. Mr. Carter could have, but did not, propose to adjust tax rates downward to prevent the effects of inflation raising the taxpayer's bill. Instead, he used those new found revenues to expand existing programs or initiate new spending proposals.

CONCLUSION

The economic consequence of any tax is clear and simple -- it diverts scarce resources away from the private sector to further the interests of government. The higher the level of taxation, the less funds people have available to save and invest for the future. As the rate of savings fall so does the rate of investment, resulting in lower economic growth and a diminished standard of living for all. Taxes which are levied against the business enterprise add to the cost of goods sold.

Higher taxes mean higher consumer price inflation as higher costs of production are passed on into the market place.

In the final analysis, Carter's tax increases when programmed into the tax system will:

- increase inflation
- lower economic growth
- raise interest rates
- debase the value of retiree income

In short, the American Dream of the good and comfortable life is in jeopardy. Its principle threat comes not from some foreign power but from the misguided policies of a President who seemingly has no idea of how a mature free market economy grows.

By increasing taxes Mr. Carter not only broke his promise made in 1976, *"I would never increase taxes for the working people of our country and the lower and middle-income groups,"* but he has put into motion those economic forces which could force a lower quality of life over the next decade.

APPENDIX

"I would never increase taxes for the working people of our country and the lower and middle-income groups."

—New York Times
September 20, 1976

TRANSPORTATION

TRANSPORTATION -- THE RECORD

- Although Mr. Carter promised *"a national comprehensive transportation policy"* (Carter position brief, Railroad Reorganization, 1976) and *"a balanced multi-modal approach to maintaining and improving the nation's transportation system"* (Carter position brief, Highway Trust Fund, 1976), he has given us neither.

- The Highway Trust Fund is running a deficit for the first time in its 24-year history. (Washington Post, June 19, 1980)

- Financial failure of the Highway Trust Fund would bring the following national priority programs to a screeching halt:

  --completion of the interstate highway system

  --maintenance of federal commitments to assist cities and states with other primary and secondary highways.

  --continuation of the bridge replacement program that is estimated by some to be already ten years behind.

  --financing of coal roads needed for hauling the nation's most plentiful energy source from mines.

- Although Mr. Carter stated flatly, *"Arresting (the) deterioration and completing needed work on new urban transit systems must become the nation's first transportation priority."* (Carter Platform Presentation, June 16, 1976), funding for mass transportation has not kept pace with inflation and no new cities have been given Urban Mass Transportation Act funding commitments for rapid transit systems since Mr. Carter took office. (Republican Position Statement on a Transit Policy for the Future, January 2, 1980)

- Carter Administration attempts to mandate private production of "Transbus," an expensive federally funded research vehicle, threw the American bus industry into confusion and by 1979, less than 3,000 units were being produced annually to meet a projected need of 10,000 per year. (Republican Position Statement on a Transit Policy for the Future, January 2, 1980)

- Despite Mr. Carter's statement, *"the reorganization and revitalization of our railroad system remains one of the most important and pressing issues in transportation today."* (Carter position brief, Railroad Reorganization, 1976), his plan to "revitalize" our nation's railroad system was to cut back Amtrak service by 43 percent. (Washington Star, February 1, 1979)

TRANSPORTATION: ANALYSIS

When campaigning for the Presidency, Mr. Carter promised

> *a national comprehensive transportation policy.* (Carter position brief, Railroad Reorganization, 1976)

He stated further,

> *What we need most today is a balanced multi-modal approach to maintaining and improving the nation's transportation system.* (Carter position brief, Highway Trust Fund, 1976)

Mr. Carter has given us neither.

B.R. Stokes, executive director of the American Public Transit Association, said, in 1977, with reference to Mr. Carter's role in transportation policy: "Simply put, there has been no leadership. It is not enough to say that performance to date has not been satisfactory; there has been no performance." (New York Times, September 15, 1977)

The same may be said today. The Highway Trust Fund is in deficit for the first time in its 24-year history, there is no coherent program for mass transportation, American bus production has been brought to a crawl by Administration interference, and Mr. Carter has proposed cutting Amtrak railroad service by nearly one-half.

In short, Mr. Carter has failed in the vital area of transportation policy.

HIGHWAY TRUST FUND IN DEFICIT

When campaigning for the Presidency, Mr. Carter said,

> *The Highway Trust Fund has served as an outstanding and successful mechanism for constructing an extensive and effective highway network in the United States. In doing so, the Fund has also supported a major section of the U.S. economy, providing jobs, advancing technology, and changing the face of the American landscape.* (Carter position brief, Highway Trust Fund, 1976)

Now, after three and one-half years of Mr. Carter's transportation policies, the Highway Trust Fund is running a deficit for the first time in its 24-year history. The present trust fund balance is $12.1 billion, and obligations due from that balance total $14.1 billion, leaving a deficit of $2 billion. (Washington Post, June 19, 1980)

Unless the financial integrity of the Highway Trust Fund is restored, the Federal Highway Administration will be unable to:

--finish the interstate highway system

--maintain its commitments to assist cities and states with other primary and secondary highways

--continue a bridge replacement program that is estimated by some to be ten years behind

--finance coal roads needed for hauling the nation's most plentiful energy source from mines.

The interstate highway system is now officially 93.6 percent open to traffic, at a cost of $76 billion. It is estimated that $28 billion more, for a total of $104 billion, is required to build the remaining 6.4 percent. However, unofficial federal highway estimates push that total much higher, to at least $115 billion. (Washington Post, June 19, 1980)

In addition, many older sections of interstate highway, plus bridges and other primary and secondary roads need major repairs which states have deferred because they do not have the money for those programs.

A major reason for the current financial malady of the Highway Trust Fund has been Mr. Carter's indecision and lack of leadership on the question of transportation priorities and distribution of funds. A 1977 Department of Transportation memo noted, "One major drawback to coordinating mass transit and highway needs has been the fear of...short-changing legitimate highway needs in order to emphasize mass transit." (Congressional Quarterly, January 21, 1978) The memo went on to recommend separate sources of funding for highway and mass transportation. Yet, in his major transportation proposals of 1978, the bulk of which were incorporated into the Surface Transportation Act of 1978, Mr. Carter recommended consolidation of highway and mass transportation programs with no clear distinction as to the future of either. In addition, the Surface Transportation Act allowed states to transfer highway funds to other projects, leaving the door open to the draining of these funds for projects for which they were not originally intended and to the subsequent neglect of needed highway projects and repairs.

NO MASS TRANSPORTATION PROGRAM

Although Mr. Carter stated flatly,

> *Arresting [the] deterioration and completing needed work on new urban transit systems must become the nation's first transportation priority.* (Carter Platform Presentation, June 16, 1976),

he has yet to develop a coherent policy in this area.

President Ford signed the National Mass Transportation Assistance Act of 1974 shortly after coming into office. With his support, federal funding went in a controlled and graduated fashion from $676 million in fiscal year 1974 to $2.5 billion in fiscal year 1977. During this period, the Urban Mass Transportation Administration established tough guidelines for analysis of local transportation alternatives and then made commitments for construction or modernization of major public transportation systems in 16 cities. Since Mr. Carter took office, funding for mass transportation has not kept pace with inflation and no new cities have been given UMTA funding commitments for rapid transit systems of any type.

Mr. Carter made no mention at all of mass transportation in his first energy program in 1977. When then Secretary of Transportation Brock Adams urged that energy taxes be earmarked for expansion of public mass transportation, the White House dismissed the idea as a personal opinion of the Secretary. It was only when presented with the clear and present danger of an oil crisis in the summer of 1979 that Mr. Carter appeared to realize the importance of mass transportation. In an abrupt turnaround in September 1979, Mr. Carter announced a 10-year, $16.5 billion program of transportation initiatives, of which $13 billion was targeted for public transportation. However, Mr. Carter's program was contingent upon passage of the "Windfall Profits Tax" on oil companies. Rather than giving mass transportation a firm commitment, Mr. Carter appeared to be holding it hostage in order to help generate votes for the windfall profits tax.

ADMINISTRATION INTERFERENCE BRINGS AMERICAN BUS PRODUCTION TO A CRAWL

At a time when revitalization of America's commuter bus lines is essential to energy conservation and the development of efficient public transportation systems, Carter Administration meddling brought America's bus production to a crawl.

Within four months of Mr. Carter's coming into office, his then Secretary of Transportation, Brock Adams, decreed that all new transit buses be equipped with lifts or ramps and that they have floor heights not exceeding 22 inches. Essentially, he was attempting to mandate private production of the "Transbus," a federally-funded research vehicle. Whereas advanced design buses were selling for about $105,000, the "Transbus" was estimated to cost $240,000 by its delivery date in 1983. No American manufacturer was willing to bid on "Transbus," yet Secretary Adams refused to back off his mandate despite the determination of a study panel, formed by the National Academy of Sciences at Adams request, that the manufacturers were prudent in their judgement and that the Department of Transportation should rescind its mandate. (Republican Position Statement on a Transit Policy for the Future, January 2, 1980)

As a result, America's bus industry was thrown into confusion and production fell. By 1979, less than 3,000 units were being produced annually to meet a projected need of 10,000 per year. (Republican Position Statement on a Transit Policy for the Future, January 2, 1980)

Again, it was only after the gas lines of the summer of 1979 that the Carter Administration backed off its insistence on "Transbus."

MR. CARTER WOULD CUT THE NATION'S RAIL SERVICE NEARLY IN HALF

Mr. Carter said in 1976:

> *Our nation is dependent on its railroads...the reorganization and revitalization of our railroad system remains one of the most important and pressing issues in transportation today.* (Carter position brief, Railroad Reorganization, 1976)

Mr. Carter's plan to "revitalize" our nation's railroad system was to cut back Amtrak service by 43 percent. (Washington Star, February 1, 1979)

At a time when public transit is becoming more significant as the costs of energy rise, the Carter Administration proposed to cut 11,800 miles from Amtrak routes. (Washington Star, February 1, 1979)

Five states -- Oklahoma, Arkansas, Alabama, Vermont and Nebraska would lose all Amtrak train service under the Carter proposal. Many other states would incur heavy cuts. A number of major cities, including Dallas, Atlanta, and Omaha would lose all service under the Carter plan. (Wall Street Journal, February 1, 1979)

The Amtrak Board of Directors related serious concerns regarding the Carter plan, apart from the hardships incurred by those localities faced with cancellation of service. Among them:

--Will the reduced system mean that the roadbeds and rails on those roads without Amtrak service deteriorate so that passenger or freight service could not be added in time of future need?

--Will the revised route structure be sufficient to meet the nation's needs during national emergencies? (Washington Star, February 1, 1979)

Although Mr. Carter said,

> *Our interest must be the public good* (Carter position brief, Railroad Reorganization 1976)

the American people, particularly those in rural areas, clearly have suffered from Mr. Carter's railroad policies.

APPENDIX

"We need a national comprehensive transportation policy..."

--Carter Position Brief
Railroad Reorganization, 1976

"What we need most today is a balanced multi-modal approach to maintaining and improving the nation's transportation system."

--Carter Position Brief
Highway Trust Fund, 1976

"Arresting (the) deterioration and completing needed work on new urban transit systems must become the nation's first transportation priority."

--Carter Platform Presentation
June 16, 1976

"The Highway Trust Fund has served as an outstanding and successful mechanism for constructing an extensive and effective highway network in the United States. In doing so, the Fund has also supported a major section of the U.S. economy, providing jobs, advancing technology, and changing the face of the American landscape.

--Carter Position Brief
Highway Trust Fund, 1976

"Our nation is dependent on its railroads...the reorganization and revitalization of our railroad system remains one of the most important and pressing issues in transportation today."

--Carter Position Brief
Railroad Reorganization, 1976

"Our interest must be the public good."

--Carter Position Brief
Railroad Reorganization, 1976