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B2. Energy &
Environment

ENERGY

QUESTION:

President Carter proclaims he has laid the foundations for a secure energy future. Where do you disagree with him?

ANSWER:

- Carter misleading the American people. His policies making us more vulnerable, hurting our economic welfare.

- He has vastly increased governmental bureaucracy and red tape;
- Locked up or delayed production of new resources;
- Imposed burdensome new taxes;
- Failed to build up emergency supplies of oil.

The results:

- U.S. energy production falling far short of needs and potential.
- U.S. long term dependence on OPEC increasing, while oil lifeline in Persian Gulf in greater jeopardy than ever before.
- Balance of payments deficits highest in history.
- National security jeopardized.
- Economic hardship spreading.
- RR believes, contrary to Carter, there is no real energy shortage. Can greatly increase domestic production consistent with environmental protection through intelligent, sensible policies, giving greater incentives to private marketplace.
- RR program has 3 main components:
 - Greatly stepped up emphasis on production;
 - Continued emphasis on conservation;
 - Accelerated effort to build up emergency supplies.

ENERGY: FACTS

1. WHY CARTER POLICIES MAKE U.S. MORE VULNERABLE

a. Domestic production bogged down by vastly increased governmental bureaucracy:

- Created Department of Energy (\$12 billion a year) which (according to Congressional investigations GAO and DOE itself) wastes tremendous amounts of both energy and money. 35,000 pages of regulation (equal in size to Federal Tax regs.)
- Natural Gas: The Carter "decontrol" legislation of 1978 actually extends controls to intrastate gas; creates complicated 23 different pricing categories. As opposed to real decontrol, could cost equivalent of 500,000 - 1 million bpd by 1990 (RR Congressional Advisory Committee).
- Oil: Carter delayed decontrol provided for in Ford legislation from 1979 to 1981. Legislation phases out controls by 1981 and maintains obnoxious allocation system till then. Carter legislation adds excise tax ("windfall profits") which has effect of reducing production incentives, distorting market and increasing U.S. dependence. (DOE July '80 study estimates windfall tax will increase imports by over 200,000 bpd by 1990.)
- Coal: Added more than 1,000 pages regulations on mining and use of coal, contributing to one of the worst slumps in coal history.

Carter's flip flops only made things worse:

- Changed mind twice on natural gas; current "decontrol" plan -- as bad as it is -- better than the 1977 plan that he submitted trying to extend controls (Congress wouldn't accept).
- Also changed mind on oil decontrol after Congress rejected his 1977 proposals.

Flip flops have created uncertainty, discouraged new production.

b. Locked up or delayed new production:

- Oil and Gas: Leasing policies very vulnerable to RR attack.

- Burdened offshore leasing with such stringent restrictions that it is almost impossible to begin production. Only 2% of outer continental shelf now under lease.
- In November 1979, Sec. Interior Andrus suspended all leasing on federal lands with greatest oil and gas potential due to discovery of fraud in system. While leasing resumed in June '80, it is just staggering along.
- Has not sold single on-shore lease in Alaska. Instead, has locked up nearly 100 million acres of Alaskan land. Companies cannot even test lands for oil, including potentially oil-rich areas near Prudhoe Bay. (Carter great friend of Caribou; poor friend of elderly couple in New England worried about price of heating oil.)
- Coal:
 - 100 million tons of capacity now unused.
 - Not one BTU of new coal leased from federal lands.
- Nuclear:
 - Policies of delays, Democratic commitment to phasing our nuclear plants (1980 Demo platform) greatly discouraging nuclear development.
 - Since 1977, six new nuclear plants have been ordered, but 2 of these have been cancelled; and an additional 34 nuclear plants previously ordered were also cancelled in this period. This is a net loss of 30 plants representing the equivalent of nearly 900,000 bbl.
- c. Failed to build up emergency supplies:
 - Strategic Petroleum Reserve: 4½-year-old program is now 4 years behind. Program passed in 1975 (under Ford) designed to provide 2 month emergency oil supply. Today have only two week supply. When gas lines appeared in 1979, discovered that DOE had installed pumps to put oil into salt domes -- but hadn't installed any pumps to get it out (this finally completed, but withdrawal capacity limited). Administration finally issued executive order this August to get program moving. Carter very vulnerable on this one; easy for people to understand.

THE RESULTS OF CARTER MISMANAGEMENT:

a. U.S. energy production falling far short of needs:

- Oil: Crude oil production in lower-48 states declined 12% in past 4 years. (Note: Thanks to increased production in Alaska off-setting drop in lower-48, overall, U.S. domestic production has increased slightly since 1976 -- from 8.2 to 8.6 million bpd. (Carter can hardly claim credit for Alaska.)
- Natural gas: Carter very vulnerable. Drilling and exploration had been increasing over 1970's until Carter bill passed in 1978; thereafter, number of drill rigs in operation dropped 20% in 6 months and only recently has gotten back to pre-79 levels. Marketed domestic production has increased barely 2% in Carter's first 3 years.
- Coal: Carter promised in 1979 to double coal production by 1985. But production has been increasing only 4% a year since he took office. One-eighth of capacity now idle.
- Nuclear power: A net loss of 30 nuclear plants previously ordered.

b. U.S. dependence on OPEC increasing:

- In 1979, U.S. oil imports (crude and refined) were 14% higher than in 1976.
- Oil imports from Arab members of OPEC up 16%; Libyan imports up 33%.
- Note: Carter claims that dependence on foreign oil down 1 million bpd from 1979. This is trap for him. Reason for drop is recession and skyrocketing prices. Current import bill estimated at \$80 billion, over double \$32 billion in 1976. This creates Hobson's choice between dangerous reliance on (and payments to) OPEC and severe unemployment.

c. Balance of Trade Deficit Highest in History:

- String of Carter deficits peaked in 78 at \$33.8 billion; 79 deficit \$29.5 billion; 80 deficit estimated at \$25-30 billion.
- Accumulated 4 year deficits under Carter expected to be \$122 billion, 12 X higher than 8 year Republican record (Ford administration showed no net deficit)

d. U.S. left in greater international jeopardy:

- Oil lifeline in Persian Gulf more endangered with Soviets occupying Afghanistan, hostile regime in Iran.

e. Economic hardship spreading across country:

- Gasoline prices have doubled under Carter (Note: a 2-edged sword; Carter will claim RR policies of immediate decontrol of oil would have raised prices even faster; but this would lead to faster development, new supply and greater conservation)
- Residential heating oil prices have risen from av. 41 cents a gallon in Ford's last year to 98 cents a gallon this summer. Hurt Northeast and elderly especially hard. Cruel choice of food or fuel.

2. RR BELIEVES CARTER NOT TELLING PUBLIC TRUTH ABOUT GREAT ENERGY POTENTIAL OF U.S.

Carter says U.S. has acute shortage. 1980 report by Department of Energy (along with reports from U.S. Geological Survey) show that on basis of current rates of consumption and conservative assumptions, U.S. proven and potential reserves are:

- 21 year supply of oil;
- 26 year supply of shale oil;
- 27 year supply of natural gas;
- 321 year supply of coal; (most abundant resource)
- Potentially infinite supply from renewable sources that can come on stream in future.

3. RR Program -- 3 KEY ELEMENTS

a. Unleash Domestic Production:

Oil & Natural Gas:

- Phase out price controls immediately; simplify gas regulation; reduce destructive elements of windfall profits tax when fiscally possible (e.g., exempt small independents and provide plough back).
- Accelerate leasing of federal lands, especially offshore lands, consistent with protection of environment.

Coal:

- Accelerated depreciation to provide added incentive to build coal fired plants, convert oil and gas fired plants, and develop/adopt clean burning techniques.
- Revised environmental regulations which inhibit production, burning -- and not necessary for health.

Nuclear:

- Accelerate safety measures as recommended by Kemeny Commission. Until Three Mile Island, Carter had taken no strong action on safety; vulnerability.
- Streamline licensing process (outrageous that U.S., once the pioneer in nuclear power, takes roughly twice as long to license plant as in Europe or Japan.
- Give priority to development of waste storage and disposal techniques. Carter failed miserably. (If asked, RR favors federal standards, private disposal; not all dumped in one state like S.C.)

Synthetics/Solar/etc.

- Govt. should support research on variety of promising new technologies including solar energy. Consistent with economics, should make special effort to develop renewables.
- Private enterprise should handle ultimate selection of best technologies and their commercial development.
- RR has opposed \$88 billion "Synthetic Fuels Corporation" which commits govt. to subsidize syn fuels (through loan guarantees, price supports, direct loans and even joint ventures). Plan increases government intervention; could produce white elephants. In addition, August 1980 GAO report states lock-up of Federal lands could stymie Synfuels Corp. by denying adequate coal and shale resources for experimentation.

b. Continue emphasis on conservation:

- Accelerate depreciation to spur investment (RR's general tax plans will lead many firms to invest in modernized plants that are more energy efficient).
- Continue conservation tax credits, first proposed by Ford, passed under Carter.
- Continue assistance for those with low incomes (including elderly); this type of weatherization program not very effective but it was begun under Ford and is popular.

c. Be better prepared for emergencies:

- Immediate steps to create national Petroleum Reserve
- Remove allocation program which turned 1979 shortages into long gas lines.

ENERGY: Miscellaneous Notes

1. Carter/Anderson Attacks on RR:

Likely to attack RR as simplistic -- ready to enrich the oil companies, and anti-conservation. Among their probable points of attack:

--RR call for abolition of DOE

Carter will argue 28% of DOE budget goes for nuclear weapons research, 20% for strategic Petroleum Reserve, only 3-4% for regulatory functions.

Fact: RR, in calling for abolition, said other necessary functions could be transferred to other Federal Depts.

They may also argue that RR as Governor set up state commission to control energy development.

Fact: California Energy Commission set up in 74 right after Embargo to deal with unique emergency situation. It did not "control" energy development and had no price setting or allocation powers; primarily siting and conservation body at state level to deal with local problems. Federal experience has now shown drawbacks of government interference in market.

--RR assertion of more oil in Alaska than Saudi Arabia;

Fact: Some estimates show Alaskan potential to be greater than Saudi reserves. But this not the critical point. Critical point is we need to find out more about Alaskan resources and develop them when economic-- not lock up.

--RR assertion that U.S. could be energy self-sufficient in 5 years.

Fact: 5 years not the point. The point is: U.S. should set goal of energy self-sufficiency to be achieved as rapidly as possible. Carter policies have impeded domestic energy development. RR would stress increased production to achieve independence.

--RR's opposition to windfall profits tax.

Foes likely to ask: which is better--to line the pockets of big oil or to use those unearned monies to help poor and elderly pay their fuel bills, provide for R&D for alternative energy sources.

Fact: Windfall profits tax really an excise tax on oil production. Discourages production by hitting small independents who drill 80-90% of exploratory wells

essential to new oil finds. Makes U.S. most expensive place on earth to search for new oil. In effect, takes funds from small independents and American workers and transfers them to foreign producers of OPEC.

-- RR's past statement that "at best it (conservation) means we will run out of energy a little more slowly."

FACT: RR was making point of where a pure conservation anti-production approach would lead. We need increased conservation and increased production.

-- GOP rejection of Feds mandating 55 mph speed limit.

Carter also likely to say that in 1974, RR spoke enthusiastically about its conservation and safety effects.

FACT: 55 mph limit was a 1974 emergency measure later made permanent. It imposes federal limit regardless of local conditions or individual needs. Speed limits should be left to states.

2. The DOE Allocation Mess:

When Iran curtailed oil in 1979, only U.S. had long gas lines. Why? The DOE allocation system. Example:

- Rigid allocations sent gas to Tennessee where there was plenty already: Californians stood in line.
- After Jerry Brown called on Carter, lines shrank in California but lengthened in New York.
- Then D.C. became "gas line capital"; puzzled Congress could never find out why.

DOE allocations end in 1981, thankfully.

3. Carter Flip Flop on Natural Gas:

One of biggest on record:

- Flip: 1976 campaign, JC wrote letter, dated 10/16/76, to governors of Texas-Okla-La, promising to deregulate (some claimed he won Texas and La. because of letter -- and with them won election.)
- Flop: 1977 Carter plan called for retention of controls and extension of federal controls to intrastate gas. Carter attacked decontrol as "rip off." (Source)
- Flip: When Senate voted to partially decontrol, Carter acquiesced.

-- Flop: signed bill extending controls to intrastate market.

4. New Gas Taxes

Anderson supporting 50¢ a gallon, Carter a 10¢ a gallon tax. RR opposed:

- Gas prices already high enough;
- Higher prices already encouraging conservation;
- Hurts poor and those in rural areas (regressive);
- Don't need any more taxes. Carter has already proposed roughly \$320 billion in new taxes from 1978 to 1983. (Barber Conable)

5. Conservation

Carter will claim great progress under him, but:

- Most has occurred under market pressures (the market works!). People driving less, industry voluntarily seeking efficiencies (12% more goods with 6% less energy in '78 over '73).
- Most key conservation legislation was passed in Nixon-Ford years (e.g. auto efficiency standards, appliance standards). Carter has added energy audits and limited tax credits (credits were opposed by Ford).

ENVIRONMENT

QUESTION:

Won't your stands (reducing air quality and strip mining controls, accelerating federal leasing) turn the clock back on the environment?

ANSWER:

- Long-held RR belief: Healthy environment not a luxury--but a necessity for well-being of country and to sustain national growth.
- Cal.Record put RR at forefront in restoring clean air and water:
 - Nader group said RR left Cal. with "toughest anti-smog laws in the country."
 - Enacted strongest water pollution control law in U.S. history.
 - Also added 145,000 acres of park land, including 41 miles of ocean frontage.
- GOP can be proud: During Nixon/Ford years, US adopted National Environmental Policy Act and air and water acts. Nixon unilaterally set-up EPA by Executive Order.
- RR Agenda:
 - Improve quality of environmental regulation through policy based on balance and common sense.
 - Recognize many environmental laws date from early 1970's; should review to see whether additional mid-course corrections needed, balancing environ. with energy and economic needs.

Example: Clean Air Act of 1970 (revised in 1977) comes up for renewal in 1981. Congress created National Commission to review; report due in 1981. RR supports goals of act, but awaits report to see if act can be improved, especially with regard to taking economics into account.
 - RR would investigate possibility of agencies setting overall standards and letting private enterprise find best ways to meet.

Current laws and regs limit flexibility of industry. Pres. Ford's National Water Quality Commission (under Rockefeller) recommended investigation of pollution charges system which has been used effectively in Europe and was recommended by Charles Schultz, Carter's top economist, in Harvard lectures. While Carter has not done much about it, EPA beginning to experiment: permitted SOHIO to pay to reduce overall hydrocarbons in Long Beach basin in return for approval East-West oil pipeline which had been stymied for 5 years. Need to move in this direction.
 - RR would be more sensitive to state role in carrying out environmental efforts; this would increase responsiveness to local conditions.

ENVIRONMENT: FACTS

● RR's California Record is strong:

--Air quality:

--Carried out program outfitting cars with most sophisticated anti-smog devices available, so that 1971 and later model cars emitted about 1/10 the hydrocarbons released by pre-control era cars.

--Created Air Resources Board w/greater powers.

--Set up local air pollution control districts.

--Water quality:

--Drafted and passed Cal. Water Quality Act of 1969, 1st comprehensive revision in 20 years. Tough act.

--Est. Water Resources Control Board.

--Parklands:

--Added 145,000 acres of park land to state, including 41 miles of ocean front and 275 miles of lake and river front.

--Added \$20 million for state park preservation.

● Likely Carter Attacks:

--RR as Gov. defied the Clean Air Act of 1970, proposing air pollution control program rejected by EPA on five counts.

Rebuttal: EPA draconian plan for Cal included gas rationing, parking restrictions, and land use control; would have restricted 70-80% L.A. auto traffic. Cal. plus other states refused to accept such plans. RR vindicated in 1977 when Congress revised Clean Air Act, preventing EPA from enforcing such impractical measures.

--RR has spoken out frequently against environmentalists.

Rebuttal: RR has spoken out against environmental extremism--because some things in name of environment have been plain silly. Example: Snail Darter. Tiny minnow, 77 or so different varieties, held up TVA dam for 4 years on Little Tennessee River. Congress finally granted exemption from Endangered Species Act so dam could go forward. Carter very slow to support dam, hurt him in Tenn. In same vein, RR has also criticised hold-up of \$1.3 billion hydroelectric facility in Maine supported by Muskie, who was chief environmental advocate in Senate, by furbish lousewart (a species of snapdragons). Another case of ultra-environmentalists invoking Endangered Species Act of 1973 to stop projects they just didn't like.

--RR's quote about pollution (nitrogen oxides) coming from plants and trees.

Rebuttal: Assertion taken out of context. Point is, while many pollutants result from natural (as well as human) activities, concentrations could be harmful to health.

- General Approach to Environmental Discussion

Virtually all environmental laws have been passed during 1970's-- mostly under GOP president, Dem Congress. Laws imposed unreasonable deadlines for meeting standards (themselves not well founded scientifically), forcing EPA to promulgate regs not fully thought through and litigation.

While laws have improved air quality, water, and led to better understanding of toxic chemicals, there have also been problems-- especially delays in planning, constructing new energy facilities. Carter's 1st energy Sec., Jim Schlesinger, in valedictory, said: "It has gotten to the point where everyone can say no and no one can say yes."

To achieve better balance, don't need to turn back clock. Need to ensure that system is rational, grounded in best scientific evidence. Basic laws nearly a decade old, now ripe for review. Need to resolve legal disputes more rapidly. Need to have leaders with balanced perspective.

- Key Environmental Issues:

1. Air: As noted, Clean Air Act, adopted 70; revised 77; up for review in 1981; report from Congressional Commission due early in 1981. While 77 act realistically delayed deadlines in original 70 act, prevention of significant deterioration and sulfur dioxide standards may have costs that outweigh benefits. RR supports Act but wants to ensure it is carried out in way that does not hamper, unnecessarily, industrial development. Judgment will wait until commission reports.

Note: Acid rains current issue. Dramatic increase in acidity of water in Northeast (New York and New England) and eastern Canada believed to come from weak sulfuric and nitric acid precipitation formed in atmosphere by powerplant and industrial air emissions and transported hundreds of miles downwind. While CEQ notes cause and impact acid rain not clear, some environmentalists fear problem will increase when Feds get utilities to convert power plants to coal.

RR position: Need to learn exact nature of acid rain problem, so necessary measures may be taken which minimize adverse environmental impacts while permitting use of coal.

2. Clean Water Act: Adopted in 72, revised in 77. RR supports general purposes; questions whether goals are always realistic--e.g., "zero discharge" goal requires some manufacturers to return water to rivers cleaner than when it came into plant. Also tends to freeze companies into control technology when it might be better to adopt system of tax incentive that let them find most efficient, modern way to solve.
3. Hazardous Wastes: Hot issue. Public aroused by Love Canal in N.Y. where 263 families evacuated. CEQ estimates 1200-2000 U.S. disposal sites may pose risks; EPA given legislative mandate in 1976 to set standards for new disposals, conduct inspections, but law not implemented due to insufficient funding and manpower. FY81 budget finally requests increases. EPA has now inspected over 1000 sites and says, as of 4/23/80, only 120 need enforcement. But over one-third of 1000 sites need some remedial action. Costs estimated for clean-up range from hundreds of millions to billions of dollars. Love Canal estimates alone as high as \$150 million. Controversy continues to rage--especially over:

\$4-5 billion Superfund Proposal: Congress now debating. Two issues involved: (1) Coverage--should oil spills be covered, for example? (2) Who should pay--industry, govt., combination? RR Congressional task force recommends: RR support Superfund in principle, say that questions of coverage and funding need further consideration by Congress to ensure fairness to all parties. Toxic waste liability should rest primarily with the companies who dump. Polluter pays--a free market point.

4. Nuclear: By mid 77 de facto moratorium on new nuclear power plants. Carter has waffled on nuclear power; lost Democratic Platform fight (Platform calls for nuclear phase-out). Environmentalists (and Democratic Platform) oppose nuclear power because:

--Nonproliferation: Concern focuses on reprocessing which produces bomb usable plutonium. Carter and Congress in Nuclear Nonproliferation Act overemphasized ability U.S. to restrain spread reprocessing (we deferred our own program) which Europe and Japan consider essential for energy (breeders); Europe and Japan going ahead despite us; new bomb builders (Pakistan et al) not deterred. (See: International Briefing Book.)

- RR Position: Need nuclear power; safeguards and other conditions to prevent proliferation.

--Safety: Three Mile Island exposed deficiencies in procedures and practices; Kemeny Report recommends improvements, but does not find nuclear power unsafe. Ford Foundation/Resources for Future study finds risks nuclear power compare favorably with coal.

-RR Position: Accelerate safety effort, but continue nuclear development.

--Waste Disposal: As of mid 78, 7 states had prohibitions on storage or transport waste (California bans new nuclear power plants until demonstration and approval of waste disposal). No technical need to chose new method of waste disposal (spent fuel disposal or reprocessing/high level waste disposal both feasible).

-RR Position: Demonstrate waste disposal alternatives for decision by 1990 and solve siting problems (not in my backyard).

5. Strip Mining: Carter signed bill in 1977 after seven years of controversy in Congress (Ford vetoed two earlier versions). Controversy still raging in development of regulations by Interior Department; took years to write; classic case of regulatory overkill; some features invalidated by courts. So far, only 2 out of 28 or 29 coal producing states have federal approval to administer the legislation; both Western and Eastern Governors resent Federal intrusion into state regulatory process. Eastern coal producers fear their somewhat higher reclamation and control costs threaten competitiveness with Western coal. Amendment has passed Senate twice to allow states to administer the strip mining law; bottled up in House by Rep. Morris Udall.

-RR Position: Will take balanced view. Not afraid to reply on ability of state agencies to interpret Federal law without detailed instructions from Interior Department.

6. Alaska Lands: Called "conservation bill of century." House and Senate have passed conflicting versions, but may be resolved without formal conference.

House Version: Principal sponsors: Morris Udall and John Anderson. Supported by Carter. The pro-environment bill would permanently withdraw over 130 million acres for national parks, forests, wild-life refuges, etc., of which 68 million acres is under wilderness protection (totally closed to development). All but 150 million of Alaska's 375 million acres will be under some type of Federal land control (60% of Alaska--over twice the size of California).

Senate Version: More palatable to State and industry but two Alaska Senators opposed. Withdraws 108 million acres, of which 57 million acres in wilderness.

-RR Congressional task force recommends RR take position:

--Senate bill more reasonable. Creates conservation management units the size of Cal. but also allows more testing for natural resources potential of state. Example: allows seismic testing for oil & gas in Arctic Range, a caribou habitat. Anderson bill refused even that.

--RR concerned about rights of Alaskans and people in other states with large amounts Fed. land. Suit pending in federal courts (State of Alaska v. Carter) over Carter/Interior Sec'y Andrus move in late 1978 to administratively lock-up lands with development potential (oil/gas/minerals) pending final Congressional action.

--RR concerned House bill overlooks fact that locking away bounty of Alaska will force more rapid development of Lower 48 states.

--Withhold final judgment until compromise bill emerges. (RR will also want to determine Alaskan development potential before deciding.)

7. Sagebrush Rebellion: RR in past has attacked Federal land takeovers. Feds now own one-third of all U.S. lands. In West, U.S. owns 40% of 8 states--including half Western coal, 3/4 of oil, gas and oil shale. West resents; Carter defends in order to preserve heritage, prevent speculation.
8. Water Policy: Politically very sensitive, of course. Suggest sympathize with Western states, especially way Carter tried to run over Cal. landowners, but don't support specific water projects.

Note: Senator Domenici proposal to demonstrate return to states primary role for selection of water resource projects under an allocation formula now in a bill on Senate calendar.

B3. Labor

REAGAN AS FRIEND OF LABOR

QUESTION:

To blunt your appeal to blue collar voters, Carter/Mondale has been campaigning on the theme that you are "anti-labor." They cite your stand on many issues such as Davis Bacon, common situs, minimum wage, labor law "reform," etc. Can you tell us why working people should vote for you?

ANSWER:

- While have disagreed with union leadership on some issues, RR in agreement with rank and file on most issues. Examples are:

- AFL-CIO challenge to Carter wage-price guidelines
- UAW support of free Polish Unions
- labor protests against unlawful dumping (autos)
- need for strong defense against Soviets

NOTE: Stay away from particulars of minimum wage, Davis Bacon, common situs, labor law reform

- RR first union leader on major party ticket in history to run for President. "I know what it's like to sit across the table and bargain with management for better pay and working conditions."
- The worst enemy of working man is a sick economy--an empty dinner pail.
 - In sick economy, lower profits; labor can't bargain for its fair share when there aren't any profits
 - 1976 Debate: Carter said Ford had "highest inflation... in 25 years" and "highest unemployment...since the Great Depression. This affects human beings...(Ford) welfare administration and not work administration."
 - Carter Record: Eight million unemployed today--highest in 40 years
 - Highest inflation rate since World War II (12% versus 4.8% in 1976)
 - Average hourly wages of working man down 2 years in a row
 - Taxes have nearly doubled

- In stagnating economy, workers naturally try to protect their livelihood--can't blame them. The answer is not to exclude poor from ever-shrinking pie, but to create an expanding pie. Then will have profits, higher wages and benefits and the kind of healthy productive economy that made America great in past, and can make her great again.

LABOR ISSUES: FACTS

Carter/Mondale Attack: A central campaign theme for them--RR is classical anti-labor man. Cite RR past statements on minimum wage, Davis Bacon, antitrust laws, OSHA, right to work. Have also argued that RR's record in Cal. was anti-labor. Here's a capsule on each:

- Davis Bacon Act: Passed in 1931. Requires all construction projects entered into by Fed. Govt. to pay "prevailing wages" of area--usually the union wages. Raises costs of projects to taxpayers. Also steers many contracts to unions, and thus penalizes blacks, many of whom aren't in unions. RR has called for repeal which GAO has recommended. Red flag for unions.
- Antitrust laws: RR in past has suggested that possibly unions should be subject to anti-trust laws. RR has studied and no longer thinks appropriate. Major red flag for unions.
- Minimum wage: Now \$3.10, scheduled to rise this January to \$3.35. Has been rising 8.8% a year since 1978, ~~but still lags behind inflation increases.~~ Temporary youth differential supported by RR has failed twice in Congress--last time (1977) by a very close vote (211-210). Black labor economist (Walter Williams) at Temple University argues that lack of youth differential penalizes black teenagers. Labor Sec. Marshall said that close to 100,000 youth jobs lost when it failed. Even though Carter fought amendments to create differential in 77, Carter may wrongly charge that RR wants to abolish entire minimum wage.
- OSHA Created under Nixon, small business finds it especially obnoxious. Regulations number in thousands. Carter claims to have eliminated nuisance regulations. But agency still a great headache--and studies show that rate of accidents in work place have increased under OSHA. Carter regulations cost economy \$4.9 billion in 1979. Very controversial. RR in Buffalo said he would reform, not abolish.

Ways to improve:

- Focus on real safety
- Better management
- Total review, overhaul to keep same level of safety, but reduce paper work, inefficiency.

- Right to work: (14-B of Taft Hartley) Recent attempts to pass right to work laws have failed. (e.g., lost in Missouri in bitter 1978 fight) Twenty states still have such laws. RR favors fundamental principle of fairness in labor relations--and need to maintain legal standards preserving employee choice with respect to union membership.
- Hatch Act: Passed in 1939. Prohibits most Federal employees from taking active part in political management or political campaigns. Many past efforts to amend.

RR supports as it stands--protects civil servants from coercion by superiors (the original problem when there was no act on the books); also, partisan political activity by civil servants could undermine merit system.

B4. H-E-W

HEALTH CARE

QUESTION:

So far, you have not laid out your health care plans in a major speech. What do you propose--and how do you differ from Carter?

ANSWER:

- Carter record abysmal--accomplished nothing:

- Soaring costs:

- Health care costs up 44% since he took office.
 - Cost of prescription drugs up 31%.
 - Cost of hospital bed in N.Y. up from \$169 a day in '76 to \$211 a day in '78 (25% increase).

- Merry-go-round on legislation:

- In 1976, promised mandatory, national health insurance within 6 mos. of taking office. Defeated.
 - Now pressing Cost Containment proposal which could be regulatory nightmare; this twice rejected by House.

- Ineffective in curbing fraud/waste in Medicare/Medicaid.

- In 1976, claimed Medicaid a "national scandal" Said as much as \$7.5 billion wasted or stolen every year.
 - In 1977, Carter set up special unit in HEW (~~Health Care Finance Administration~~) to end abuse.
 - But as end of 1979, only 54 inspectors, 21 indictments, 17 convictions.
 - After resigning in 1979, HEW Sec. Joe Califano said massive fraud still plagues federal health and welfare programs.

- Carter Agenda vs. Reagan Agenda for the 80's

There are 3 principal problems to face in 80's--cost of medical care, access, coverage--in order to assure quality care for every American. Carter and RR differ on each.

- (1) Cost

- Carter favors unworkable cost containment plan (See attached)

- RR sees 3 better answers:

- a. Lower general rate of inflation--accounts for over half of health cost increase in 1970's.
 - b. Reduce regulatory burden--Hospitals now report to over 50 federal agencies; NY Hospital Assoc. has estimated that 25% cost of daily hosp. bed charge in N.Y. due to fed, state, local regulation.

- c. Encourage "Voluntary Effort" of industry--
Has been encouraging (barely missing targets)
over past 2½ years; since late 1978, health
care rising more slowly than CPI; Congress
endorsed this approach in 1979.

(2) Access to Health Care:

- Carter favors expanding federally directed delivery systems.
- RR favors consideration of tax incentives, loan programs to encourage physicians to work in underserved areas.
- Recent studies show access improved greatly in 70's and that we are moving toward surplus of physicians (some say by 1985). Med school enrollments have been way up.

(3) Insurance Coverage

--Carter favors:

1. Federalizing Medicaid and combining it with Medicare as part of new Health Care system.
2. Mandating catastrophic coverage by employers with \$2500 stop-loss.
3. Mandating employer coverage of 75% of health insurance premium.
4. Making Feds insurance of last resort through Health Care for those not otherwise covered; also would provide for "Health Care" option for any employer for 5% of payroll cost.

--RR takes different approach:

-Experiences in U.K. and Canada demonstrate that Demo. national health insurance will likely degrade quality of care, cost more than we can afford, treat patients on assembly-line basis, impair medical research, eliminate freedom of choice by patients and doctors.

-Better to stimulate private system to provide more comprehensive coverage through:

- a. Tax incentives, perhaps credits, for purchase of health care (would help low-income)
- b. Make employer's health insurance tax exemption contingent on offering each employee a number of competing health care policies, with incentives for insurance companies to provide quality coverage at lower costs. (Would also reduce health care inflation.)

HEALTH CARE: FACTS

● Costs in U.S.

- Aggregate health care expenditures today: \$250 billion
- Estimated by feds to hit \$438 billion by 1985
- In 1965 (when Medicaid and Medicare began), health expenditures 6.2% of GNP: today, 9%
- Federal expenditures in FY 80 will be \$50 billion-- almost 10% of federal budget.
- Health care 3rd largest industry in country.

● Main Federal programs:

Over past 2 decades, consensus that health care a national concern and should devote substantial federal resources. Led to many significant laws designed to:

- Assure elderly access to health care (Medicaid)
- Support state efforts to assure access to poor (Medicare)
- Increase number of physicians, other health providers (health manpower laws, Hill-Burton construction)
- Develop alternative delivery services (Health Maintenance Organizations, Community Health Centers)
- Rationalize decision-making in delivery (Professional Standard Review Organizations.)

Today, little agreement how well system working or on changes. But with increasing competition in private sector, it is reasonable goal to provide every American with access to quality health care during 1980's.

● Carter's Cost Containment

- Carter blames hospital industry for its inflation.
- Wants to regulate them even more.
- Would put a cap on hospital expenditures each year (has talked about allowing only 9½% a year increase). Would allow a pass-thru on wage increases.
- CBO has estimated that over 5 years, would only knock ½% off health care inflation (only a tiny fraction off CPI)
- Inevitable result: loss of quality in health care.
- House last rejected in 1979, endorsing the "Voluntary Effort" of hospitals.

● Health Maintenance Organizations (HMOs)

- Example of federal effort that is positive, innovative, deserving of support.
- It's a prepaid health care program started in 1974 (under Nixon)
- Since then, Feds have made grants, loans of about \$300 million to some 150 centers.
- Best Fed role: to help them get started.
- Nationally, only about 4% belong to HMOs but in California, about one out of every six belongs. Significant growth there, mostly without Fed. help.

- Health Insurance Coverage

- Over past 30 years, due to generous federal tax incentives, employer-sponsored plans have flourished.

- Private health plans now enroll over 180 million Americans. Over 3/4 of those are protected for major med. expenses.

- Various public health care programs cover some 65 million Americans (some have overlapping coverage under private plans)

- Medicare (25 million), Medicaid (19 million), Veterans benefits (12 million) and DOD (9 million). Thus, many of poor are now covered.

- Key problem: the working poor, part time workers, migrants--some 11-18 million who have no coverage. GOP has in past supported catastrophic for these, paid for by Feds. Catastrophic supported in GOP platform.

- RR has not put forward specific proposal here.

EDUCATION

Question:

You have expressed concern about the quality of education in the U. S., but you want to abolish the Department of Education. Isn't this going to set things back?

Answer:

1. Country on wrong track. Education is local issue. Parents, not bureaucrats, should be in charge.
 - In early years, when local communities and parents worked together, U. S. built up finest public schools in world.
 - In mid-60's, with Great Society, began heavy federal intrusion into schools. Elementary & Secondary Education Act of 1965 was first big federal funding program.
 - Not by coincidence, as Federal intrusion and funding has grown, quality of schools has deteriorated. Federal government now spends \$16 billion a year on education; local/state funding also up sharply. Results are striking:

-- Costs have risen from approximately \$500 per student in 1964 to over \$2,000 today in public elementary and secondary schools.

-- Test scores have fallen in college boards.

	<u>1964</u>	<u>1979</u>	
Math	496	472	Max score: 800
Verbal	473	427	

- Gallup finds confidence in schools at lowest point ever. Parents most worried about lack of discipline, drugs, poor curriculum.
(Note: they also want to spend more on education).

2. Carter has only made matters worse

- Sees himself as most pro-education president in years, but his only achievements are to increase federal intrusion.

Two keys:

- (a) Created Department of Education: \$15 billion, 17,000 employees by FY '82. Will create more control, more paperwork.
Example: Recent bilingual education regs. (See attached)

- (b) Worked against tuition tax credits, breaking 1976 campaign promise. Credits would give more freedom to parents. Note: Good issue against Anderson -- he's against tuition tax credits.
 - (c) Opposed loan program for middle income students until of August when Congress insisted on providing for middle income as well as poor.
3. RR would work to restore quality education through more local, parental control.
- (a) Reduce federal paperwork. Estimated 50,000 man-years now spent by principals, teachers, administrators on federal forms. Recent book from Harvard Univ. Press (ed. by Michael Reutter, 1979) says quality education comes not from more money but from strong leadership from principals, teaching staff; Federal paperwork a drain.
 - (b) Convert categorical grants into block funding. Allows feds to set broad standards, lets locals figure out how to meet them. More than 70 categorical grant programs now for secondary, elementary education. This is transition step toward ultimately transferring programs and resources to pay for them back to states and localities.
 - (c) Eventually, abolish Department of Education. Transfer many of its functions to local and state authorities. Transfer resources to pay for them, too. (Any remaining functions at federal level to go back to HEW).
 - (d) Strengthen parental freedom over education of their children. Parents should accept more responsibility, and with it, have more freedom. Two ways to achieve a greater freedom:
 - Tuition tax credits for elementary, secondary, college education.
 - Experiment with vouchers Alum Rock experiment in California (part of San Jose) involving public schools showed potential.

EDUCATION: FACTS

● California Record is Strong:

- Aid to state universities, primary & secondary systems up 105%, aid to state colleges up 164%; aid to community colleges up 323%.
- Increased university scholarships (public and private) from 6,000 to 31,000.
- Increased state spending for loans and scholarships from \$4.7 to \$43 million.

● Carter's Broken Campaign Promises:

- Promised tuition tax credits (Carter may deny, saying he promised constitutionally acceptable aid to parents non-public school students. But Sen. Moynihan says '76 Democratic Platform promises credits and suggested Carter lied.)
- Promised full-scale review of all education programs.
-- No systematic review has been undertaken.
- Promised end to paper-shuffling.
-- Recent Govt. reports estimate that over 9.5 million man hours will be spent this academic year by local, state educators (~~50,000~~ 5,000 man-years).
- Promised expanded support for vocational, career education, education for handicapped, and national consumer education program.
-- None carried out.

● Education in U.S.

- Total cost for 1981, all education; \$181 billion (7% of GNP).
- Fed share of public school funding; about 9%.
- Fed share of college, university funding: 16.5%.
- Total enrollment in elementary and secondary education: 46 million.
 - Public schools: 40 million.
 - Non-public schools: about 5½ (3.3 in Catholic schools).
- Total college enrollment: 11.7 million.

● Department of Education

- Cabinet level dept. est. in 1979;
- Widely seen as political payoff to National Education Association., the largest teachers union and biggest public employee union. Other teachers union, American Federation of Teachers, opposed, seeing it as Federally funded NEA union hall.

- Republicans in Senate voted for, those in House voted strongly against.
- GOP Senators voted strongly for Hayakawa amendment to "sunset" after 6 years. (Make it prove itself by then).

● Bilingual Education Regulations

- Tentative regulations issued this August (not yet final) would require local schools to give bi-lingual education to those limited in their command of English.
- Widely seen as dangerous 1st step by Dept. of Educ. to mandate how and what schools should teach.
- American Federation of Teachers, other groups argue that feds should leave it to local schools to determine best remedies.
- Regs are based on 1974 S. Ct. ruling (Lau case), which said no child could be denied education because of language barriers. Educators say the case does not require a "best" or single way to achieve that objective.
- House has adopted Ashbrook amendment that would block regs; McClure has introduced amendment in Senate. Education Dept. postponing decision until October.
- Many in Hispanic community like the regulations, because should help them become part of American society; but regs limit local discretion.

● Tuition tax credit

- RR has supported in order to assist millions of families who send children to non-segregated private schools. Credits especially helpful for low & middle income families; no need to aid high-income families. RR would phase in.
- Estimated cost (Cong. Budget Office) for 50% tuition and fees to maximum \$250 ((elementary and secondary)) and \$500 ((post secondary)): \$2-3 billion per year over next three years. Little administrative costs.
- House passed in 1978 by wide margin. Failed in Senate, under pressure from Carter. GOP strong for it.
- Opposed by NEA and other liberal groups but supported by Harlem Parents Union, US Catholic Conference.

● Harrassment of Non-Public Schools

- Another example of federal intrusion, this time by IRS.
- Would yank tax exemptions for private schools (many religious in nature) unless they could prove themselves totally free of racial discrimination in enrollment, teaching staff.
- Foes saw as a slap against Christian school movement, trampling of 1st amendment rights, failure to recognize that many have left public schools not for racial reasons but because of deterioration in schools, failure of schools to teach moral values.

- RR and GOP platform have strongly condemned.
- Action by Congress has prevented Carter/IRS from implementing, but fresh action required every year on the Hill.

- Prayer in Schools

- RR and GOP platform have supported restoration of rights of students to participate in voluntary, non-denominational prayers.
- Helms amendment would deny S. Ct. jurisdiction over school prayer cases. (Supported by one of the two original plaintiffs who brought the 1964 suit; Mrs. Murray's son who now supports prayer.)

- Busing

- Major issue in L.A., St. Louis, few other areas but not as "hot" as in last 3 Presidential races.
- RR has long record of favoring integration, but opposes idea that it is more important to bus a child 3 hours a day than to enhance quality of education in neighborhood schools. (Bussing demeaning to black neighborhoods.)
- RR favors strengthening neighborhoods, more efforts to create magnet schools, paired schools (black/white exchange students to balance without bussing), vouchers, as alternatives.
- Some of RR's friends in South say issue settled; don't raise.

- Black Colleges

- Carter on both sides of issue; pledged aid to them but Ed. Dept. has moved to eliminate much of black college identity in places like North Carolina (e.g.,).
- Black colleges great source of pride, feel threatened.
- RR strongly supports their desire to continue as separate institutions, so long as they are open to enrollment by anyone.

- It Can Be Done

- In 1978, small school district in North Highlands, Calif., decided to drop out of fed and state programs ostensibly designed to help "disadvantaged" students. Forfeited \$110,000.
- By mid-1979, student test scores in basic skills had improved in every grade!
- Supt. Robert Bagley said that "12-15% of time (previously) devoted to paperwork" now devoted to teaching. "If any organization could increase effectiveness by 25%, you'd see a significant difference."

WELFARE

QUESTION:

One of the sharpest differences in this campaign is over the way to handle welfare. Can you explain your position?

ANSWER:

- Welfare remains a national mess
 - Rolls are relatively stable, but still have 18 million on some form of welfare.
 - In N.Y. City, one out of 6 some form of welfare; L.A., one out of 10.
 - Some sons & daughters of welfare parents now entering 2nd generation of dependency.

- Carter efforts a failure
 - Carter proposed massive federalization in 1977. Said it would cost no more than present, but estimates ranged from \$20 billion (CBO) to \$60 billion (Senator Long). Plan failed.
 - Carter then proposed lower cost (\$3-5 billion) substitute. Despite disclaimers, has ingredients of national guaranteed income; work requirement less stringent than today.
 - Dem platform proposes federalization Another merry-go-round.

- RR would build on Cal. experience
 - Welfare a mess in 1971; rolls out of control there and across nation.
 - Cal. proved big state could solve; others like NY followed suit (e.g., Rockefeller, 1972-73).
 - 1973-74, national rolls down 1st time in 20 years.
 - Strong state actions have been only thing holding level stable in U.S.; benefit levels up where states have made savings.

- As President, RR would move in opposite direction from Carter
 - Decentralize thru states; build on state successes; free states from wasteful federal rules; savings used to help taxpayers and truly needy.
 - Orderly transfer of authority & financial resources to states:
 - (1) Replace open ended financing of AFDC with block grants; let 10 states design and run own family welfare system with no fed control; all states free to impose work for welfare (Long-Dole bill)
 - (2) Permit all states same freedom from federal control as 10 demonstration states.

- (3) Replace block grant with equivalent taxing authority moved from federal to state level.

WELFARE: (FACTS)

● California Leadership

- 1950s and 60s saw explosive growth in national welfare rolls: from 2,205,000 in 1950 to 8,466,000 million in 1970.
- RR Cal. legislation followed by many other states.
 - In Cal., welfare rolls growing up to 30-40,000 a month. Within 3 1/2 years, number down 350,000 with benefits to truly needy up 40%. Urban Institute notes great success.

● National Picture

- Overall welfare costs have risen dramatically. Of \$6 trillion spent on U.S. welfare over last 25 years, 49% spent in last 4 years.
- Food stamps: Began as pilot program in 1961. In 1964, one out of 485 received food stamps; in 1980, one out of 11 will be getting and one out of 4 will be eligible.
 - 1977 amendments abolished requirement that families share cost of program but put cap on benefits. Carter has recommended and Congress debating removal of cap. Program expected to cost as much as \$10.9 billion by 1981 (double 1977).

● Carter Failures

- Original 1977 plan would have dramatically increased number directly eligible for cash (from 21 to 60 million).
- New Carter plan, despite what he says, has all ingredients of national guaranteed income -- national minimum benefit level for aid to families with dependent children, mandates all states have a program and changes definition of "unemployed" to "income level" instead of "hours worked". In addition:
 - reduce role of states.
 - work requirement less stringent.

Urban

URBAN POLICY

QUESTION

Our cities are widely regarded as in decline. New York had to be bailed out with federal loans and guarantees. What will you do to improve the cities? Will you approve additional federal guarantees for New York if they need them?

ANSWER

- 0 To rebuild our cities we must rebuild the economy
- 0 Carter economic record abysmal
- 0 Carter Urban Record one of rhetoric, reversals, regulation politics and fraud:
 - His massive program of 1978 ("The New Partnership") sank in Congress with barely a trace enacted. Was inflationary and got caught up in administration/Hill wrangling.
 - Federal regs tend to put local officials in straightjacket-- NYC, for example, has to spend more on special education and handicapped than fire or sanitation (per Counsel to NY Council).
 - In 1979, Carter reversed course a bit -- tried to cut urban programs -- and then in 1980 has tried to increase urban spending.
 - Federal funding has also been badly managed and politicized; example: Sec. of Transportation threatened to cut off mass transit funds for Chicago after Mayor Jane Byrne endorsed Kennedy; since then, Carter has ladled out \$100 million in Fed grants and the mayor is back in fold.
 - Carter has also failed to get welfare reform and has undermined LEAA (Law Enforcement Assistance Administration) by cutting funds.

Ronald Reagan 5 Point Agenda

- Economic Growth
- Create enterprize zones in depressed urban neighborhoods (relax regs, stabilized or modified property taxes for businesses locating there)
- Expansion of job opportunities for young people through youth differential in minimum wage (Teenage unemployment 22.7%)
- Provide cities greater discretion over use of federal funds --convert categorical grants to block grants, ease unnecessary fed requirements.
- Encouragement of urban homesteading to permit rehabilitation of abandoned buildings

0 Re cities in financial trouble:

- Ronald Reagan would continue existing assistance to New York
- Additional or new assistance would depend on the circumstances

URBAN POLICY: FACTS

- O America's cities continue to decline. According to expert Richard Nathan, oldest cities declining faster in 70's than 60's.
 - Higher unemployment in cities: 8.4% vs. 7.6% nationwide. Minority unemployment, 14.6%, teenage unemployment 22.7%.
 - In mid summer in Detroit, general unemployment reached 18% and minority unemployment reached 56%.
 - Welfare Rolls in metropolitan areas have increased 5 since 76. One out of four on public assistance in Detroit.
 - Federally assisted housing for low and moderate income families has dropped from 517,000 in 1976 to 325,000 in 79; projection for 1980 only 240,000 (Hud Statistical Year Book)
 - Note: 28% of population now live in cities; 54% of minorities live there.
- O Federal mandates (33 different kinds of conditions to receiving Fed assistance) "expensive to attain...overwhelm...economic aid and development" (Former Indianapolis Mayor, Senator Richard Lugar).
- O Carol Bellamy (Counsel to N.Y. City Council President): NYC currently obliged by Washington to spend more on special education and transportation for handicapped than on either fire protection or sanitation department.
- O HUD Mismanagement
 - Sen. Proxmire in 11/79 special oversight hearings said tenants Clifton Terrace (Washington apartment house being rehabilitated with HUD funds) "victimized by incompetent bureaucracy" GAO said Clifton Terrace not unique: 75% of 2000 projects worth \$3 billion in areas; HUD not using elementary tools (e.g., monthly financial statements, annual audit reports

0 Distressed cities due to declining private sector employment, deficit spending, deferred improvements, expanding local government.

-- New York: Only city to have a Federal loan guarantee. Fiscal crisis exploded in 1975, resulted in law authorizing Washington to make loans up to \$2.3 billion. Legislation in 1978 authorized seasonal loans and loan guarantees.

Hot Issue now: tapping Washington well for more loan guarantees. 1978 legislation authorizes an additional \$900 million in loan guarantees in 1981 and 1982 if NYC cannot get loans through ordinary channels at reasonable interest rates. Sen. Proxmire trying to block the city from getting. NYC Sen. Moynihan, Carter/Mondale screaming against Proxmire, saying that loans rates now so high it is unreasonable for NYC to be blocked.

Recommend: Ronald Reagan should compliment Mayor Koch for leadership, progress toward balancing the city budget, higher scores on educational tests; say that he would like to take a closer look, but in general thinks the Proxmire legislation ill-advised. In short, be sympathetic to NYC.

-- Cleveland: Defaulted 3 times since Dec., 1978; facing backlog in needed improvements. 3-yr bailout plan calls for various local tax increases, layoff of employees. Very unlikely to arise.

-- Miami: Urban riots there earlier this year -- show how much distress still felt.