

Ronald Reagan Presidential Library
Digital Library Collections

This is a PDF of a folder from our textual collections.

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

Folder Title: The Carter Record (2 of 2)

Box: 299

To see more digitized collections visit:

<https://www.reaganlibrary.gov/archives/digitized-textual-material>

To see all Ronald Reagan Presidential Library inventories visit:

<https://www.reaganlibrary.gov/archives/white-house-inventories>

Contact a reference archivist at: **reagan.library@nara.gov**

Citation Guidelines: <https://reaganlibrary.gov/archives/research-support/citation-guide>

National Archives Catalogue: <https://catalog.archives.gov/>

HEALTH

HEALTH CARE -- THE RECORD

- Despite his campaign pledge to implement a national health insurance plan, Mr. Carter has failed to carry out this ill-advised promise. Originally an advocate of a comprehensive, federally-financed, universal and mandatory national health insurance, Mr. Carter finally opted for a modified catastrophic coverage proposal that is yet to be enacted. (Source: Congressional Quarterly Weekly Report, March 8, 1980)
- Since Mr. Carter took office, health care costs have risen 44 percent overall, with hospital costs rising 43.3 percent; physician fees, 43.9 percent, and prescription drugs, 31.4 percent. (Source: Department of Health and Human Services -- Health Care Finance Administration)
- Failure to eliminate fraud, waste, and abuse from government health programs, particularly in the Medicare and Medicaid programs, cost the American taxpayer \$8 billion in 1979 alone. Millions more have been wasted due to poor management and administration. (Source: United States General Accounting Office, Washington, D.C.)
- Fraud committed by health care practitioners virtually continues unabated. Only 54 investigators were assigned to the Health and Human Services Department's fraud unit in Fiscal Year 1980; only 21 indictments were executed by that unit in 1979 while the number of actual convictions totaled only 17. (Source: Department of Health and Human Services, Office of the Inspector General, Annual Report, March 1980)

MEDICARE/MEDICAID FRAUD AND ABUSE: ANALYSIS

Despite Carter's posturing, Medicare/Medicaid fraud and abuse still run rampant. Throughout his campaign and the first months of his Presidency, Mr. Carter launched a major attack on waste, fraud and mismanagement which characterized the Medicare/Medicaid programs. Speaking to the Student National Medical Association, Mr. Carter said:

Medicaid has become a national scandal. It is being bilked of millions of dollars by Charlatans...(National Health Policy Speech, Student National Medical Association, Washington, D.C., April 16, 1976)

In August 1976, he continued by stating that under his leadership things would be different:

I am anti-waste in government. I don't believe in give-away programs. I don't believe in wasting money. I believe in tough, competent management...(Faith in Government Address, Town Hall Forum, Los Angeles, California, August 23, 1976)

In September 1976, he placed Medicare/Medicaid reform among his highest priorities,

The first thing is to make Medicaid and Medicare delivery systems work...(Press Conference, Plains, Georgia, September 3, 1976)

At the same press conference he declared,

...whereas something goes wrong with management in the government, whether it involves the FBI or the CIA, or the Medicaid program, nobody's responsible. I think the President ought to be responsible, and, as such, I will be responsible. (Press Conference, Plains, Georgia, September 3, 1976)

Six days later, Mr. Carter continued his attack:

Only last week we learned that as much as \$7.5 billion of Medicaid is wasted or stolen every year. (Statement issued at Columbus, Ohio, September 9, 1976)

Eight months into his Administration, on August 6, 1977, Mr. Carter made his first and only legislative announcement concerning Medicare and Medicaid:

We will ensure that the Department of Health, Education, and Welfare will vigorously root out abuses and fraud in our special programs.... We will work for passage of current legislation

designed to crack down on fraud and abuse in our Medicaid and Medicare program... (Welfare Reform Message to Congress, August 6, 1977)

With those remarks, Mr. Carter sent his Medicare-Medicaid Anti-Fraud and Abuse Amendments to Congress. The amendments constitute the Administration's one and only effort to clean up the Medicare/Medicaid programs. At the bill signing ceremony, Mr. Carter said:

This bill will go a long way to eliminating fraud in the administration of the health care programs of our country. It will shift to heavier penalties for those who are convicted of false claims...prohibiting those who are convicted of this crime from delivering any services in the future...

Yet despite the Administration's efforts there is still fraud, abuse, and mismanagement within the Medicare/Medicaid programs. The reason for this is not so much a failure within the amendments, but a failure on the Administration's part to fight for vigorous enforcement. Additionally, major problems still exist within the administrative structure at the Department of Health and Human Services (formally HEW).

Consider the following:

- 1.) In a December 1979 report, the General Accounting Office (GAO) cited "questionable organizational" practices and "system design deficiencies" as contributions to an annual waste of over \$8 billion in HEW cash advance programs inclusive of the Medicare/Medicaid programs. (See also U.S. News and World Report, June 6, 1979)
- 2.) In a November 1979 report, GAO cited further failing in Medicare/Medicaid program administration. Moreover, the report faulted HEW for not implementing specific recommendations made by GAO and stated the HEW's refusal resulted in the waste of "millions of dollars."
- 3.) The Washington Post stated HEW revealed that doctors cited for felony abuse by HEW were, instead of being prosecuted, were "quietly being let back in" the system. (Washington Post, November 12, 1979)
- 4.) In a February 1980 article, the New York Times stated that in Florida alone, \$5.5 million had been bilked in improper nursing home claims under Medicaid. (New York Times, February 14, 1980)
- 5.) The Los Angeles Times in a March 1980 article reported a waste of \$7 million under the California Medicaid program (Medi-Cal). (Los Angeles Times, March 6, 1980)

Waste and fraud in Medicare and Medicaid are particularly serious given the size and rate of growth within the programs.

Medicare and Medicaid spending has increased rapidly and now constitutes one of the largest items in the federal budget.

<u>FY</u>	<u>Medicare</u>	<u>Medicaid</u>	<u>Fed. Share of Medicaid</u>
1981	\$32.5 billion	\$24.2 billion	\$13.5 billion
1980	30.0 billion	20.5 billion	11.5 billion
1979	30.0 billion	20.0 billion	11.0 billion
1978	25.5 billion	19.1 billion	11.0 billion
1977	21.5 billion	17.1 billion	9.9 billion
1975	14.8 billion	12.6 billion	6.8 billion
1970	7.1 billion	4.7 billion	2.6 billion

(Source: Division of National Cost Estimates, Health Care Finance Administration)

The Carter Administration's efforts to clean up the Medicare/Medicaid system have been "cosmetic" rather than "effective." In 1977, the Carter Administration reorganized HEW by creating the Health Care Finance Administration (HCFA). This new agency is responsible for oversight, policy control, and policing of the Medicare and Medicaid programs. The Medicare/Medicaid Anti-Fraud and Abuse Amendments passed that same year were to:

- 1.) upgrade most existing misdemeanors for fraud to felonies with commensurate upgrading of penalties.
- 2.) establish federal funding (90 percent) for states to establish special Medicaid fraud units.
- 3.) place increased reliance on existing Professional Standard Review Organizations (PSRO's) to aid policing individual practitioners.

The Administration fails to understand that one must not only pass laws, one must vigorously move to enforce those laws. Former Secretary of HEW Joseph Califano said in a news article shortly after leaving his HEW position, that massive fraud still plagues our federal health and welfare programs. (Victor Riesel, "Enough Billions Stolen from Welfare Annually to Finance Synthetic Fuel Production," Field Newspaper Syndicate, July 20, 1979) In numerous reports, the GAO cited HEW for deficient management and policing. This coupled with the point that many convicted under the upgraded anti-fraud and abuse laws were being let go to return to private practice.

If the Administration's commitment can be measured by results, consider the following:

- 1.) As of the end of 1979, the number of HEW investigators assigned to Medicare/Medicaid fraud totaled 54. The Inspector General of HEW stated that the investigations staff for Medicare/Medicaid fraud is "inadequate" and their investigations are limited to a "handful of cases."
- 2.) As of the end of 1979, the number of indictments achieved by HEW for Medicare/Medicaid fraud was 21. The number of convictions was 17. (Department of HEW, Office of the Inspector General, Annual Report, March 31, 1980)

Six months into 1980, the rampant waste and fraud continue. At a little noticed congressional hearing in May held by the House Select Committee on Aging's subcommittee on Health and Long Term Care, Frances Mullen, an official with the Federal Bureau of Investigation, testified that "corruption has

permeated virtually every area of the Medicare/Medicaid health care industry." ("Medicare, Medicaid Riddled by Fraud, Abuse, FBI Says," Elizabeth Wehr, Congressional Quarterly Weekly Report, June 21, 1980)

Mullen continued by stating that undercover FBI agents have found that fraud and kickbacks are a "way of life" within the system and that "no section of the country -- and no segment of the health industry -- is free from illegal financial arrangements."

This report came only two months after Carter's Health and Human Services Secretary Patricia Harris told congressional committees that estimates of problems of the two programs exaggerated. Secretary Harris stated that "reducing fraud and program misuse will not produce major savings." Harris continued her testimony before the House Appropriations Labor-HEW Subcommittee by asserting that it "is ridiculous to assume that the department [Health and Human Services] can discover and implement systems changes that will produce savings."

Mullen maintained that FBI investigations have proven that Secretary Harris and the Carter Administration are wrong. The FBI reports that fraud and abuse are not only continuing but "are becoming more widespread." The Bureau states that dishonest doctors, hospitals, laboratories and private clinics "have absolutely no fear of being caught" and that the "swindlers believe that even if they are apprehended, their only penalty will be having to pay back their ill-gotten gains." Both FBI officials and veterans of Medicare/Medicaid investigations in the General Accounting Office feel that crime has flourished in the programs because "Health and Human Services' oversight has not been rigorous."

A major point to note is that fraud and abuse is being committed by the practitioners in the programs, not the target population, that is, those in need of medical services. In the end it is their people who really suffer. Fraud diverts funds from those who need assistance. Fraud also gives these programs a bad name and causes a reluctance among both the government and the public to support continued funding. A reformed Medicare/Medicaid system would not only benefit the government through savings but would also better serve those it serves.

At this time it also seems that some success in policing the system has come from states. The remedy at the state level has been rigorous investigation and prosecution. Commenting on state actions, a GAO investigator stated that some states are simply "putting doctors in the slammer. It's a good deterrent."

What Mr. Carter has forwarded as a vigorous effort to root out fraud and abuse is in reality a half-hearted and virtually ineffectual effort. To claim otherwise is misleading and dishonest. If he feels he is eliminating fraud and abuse he is being naive. Yet naivety has marked his efforts in this area all along. For instance, realizing that any effort to police this system requires passing judgement on the medical decisions of health care providers, the Administration's 1977 proposals called for the increased use of the already existing Professional Standards Review Organizations (PSRO's). These local units, made up of health care professionals, would be charged with policing their peers and colleagues regarding the Medicaid system. The truth is that medical professionals are very reluctant to publicly judge their peers. The use of PSRO's as a Medicaid policing board is totally ineffectual. A National Journal article appearing in the May 3, 1980 issue cites a Congressional Budget Office report that concurs. The CBO report is also quoted as stating that in all, the PSRO's (which are federally subsidized) "cost the government more than they

Yet at the very same time that his Administration is failing to come to grips with waste and fraud in existing federal health programs, Mr. Carter is even now advocating the institution of even more massive federal health programs. An example is his vision of a comprehensive national health insurance program, where the potential for fraud and abuse, especially when compared to the Medicare and Medicaid programs, is overwhelming.

HEALTH CARE COSTS: ANALYSIS

Mr. Carter's thinking on the cost of health care during the 1976 Presidential Campaign seemed to be limited to one observation: that health care costs are going up at an alarming rate. He made references then that health care must be made affordable to all Americans and that his yet unspecified health care plan would address that.

Any comprehensive health policy must bring care within the reach as well as the means of all our people....We must have strong and clear built-in cost and quality controls...
(National Health Policy Speech, annual meeting of the Student National Medical Association, Washington, D.C., April 16, 1976)

Four months later Mr. Carter again touched on the subject of costs. In a speech before the General Board of the AFL-CIO, Mr. Carter attacked the Ford Administration for its handling of health care inflation. However, the attack was unjustified and highlights Mr. Carter's reliance on rhetoric rather than fact. According to Mr. Carter,

We've heard a lot of tough talk from the Administration on inflation, and we're going to hear a lot more during the campaign...Campaign talk cannot disguise the 60 percent jump in health costs...(AFL-CIO Speech, August 31, 1976)

Unfortunately for Mr. Carter, health care cost inflation under President Ford was only 4.5 percent. Further, during the last year of the Ford Administration it averaged only 3.5 percent (a figure below the annual inflation rate of 4.8 percent). (Congressional Budget Office: Controlling Rising Hospital Costs, September 1979)

Early in his Administration, Mr. Carter began to re-evaluate his campaign pledge for mandatory, comprehensive national health insurance: the most significant factor in this re-evaluation was the consideration of costs. Throughout his 1976 campaign, Mr. Carter had failed to discuss, and by his own admission, failed to consider the cost involved in the type of national health insurance program he was advocating. This became evident in an exchange between Mr. Carter and columnist Robert Novak which took place on CBS' March 14, 1976 "Face the Nation." In response to a direct question from Novak about both the funding and cost of his national health care system, Mr. Carter simply replied:

Well, I don't know the answer yet...

What became apparent to Mr. Carter early in 1977 is that with major inflation occurring in the health care sector, the viability of any health insurance program was linked directly to its costs. This is especially so considering that the plan Mr. Carter would call for includes universal coverage. In 1977, 8.8 percent of the GNP was accounted for by health care expenditures, up from 4.5 percent in 1950. Further, federal funds from existing programs were already accounting for 42.1 percent of all health care dollars spent.

Through his campaign, Mr. Carter noted that Americans face increased problems affording the cost of health care. Yet throughout that period, the question of cost was assumed to be controllable through an overall, yet unspecific, health care plan. By the first months of his Administration, Mr. Carter divorced the issue of costs from his national health insurance package and forwarded it as a separate proposal.

On April 25, 1977, Carter introduced his first effort aimed at controlling the costs of health care, the Hospital Cost Containment Act of 1977. This program was to lay the groundwork for the health insurance proposal to come.

In Mr. Carter's words, Americans will be in a better position to address broader health concerns *"if we can limit the increase in soaring medical costs."* (Health Care Legislation, Message to Congress, April 25, 1977, Presidential Documents, 1977)

Despite Mr. Carter's contention that *"this legislation is not a wage-price control program,"* the legislation essentially was a wage-price control program. Although it did not specify individual fees for salaries and services, it did limit hospital growth to nine percent per year leaving actual cost determination to the hospital. Further it allowed wages to be passed through, thereby exempting a component that makes up 34 percent of the annual cost increases within hospitals.

This proposal failed to pass Congress, a rejection totally justified. The Carter approach was, and continues to be, simplistic and it shows neither an appreciation of the components of health care inflation nor an understanding of the changing nature of health care as a consumer product.

The Carter approach was best summed up by the May 18, 1977 edition of the Wall Street Journal which devoted its lead editorial to criticizing the misguided approach of the Carter Administration.

President Carter's proposals for controlling hospital costs probably aren't going far in Congress and that is just as well: they're the wrong medicine....the Carter proposals fail to address the underlying cause of rising hospital costs....Mr. Carter is falling back on the last resort of failing government policies, direct controls...

Mr. Carter simply failed to see that in the end a ceiling on hospital expenditures would translate into a cutback of services by hospitals desperately trying to stay within the regulated spending limit.

With the defeat of his first cost control bill, Mr. Carter began plans to re-introduce similar legislation. His thinking on the matter showed little development. He continually stated the mandatory controls were the only viable mechanisms.

One of my main legislative goals for the year is the Hospital Cost Containment Bill. That bill...is our principle weapon in the effort to decrease health care costs which now double every five years. (State of the Union Address, January 19, 1978)

It wasn't, however, until early 1979 that a modified cost containment bill was forthcoming. This time, however, Mr. Carter tried to broaden appeal for his

program by stating that it was not just a bill to hold down inflation in the health care sector, but in the entire economy as well.

Today I am submitting to the Congress one of the most critical anti-inflation legislative proposals that the Congress will ever consider, the Hospital Cost Containment Act of 1979. (Presidential Documents, March 6, 1979)

The Administration failed to learn its lesson. Though modified from the earlier bill, this also was a cost control bill. The measure would establish a national hospital cost containment program which would set voluntary limits on annual increases in hospital expenditures yet at the same time provide for mandatory controls if the voluntary limits do not prove effective. Like the first bill, this one also allowed exemptions for wage increases -- again passing through a component which accounted for 34 percent of cost increases.

This bill was also rejected by the House. In its place a bill calling for the continuation of a voluntary effort was passed as well as for the establishment of a commission to study in more detail the nature of health care inflation.

The following points about health care cost inflation should be noted:

- Both the Carter Administration and the Democrat Congress have been unable to deal with this issue. Democrats in Congress, unable to form a consensus among themselves, have deferred to Administration initiatives.
- The Carter Administration has avoided dealing with the underlying causes of health care inflation. Instead, it has opted for a strategy of mandatory cost ceilings, and government regulation. President Carter has designated hospital cost control as key to his anti-inflation plans and sees it as the prerequisite for his multi-phase plan to establish a comprehensive national health plan.
- The Carter Administration's short term plan for controlling hospital costs was embodied in its Hospital Cost Containment Act of 1979 (H.R. 2626). This bill, although encouraging the continuation of the voluntary efforts on the part of hospitals, stipulated mandatory federal controls and regulations for any hospital whose expenditures exceeded the bill's growth limit.
- Republican opponents to H.R. 2626 scored a victory when the House of Representatives passed the bill in revised form. The revision deleted all provisions for mandatory controls and federal regulation. It encouraged the continuation of the voluntary efforts and established a study group to determine the root causes of health care cost inflation. Republicans called the President's cost containment bill a simplistic solution based on a wholly mistaken understanding of health care cost inflation.
- The health care industry is presently the third largest industry in the United States accounting for spending of \$162.6 billion a year and employing 4.6 million people. Hospitals receive about 40 cents of every health dollar spent. Presently the federal government pays 55 percent of the U.S. hospital bill either through public insurance or through the Medicare or Medicaid programs in direct grants to hospitals. It is estimated by 1980 that Americans will be spending \$229 billion on health care. ("Inside our Hospitals," U.S. News and World Report, March 5, 1979)

HEALTH CARE EXPENDITURES DURING CARTER ADMINISTRATION
(in billions)

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
TOTAL (OVERALL)	170.0	192.4	212.0	245.0
HOSPITAL COSTS	67.9	76.0	85.9	97.3
DRUG COSTS	13.8	15.0	16.6	18.1
PHYSICIAN COSTS	31.2	35.2	39.8	44.9

**Source: Health Care Finance Administration

There is a general recognition that hospital expenditures have been increasing faster than the Consumer Price Index. There is a difference of opinion why this is happening and specifically what to do about it.

The Carter Administration through its support of the "Hospital Cost Containment Act of 1979" believes that hospital costs have been increasing because of a variety of factors including inefficiency by hospitals, excessive expenditures on unnecessary equipment, poor management procedures, etc. The Administration proposal seeks to "control" these costs by a set of "voluntary" guidelines with the prospect of mandatory controls. It seeks to isolate the hospital industry to limit cost increases. The President, and spokesmen for the Administration, have made it clear that they seek this hospital cost containment program as essential to control costs in order to prepare the way for the implementation of a national health insurance program.

Opponents of the proposed federal effort for hospital cost containment point out that the reasons for the increases in hospital costs are complex ones and cannot be resolved by passing more federal rules and regulations. In fact, they point out that a large part of the problem of increasing costs have been excessive federal government rules and regulations. They object to the fact that the Carter Administration approach is to isolate one factor of a multi-dimensional economy (e.g. hospital costs) in order to apply mandatory controls while no rules or restrictions of a similar nature are included on those parts of the economy with which hospitals must deal (e.g. wages, cost of certain goods and services, etc.). The proposal attempts a blanket approach to hospital cost controls with little consideration for the previous state efforts and especially the operation of the voluntary effort. Further, opponents maintain that the proposed legislation, if adopted, could impose such controls that could easily result in hospitals cutting back on services to patients or "rationing" health care in order to meet the goals. Additionally, it shows little understanding for causes of health care inflation or the nature of health care as a consumer product.

The confrontation over hospital cost containment is a classic one between advocates of more federal rules and regulations to resolve a problem (one for which the federal government bears a significant responsibility) and the efforts of those who see a problem resolved with voluntary efforts and a minimum of federal controls, rules, and restrictions. Mr. Carter believes the federal government's role is to step in to "protect" the consumer (patient) from rising hospital

costs through federal controls. However, the only result of such "protection" will be more federal controls over the market place, no reasonable expectation that such a program will in the long run control costs, and that the consumer (patient) will suffer by having essential services cut back, accessibility of health facilities limited, and eventually a "rationing" of health services available based on dollar amount rather than the need of the consumer (patient). These controls, if adopted, will be another major step for more federal control over the U.S. health system via the adoption of a national health insurance program.

An understanding of the hospital cost containment issue requires a discussion of the reasons for increasing health care costs for hospitals. The magazine Private Practice, the official publication of the Congress of County Medical Societies, listed inflation as the major reason medical and other prices continue to rise. It pointed out some additional factors why medical costs have risen faster than the Consumer Price Index; (1) the higher cost of medical technology and the people to operate new medical technology; (2) extensive wage increases for hospital employees because of unionization and the application of minimum wage laws to hospital employers; (3) widespread use of expensive health screening tests for people who appear in good health; (4) a tenfold or more increase in malpractice liability insurance premiums for hospitals and doctors; (5) twenty percent increase in demand under Medicare and Medicaid especially as additional people seek medical treatment because the price barrier has been lowered; (6) onerous OSHA requirements for hospitals as well as new fire safety codes; (7) unemployment insurance benefits for hospital employees added during the 1970's; (8) the enormous costs of meeting the regulations of at least 50 federal agencies; and (9) the cost of care for the dying patient who once was cared for at home but is mostly cared for in hospitals. The article noted that additional paperwork imposed by federal regulations continue to add to costs. (Private Practice, June 1977)

During testimony before the Senate Subcommittee (March 9, 1979), John McMahon, president of AHA, observed that besides inflation, increases in expenditures for hospitals included increases in the costs of goods and services a hospital must purchase, increases which result from a larger and older population, and increases resulting from improvements in medical technologies and extension of services. He stated that these other factors along with inflation account for the rise of hospital expenditures and therefore it is "misleading and incorrect to compare changes in hospital expenditures to the rate of inflation in the general economy."

Besides the rise in inflation, McMahon estimated that overall, hospitals will face cost increases of about 14 percent in 1979. The costs of necessary goods and services will constitute a 9.1 percent increase. There is an estimated 1.1 percent increase resulting from the growth of population and a relatively large increase in elderly patients. (It should be noted that individuals sixty-five years of age or older, while constituting 11 percent of the total population, represent 26 percent total hospital admissions; this group utilizes 38 percent of total inpatient days; they have a higher incidence of chronic conditions and multiple medical problems requiring both long and more frequent hospital stays; the cost of senior citizens on a per capita basis is 3.5 times greater than for the younger population.) There is an estimated 3.8 percent increase in services resulting from the technological improvements in medical care. These include new and expensive devices to diagnose and treat illnesses effectively.

They have generally added about four percent per year to the overall hospital expenditures -- resulting from new and better equipment to treat patients. (He added that considering all these factors the goal for 1979 of the voluntary program of 11.6 percent would be difficult but attempts would be made to do so through improved management, planning, and productivity. The 9.7 percent level would not be realistic.)

The same basic error in the Carter Administration proposal -- comparing how rising costs in hospital care exceed recent rises in the consumer price index - - was pointed out in an editorial in The Washington Star ("Mandating Hospital Costs," March 19, 1979). It noted that the comparison was misleading since costs include but are not limited to rising prices. Although it notes that the Carter proposal allows a basic adjustment for inflation, it observes that the problem in health care costs is elsewhere -- (1) the projected growth of the treated population and (2) the growth in the so-called "service intensive" costs including the capital investment in diagnostic and remedial equipment. The Star editorial also observed that the voluntary effort revealed real progress (e.g. reductions from 15 percent in 1977 to 12.6 percent in 1978 and with the hope of knocking another percentage point or two off in 1979) in cost containment and proved that hospital cost inflation can be curbed by a voluntary effort.

Franklin P. Iams of the Fairfax Hospital Association noted that the growth in Northern Virginia would make it impossible to stay within the Carter Administration's 9.7 percent. He added:

We'll have to eliminate services in Northern Virginia if we are going to continue to take care of people... We just want to make sure the people know what is being talked about at the national level because it is rationing.

Additionally, a study completed in 1979 by the prestigious economic consulting firm, Data Resources, Inc., quashes the argument that the Carter proposal is one way of fighting not just health care cost inflation but general inflation as well. According to the report:

The major effects of the Administration's program will not materially reduce the rate of inflation... This program cannot be categorized as having a meaningful anti-inflationary impact. Its apparent scope and purpose are intended to redirect resources away from the hospital-care sector specifically and health care generally...(Cincinnati Inquirer, November 4, 1979, Page A-8)

In the end, Mr. Carter's approach to the question of health care cost inflation is as misguided as his other policies. It is simplistic and shallow. It is based on faulty assumptions and shows little comprehension and understanding of the basic problem. What is worse, however, is that Mr. Carter's misguided thinking on this subject has remained unchanged for nearly four years, and is clearly dangerous to the health of Americans.

What is painfully apparent is that the only viable option Mr. Carter can offer the American people in regard to health care inflation is his continual advocacy of federal price controls and heavy regulation of a sector already knee deep in regulation. This is not only indicative of shallow and narrow thinking, but is particularly ironic for a man who campaigned on the promise of less government and less regulation. On August 6, 1976, in an address before the Association for Cooperation in Engineering, Mr. Carter stated:

There is no doubt that a few federal regulatory programs produce few real benefits to the public exacting a cost to the economy...Too often the rules are hard to interpret, government policy is too unpredictable and unstable, compliance is indifferently enforced. The most serious shortcoming of regulation is that it often fails to relate the social and economic costs of the goals to objective measures of benefits.

NATIONAL HEALTH INSURANCE: ANALYSIS

Ill-advised, President Carter promised in his 1976 presidential campaign that national health insurance would be one of the capstones of his Administration. However, through both his presidential campaign and through the first three and one-half years of his Presidency, Mr. Carter's position on health care, particularly national health insurance, has never had a clear focal point. Mr. Carter's pronouncements on the subject of national health insurance move from advocating a major comprehensive program based on universal coverage and federal funding; to a modest program of incremental change to address targeted needs; to a hybrid program of piecemeal incrementalism with the potential for a comprehensive program at a future time. Mr. Carter's time-table has been equally erratic. During the 1976 campaign, Mr. Carter talked of implementing a national health insurance program within the first six months of his administration. Early into those six months, Carter re-evaluated his estimates and pushed his time-table back one year. In 1978, the re-evaluation and delay were repeated until in mid-1979 a Carter National Health Insurance program emerged. Yet the program proposed was a far different breed of animal than originally suggested three years earlier.

The Carter zig-zags on national health insurance should come as no surprise to observers of the Carter style of presidential leadership. The Carter policy on national health insurance has earned it the description of being a "merry-go-round" that "has visible flaws" and in the end "is more pious and prayerful than useful." (George Silver, "The Health Care Merry-Go-Round," Saturday Review, February 16, 1980, p. 15)

Too often, Mr. Carter's statements on health care policy are more reflective of a weak centrist leader desperately hoping to appeal to, and thus hold within his fold, constituencies crucial to his political life, than of a leader with a clear goal of improving the nation's health care. This observation was made by the Los Angeles Times in the Spring of 1977 when it described Mr. Carter's return to the fold of universal and comprehensive national health insurance advocates as a response to liberal critics, particularly Senator Edward Kennedy and the United Auto Workers. (Harry Bernstein, "Carter Pledges Action on Health Insurance," Los Angeles Times, May 18, 1977)

What is very apparent is that Mr. Carter's thinking on national health insurance has never been clear in his own mind.

In his initial zeal for the Democratic nomination, Mr. Carter embraced the traditional liberal view that the state of health insurance coverage in the United States is so deplorable that the only alternative is a universal and comprehensive government program. Once he embraced this position he gave little thought to the costs of such a program and the impact it would have on the federal budget. This position was characterized by his remarks to the United Auto Workers convention in May of 1977, when he stated that "Cutting back programs that really help people is not the way to balance a budget." His third problem was his failure to understand how the type of program he was talking about would be structured and positioned in the existing health care system.

These three points -- the zealous advocacy of a massive government health care program, little conception of costs, and little conception of implementation

and structure -- can be said to characterize the first phase of the Carter thinking on national health insurance. This phase lasted from the announcement of his candidacy through approximately the middle of 1977.

During the 1976 campaign, on a "Face the Nation" interview, the shallowness of thought given by candidate Carter to the question of national health insurance began to show. In his question to Mr. Carter, Robert Novak stated that although Mr. Carter had constantly stated in his campaign that he was in favor of national, comprehensive, mandatory health insurance, he had not addressed the question of either funding or cost. In response to Mr. Novak's question as to whether or not Mr. Carter could talk on these two critical points, Mr. Carter replied:

Well, I don't know the answer yet...

One month later, on April 16, 1976, in an address to the Student National Medical Association's annual convention in Washington, D.C., Mr. Carter's zeal for major and immediate reform of the nation's health care system began to show its first signs of slippage. While still stressing his litany of charges, inclusive of universal and mandatory national health insurance, Mr. Carter for the first time began to include qualifiers which were prophetic of the policy switches to come. In this, a major health address of his 1976 campaign, Mr. Carter no longer specified a time frame for his program. Instead he simply stated:

The accomplishment of comprehensive national health insurance will not be quick or easy. (National Health Policy Speech, The 1976 Annual Convention of the Student National Medical Association, Washington, D.C., April 16, 1976)

Throughout the campaign, there was an ambiguity as to the type of national health care program Mr. Carter had in mind. As noted above, Mr. Carter failed to even discuss specifics of funding and costs. Additionally, the nature of the program was continually a point of speculation. By October of 1976, Mr. Carter's "national, comprehensive, mandatory national health insurance program" has acquired one additional adjective. That adjective was "phased-in." As quoted in the October, 1976 issue of The Nation's Health, Mr. Carter stated:

I support the enactment of a phased-in, comprehensive national health insurance program. I think the public wants such a program and I intend to work vigorously to get it.

Mr. Carter was silent on the issue of national health insurance through most of the Fall of 1976 and into the first months of his presidency. In his February 2, 1977 broadcast to the American people in which he outlined his presidential agenda, the issue of national health insurance and health care in general was conspicuous only by its lack of attention. What Mr. Carter once referred to as a major goal of his Administration was found buried with a list of other domestic issues at the end of his remarks. Mr. Carter stated:

There are many other areas of domestic policy -- housing, health, crime, education, agriculture, and other -- that will concern me as president but which I do not have time to address tonight. (Report to the American People, February 2, 1977)

At this time, Mr. Carter began to hint at the fact that his beliefs about the American health care system and the reforms he had been proposing were in need of adjustment. He stated that his plans for a comprehensive health care program were contingent on addressing the major problem of fraud and abuse in the Medicare/Medicaid programs and the overriding question of health care cost inflation.

This was followed on April 25, 1977 with a hospital cost control bill. (The Hospital Cost Containment Act of 1977 was introduced on April 25, 1977 and failed to pass Congress. Subsequently, the President reintroduced similar bills in 1978 and 1979. Both of these failed.) This bill was seen as a crucial first step in Mr. Carter's health reform program in that it was seen as making a major health program affordable.

Yet, as noted earlier, Mr. Carter's liberal constituencies saw this as a policy reversal and claimed he had abandoned the goal of a major national health insurance program. Mr. Carter responded on May 17, 1977 in an address to the annual convention of the United Auto Workers by saying:

I am committed to the phasing in of a workable national health insurance program.

Again it should be stressed that Mr. Carter placed a national health insurance program above budgetary considerations. Mr. Carter added:

It's not legitimate spending on human needs that causes our deficits -- it is principally the inadequate revenues from a sluggish economy...Cutting back programs that really help people is not the way to balance a budget. (Los Angeles Times, "Carter Pledges Action on Health Insurance," Harry Bernstein, May 18, 1977)

In conclusion, Mr. Carter promised a national health insurance program by 1978.

By mid 1977, Mr. Carter seemed to understand that he had taken on more than was feasible. Yet, he appeared unclear as to the direction he wished to move. What is clear is that:

- 1.) Mr. Carter failed to deliver on his campaign promise to get moving on a national health insurance program by January 1, 1977.
- 2.) That he failed in his promise that a program would be presented within the first six months of his term.
- 3.) Mr. Carter had abandoned his hopes for a "comprehensive, mandatory health insurance program."

The second phase of Mr. Carter's health care thinking was one of drift and indecision. This began mid-1977 and lasted through June of 1979. During this time, Mr. Carter repeatedly stated his support for comprehensive national health insurance yet insisted that its success was dependent upon the successful passage of his hospital cost containment bill, and the reduction of fraud in the existing Medicare and Medicaid programs.

By June of 1979, Mr. Carter entered the third phase of his health care policy development by announcing not a major comprehensive national insurance program but a modified catastrophic program.

Mr. Carter was quick to note that the program as introduced was envisioned as the first part of a more comprehensive program.

To expand the national health plan beyond the initial step, Mr. Carter would add benefits and lower deductibles. The Administration would also increase federal regulation by placing a nation-wide limit on capital expenditures and by expanding utilization review throughout the country. Additionally, it would continue to encourage the development of health maintenance organizations (HMO's).

The Carter National Health Plan, as introduced in Spring of 1979, would become effective in Fiscal Year 1983. Costs for the program in the first year, based on Fiscal Year 1980 dollars and population, are estimated by the Department of Health and Human Services (formerly HEW) to total \$24.3 billion (\$18.2 billion in additional federal costs, \$6.1 billion in additional employer-employee costs, and \$.6 billion in lost tax revenues resulting from different deductions taken by employers and employees.) Further, Mr. Carter proposes a change in the federal income tax law that would allow personal income tax deductions only if premium and medical expenses exceed 10 percent of gross adjusted income (instead of three percent as in current law).

Mr. Carter is blithely promising the American people dramatically increased benefits -- and for fewer dollars than we are now spending! He proposes to accomplish this by creation of a mammoth regulatory bureaucracy, one which would review and certify every insurance plan in the nation, determine eligibility standards for every citizen in the country, and set provider reimbursement rules for hospitals and doctors throughout the land.

Does the Administration really believe more government regulation, a prime cause of increased health care costs, can successfully provide the changes needed in the health care system? Again it contradicts itself when it admits the real answer to controlling costs lies not in more regulation but in a change in the underlying incentives motivating consumers to buy more and more expensive care.

The Administration correctly concludes: The importance of correcting the underlying causes of runaway health costs -- an absence of market forces and the ability of providers to determine the type and quantity of service purchased -- cannot be overemphasized. It is this absence of market forces that has made the doctor and patient oblivious to the cost of demanding a more complex and sophisticated package of services. If cost savings are to be achieved through the Administration's regulatory route -- without correcting the doctor and patient's lack of motivation to make cost effective decisions -- then it is the package of services that the Administration will have to arbitrarily cut. And an arbitrary reduction of services in essence means a reduction in the quality of care obtained. The Administration constantly claims it can "cut the fat" out of hospital costs but it fails to acknowledge such cutbacks will inevitably lead to the elimination of numerous diagnostic and therapeutic treatments and a closing down of hospital services.

The Administration only pays lip service to its statement supporting competition, maintaining it could effectively foster needed competition through the development

of health maintenance organizations (HMO's). These HMO's, however, would operate in the highly regulated system envisioned by Mr. Carter. Their presence alone could not bring about the health care system reforms necessary to restore cost-consciousness to this industry.

Most economists today agree the demand for better health care is a result of the relatively recent growth in insurance coverage among Americans. This third-party coverage has removed the consumer from feeling the direct impact of his health care purchases. Indeed, because an increasingly large percentage of the patient's medical bill is covered by insurance, the consumer has the perverse incentive to demand more and more care -- regardless of its need, effectiveness, or cost. This situation is further exacerbated by the fact that tax laws have encouraged employers to purchase for their employees more and more coverage for routine medical expenses, despite the fact that in many cases it is uneconomical to do so. For instance, it generally is not economically wise to purchase insurance to cover a routine automobile expense such as a tune-up; it's less expensive, in the long run, to pay such expenses directly.

As economist Martin Feldstein of Harvard ("Cutting Health Care Cost -- Why Not Let the Market Decide?", Linda E. Demkovich, National Journal, October 27, 1979) points out, it is prior actions of government -- such as these loosely constructed tax incentives -- that led to a loss of competition in this industry. Future government actions, he and others conclude, must restore incentives for the doctor and patient to care about rising health costs, to feel more directly the impact of their decisions, to have a stake in weeding out inefficient and ineffective medical care. Government regulatory schemes, they point out, have not worked in the past in inducing such cost-consciousness; there is no reason to believe a national price control program like the hospital cost containment bill could work effectively in the future to control the soaring demand accompanying massive benefit changes.

Not only would Mr. Carter's regulatory scheme fail to control the demand accompanying expanding insurance coverage but also the new program would be forced into major cost overruns as a result of the failure of regulation. Under the proposal, the government would subsidize any employer whose costs on a mandated plan amounted to more than five percent of its payroll costs. The government would then have to provide health care coverage at a premium rate equal to five percent of payroll or grant the equivalent subsidy to aid in the purchasing of a private plan. As increased demand caused insurance policy costs to rise, more and more firms across the nation would become eligible for federal subsidies. The federal government would soon be in the business of funding health insurance for Exxon, General Motors, and other businesses throughout the country.

Another economic impact -- that of requiring employers and employees to fund over \$6 billion of the cost of this health care plan -- has been downplayed by the Administration. The Administration minimizes the effect of requiring employers on the average to pay a premium rate of \$450 per employee in order to avoid penalties under law. Additionally, HEW staff makes light of the fact that over 50,000 jobs would be lost if the program were implemented today. It attempts to dismiss the same probable impact of such costs upon employers in 1983 by claiming they should be able to "make adjustments" in their wage and fringe benefit packages by that time.

Mr. Carter argues that his national health plan (Phase I) in its first full year of operation would cost \$21.4 billion less than the overall additional cost of Senator Kennedy's recently released Health Care for All Americans Act. Both of these plans however, in all likelihood, would cost considerably more than their proponents now admit -- not only are these costs based on 1980 dollars for a 1983 implementation date, but they both also make a number of subjective assumptions -- assumptions which in past experiences have proven unreliable and deceptively low. Additionally, both plans are based on the assumption that heavy regulation of the health care industry is the only course that will work, that the government is a better judge of how to deliver quality medical care, and that federal involvement in every aspect of health care delivery assures a high standard of medical care.

Another major failing in the Carter approach -- as well as that of Senator Kennedy -- is the unfounded and irrational belief that the current state of health care protection within the United States is deplorable. This simply is not so. Further, the perpetuation of that myth is a disservice to the American people and utilizes fear of economic catastrophe for personal political gain.

Current figures based on data compiled by the Bureau of Labor Statistics for 1980 show that 216 million Americans (93.5 percent of the population based on a population of 231 million) have some form of health insurance coverage. Of these, 116 million (50.2 percent) are insured against any and all types of medical costs, that is, have coverage as good if not better than that which would be provided by the Carter or even Kennedy proposals. Additionally, there are 115 million Americans (49.7 percent) who although they have health insurance coverage are considered underprotected -- that is, have either inadequate basic coverage from private firms; have coverage limited solely to Medicaid or Medicare; or have basic coverage but lack major medical coverage for catastrophic expense. Additionally, 15 million Americans (6.4 percent) have no health insurance coverage at all.

In terms of policy, a national health program should concentrate on finding ways to:

- 1.) provide coverage for those 15 million who have none whatsoever
- 2.) upgrading coverage for those 115 million who are in some way underprotected.

What should be stressed is that the mechanisms for doing this are not restricted solely to a governmental program. The key, however, is to first gain an appreciation for this target group.

Who are these people caught in the nation's health insurance gaps? They are the seasonal or temporarily unemployed, or laid-off. They are part-time employees, ineligible for fringe plans. They work for small businesses or farms that offer no coverage. Particularly of concern are those who are effectively uninsurable at any affordable premium -- because they already are chronically ill with a heart condition, or diabetes, or cancer or whatever. Finally, there are the elderly whose Medicare is limited and who get no Medicaid assistance unless they sell their assets and "spend-down" their life savings until they have only \$1000 left, plus their home of actual residence.

Yet the Carter program and incentives fail to isolate these pockets of need and in doing so are mandating insurance for many who are already covered. It is based on false assumptions regarding need. It further is wrongly assuming that the federal government can reduce overall costs by assuming a clearing-house function. There is no basis for this. The Carter proposals are duplicative, wasteful, and costly to both the public and to employers. They needlessly regulate the insurance sector to the point of federalizing it and in the end would be harmful to the American health care system.

These failings are not lost on Republicans in Congress. As of early 1980, the Carter proposal was trapped in House and Senate committee hearings. It is not likely that it will clear either committee this year.

A P P E N D I X

"Medicaid has become a national scandal. It is being bilked of millions of dollars by Charlatans..."

--National Health Policy Speech
Student National Medical Association
Washington, D.C.
April 16, 1976

"I am anti-waste in government. I don't believe in give-away programs, I don't believe in wasting money. I believe in tough, competent management..."

--Faith in Government Address
Town Hall Forum
Los Angeles, California
August 23, 1976

"The first thing is to make Medicaid and Medicare delivery systems work..."

--Press Conference
Plains, Georgia
September 3, 1976

"...[W]hereas something goes wrong with management in the government, whether it involves the FBI or the CIA, or the Medicaid program, nobody's responsible. I think the President ought to be responsible, and, as such, I will be responsible."

--Press Conference
Plains, Georgia
September 3, 1976

"Only last week we learned that as much as \$7.5 billion of Medicaid is wasted or stolen every year."

--Statement Issued at Columbus, Ohio
September 9, 1976

"We will ensure that the Department of Health, Education, and Welfare will vigorously root out abuses and fraud in our special programs....We will work for passage of current legislation designed to crack down on fraud and abuse in our Medicaid and Medicare program..."

--Welfare Reform Message to Congress
August 6, 1977

"This bill will go a long way to eliminating fraud in the administration of the health care programs of our country. It will shift to heavier penalties for those who are convicted of false claims...prohibiting those who are convicted of this crime from delivering any services in the future..."

"Any comprehensive health policy must bring care within the reach as well as the means of all our people....We must have a strong and clear built-in cost and quality control...."

--National Health Policy Speech
Student National Medical Association
Washington, D.C.
April 16, 1976

"We've heard a lot of tough talk from the Administration on inflation, and we're going to hear a lot more during the campaign...Campaign talk cannot disguise the 60 percent jump in health costs..."

--AFL-CIO Speech
August 31, 1976

"Novak. Governor, in line with this question of wishy-washiness and indeterminant positions, you have said constantly in your campaign that you're in favor of national, comprehensive, mandatory health insurance, but you don't tell how it would be financed, how much it would cost, and whether it would be under private or public auspices. Are you prepared to say that today, or do you think the public doesn't need to know your answers to that question?"

"Carter. Well, I don't know the answer yet..."

--"Face the Nation"
March 14, 1976

"One of my main legislative goals for the year is the Hospital Cost Containment Bill. That bill...is our principle weapon in the effort to decrease health care costs which now double every five years."

--State of the Union Address
January 19, 1978

"Today I am submitting to the Congress one of the most critical anti-inflation legislative proposals that the Congress will ever consider, the Hospital Cost Containment Act of 1979."

--Presidential Documents
March 6, 1979

"There is no doubt that a few federal regulatory programs produce few real benefits to the public exacting a cost to the economy...Too often the rules are hard to interpret, government policy is too unpredictable and unstable, compliance is indifferently enforced. The most serious shortcoming of regulation is that it often fails to relate the social and economic costs of the goals to objective measures of benefits."

--Address Before the Association for
Cooperation in Engineering
August 6, 1976

"The accomplishment of comprehensive national health insurance will not be quick or easy."

--National Health Policy Speech
Student National Medical Association
Washington, D.C.
April 16, 1976

"I support the enactment of a phased-in, comprehensive national health insurance program. I think the public wants such a program and I intend to work vigorously to get it."

--The Nation's Health
October 1976

"There are many other areas of domestic policy -- housing, health, crime, education, agriculture, and other -- that will concern me as president but which I do not have time to address tonight."

--Report to the American People
February 2, 1977

"I am committed to the phasing in of a workable national health insurance program."

--Annual Convention of the United Auto Workers
May 17, 1977

"It's not legitimate spending on human needs that causes our deficits -- it is principally the inadequate revenues from a sluggish economy...Cutting back programs that really help people is not the way to balance the budget."

--Los Angeles Times
"Carter Pledges Action on Health Insurance"
Harry Bernstein
May 18, 1977

HOME OWNERSHIP -- THE RECORD

- The number of American families who can afford to buy a home dropped from 27.5 percent in January 1977 to less than five percent in April 1980. (Source: Senate Committee on Banking, Housing, and Urban Affairs)
- Interest rates on conventional home mortgages nearly doubled, jumping from 9.01 percent in January 1977 to 16.93 percent in April 1980. (Source: Federal Home Loan Bank Board, Office of Economic Statistics)
- The median price of a new home has increased 49.32 percent.
In January 1977, the median price of a new home was \$44,200. In May, 1980, the same home cost \$66,000. (Source: Senate Committee on Banking, Housing, and Urban Affairs)
- Housing starts have dropped 49 percent.
Since January 1977, housing starts fell from an annual rate of two million to 1.02 million in April 1980. (Source: U.S. Department of Commerce, Bureau of the Census, Construction Statistics Division)
- Building permits issued fell 35.7 percent.
Some 1,400,000 building permits were issued in 1977 while only 950,000 permits are estimated to be issued in 1980. From January 1979 to April 1980 alone, building permits issued declined 52 percent, dropping from two million to 950,000. (Source: U.S. Department of Commerce, Bureau of the Census, Construction Statistics Division)
- The housing industry unemployment rate reached 15 percent.
The U.S. Department of Labor projects this rate will hit 24 percent in Fall 1980, with 1.6 million construction workers out of jobs.
- House sales declined 22.4 percent.
Houses sold in 1977 numbered 3,547,000 while 2,750,000 are estimated to be sold in 1980. From April 1979 to April 1980 alone, housing sales dropped 25 percent. (Source: Senate Committee on Banking, Housing and Urban Affairs)
- Construction of rental multi-family housing has declined 15.2 percent, from 446,000 units in 1977 to 378,000 in May 1980. (Source: U.S. Department of Commerce, Bureau of the Census, Construction Statistics Division)
The Joint Economic Committee has projected that close to 9.4 million rental units will be required in the 1980s to meet the American people's housing needs.

HOME OWNERSHIP: ANALYSIS

As a candidate, Mr. Carter was a self-proclaimed friend of both the American home builder and the American home buyer. He committed himself to the promise of universal home ownership and of helping Americans achieve the "American Dream." He singled out the home building industry as the means of reaching that goal and designated it the most vital economic sector in the nation. He embraced both the buyers and builders of homes and let it be known that the fulfillment of their common interest was to the basic good of the nation.

"I think there is no industry that I can think of in the country," Mr. Carter stated on July 22, 1976, "that would have a more greatly magnified beneficial effect on employment and general stimulus of the country than housing."

In the same address, Mr. Carter said that the home building industry and the prospects for families to own their own homes were in grave trouble. He continued:

...we have suffered because of an inadequate commitment on the part of the federal government to constraints and a predictable housing policy....We have got developers who would like to build homes, and 600,000 construction workers who want to go back to work, and lenders who want to lend money for better housing. But I think last year we only completed about one million housing units... (Hearst Newspaper Task Force, Interview, New York, New York, July 22, 1976)

Less than two months later, he laid the blame for the housing debacle squarely at the foot of the Republican Party. Addressing a meeting of the AFL-CIO, Mr. Carter stated:

The Republicans say that housing is one of their campaign issues. But they have plunged the construction industry into a depression. The cost of a new house has increased by more than 50 percent, from an average of \$30,000 in 1968 to an average of \$46,000 in 1976. Interest rates are also up 50 percent. When Lyndon Johnson left office more than half the families in this country could afford their own homes. Eight years later less than a third of our families can. (Address to the AFL-CIO, Dearborn, Michigan, September 15, 1976)

What Mr. Carter failed to realize is that under the eight years of Republican administration (1968-1976), housing starts had peaked at a decade high of approximately 3.0 million, and were still doing well for a cyclical industry when Republicans left the White House. This is especially significant when one considers that many of the policies which adversely impact the housing sector -- such as taxing and spending policies -- were still being fostered by a Democrat-controlled Congress.

More significant is that nearly four years after Carter's New York and Dearborn statements, it is the Carter economic policies that brought both the home building industry and the American family's dream of home ownership to collapse.

WHO CAN AFFORD IT?

Despite Mr. Carter's promise of universal home ownership, the number of American families who could afford to purchase a home since Mr. Carter took office has declined sharply. When Mr. Carter took office, 27.5 percent of all American families could afford to purchase a new home. In the early months of 1980, with mortgage rates pushing 17 percent, that percentage dropped to below five percent. Even if mortgage rates "drop" to between 12 percent and 13 percent as some predict, home affordability will still be limited to less than ten percent of all American families. (National Association of Home Builders, Washington, D.C.)

COSTS OF HOME-BUYING HAVE SKYROCKETED

Upon taking office, Mr. Carter committed himself to provide a steady supply of credit to encourage home buying and to protect the housing industry from its "boom and bust" cycles. By 1980, Mr. Carter's monetary policies had totally dried up mortgage money and driven the housing industry into its worst depression in 30 years. Under the Carter Administration, mortgage interest rates soared by 88 percent from 9.01 percent in January 1977 to a high of 16.93 percent in early 1980. With that came a virtual halt in home purchases and new home construction. (Federal Home Loan Bank Board, Washington, D.C.)

Since Mr. Carter took office, the median price of a new home has increased by 49.32 percent. When Mr. Carter took office, the median price of a new home was listed as \$44,200. As of May 1980, that same home was selling for \$66,000. In many areas of the country, particularly urban metropolitan areas, the median price of a new home is in excess of \$100,000. (National Association of Home Builders, Washington, D.C.)

HOUSE-BUILDING PLUNGES

Despite Mr. Carter's national commitment to building 2.5 million housing units per year, Mr. Carter's Administration has seen the number of both housing starts and building permits issued drop to record lows. Since 1977, housing starts have fallen from an annual rate of 2.2 million to 1.02 million in April of 1980. Similarly, the number of building permits issued have dropped from an annual rate of two million to approximately 950,000 in the Spring of 1980. A stark example of this is that in the year ending March 1980, the issuance of building permits in the Pittsburgh Metropolitan Area dropped by over 62 percent. (Source: National Association of Home Builders, Washington, D.C.)

HOUSING WORK FORCE SUFFERS/SALES DROP

By 1980, Mr. Carter's economic policies had pushed the unemployment rate in the housing industry to 15 percent. Economic projections by the U.S. Department of Labor place unemployment in that sector at 24 percent by the Fall of 1980, with over 1.6 million workers out of jobs. Further, housing sales are down by over 25 percent in the past year alone. Similarly, there is a major spillover effect in related industries. There is a major rise in unemployment and general decline in related industries such as timber, appliances, insurance, building material suppliers, surveyors, and sub-contractors. An April 20, 1980 article in the Chicago Tribune quotes Federal Reserve Board Chairman Paul Volcker as stating "he won't be satisfied until the last buzz saw is silenced." (U.S. News and World Report, May 5, 1980, and the Chicago Tribune, April 20, 1980)

RENTAL CRISIS

The same Carter economic policies that have brought havoc to both home building and home ownership have also created a crisis in the area of rental housing. The Joint Economic Committee has projected that for the decade of the 80's close to 9.4 million rental units will be required if the housing needs of the American people are to be met. This figure is more than likely an underestimation, given the collapse of the single-family home market. Since Mr. Carter took office, the construction of multi-family rental units has dropped from 446,000 in 1977 to 378,000 in May of 1980. This represents a decrease of 15.2 percent. At the present time, rental vacancy rates are also at an all-time low. The average nationwide vacancy rate is currently five percent, with the average in metropolitan areas under two percent.

THE REASONS

Central to the failure in the housing sector has been the Carter Administration's inability to come to grips with inflation. A particular outcome of the Carter economics has been: (1) a major decline in the rate of saving (now down to a rate of three percent) and (2) a surge in the price of borrowing money.

As the rate of savings declines, the amount of money available for lending decreases. As available money declines, the price of borrowing (i.e. interest rates) increases. As noted earlier, interest rates under the Carter Administration have increased by over 88 percent. Simply put, buyers can't afford to borrow and neither can builders. Most analysts have placed the reasons for the decline in savings as (1) a tax system which taxes (penalizes) savings and thus serves as a disincentive and (2) inflation itself, which leaves less and less money for wage earners to save.

Additionally, Mr. Carter has consistently submitted budgets which have put the government into deficit. Even his fiscal year 1981 budget, which he claims will be balanced, is now expected to run in the red. The bottom line is that, as the government goes into deficit, it is forced to borrow money to meet spending commitments, operating costs, and debt service charges on previous borrowing. Each year the government has had to borrow more and more, putting it into direct competition with private sector borrowers in the money market. The end result: less available money and higher interest rates. Again, this contributed to the death blow to the housing sector, especially since the housing sector, unlike many other sectors, is particularly sensitive to fluctuations in interest rates.

Another major factor in the housing problem is the costly impact of federal over-regulation, which has grown worse in the past four years, despite Administration rhetoric. The economic impact of these regulations is tremendous. The Council of Economic Advisors has estimated that overall the cost of regulations is \$130 billion annually, or \$2,000 per family per year. As early as 1971, the HUD Task Force on Housing Costs noted: "Regulations by all levels of government are a major factor in increased housing costs, through both substantive and procedural delays." In 1977, a Rutgers University survey indicated that excessive regulations added 20 percent, or about \$9,884, to the price of an average home, (Murray Weidenbaum, Center for Urban Policy Research, Rutgers University), a figure that undoubtedly has gone up. When that extra \$10,000 is paid for through a 30-year mortgage at 12 to 15 percent, it costs the consumer an extra \$103 to \$126 per month for government regulation.

A prime example of unneeded, costly, and inflationary government regulation is the Department of Energy's Building Energy Performance Standards (BEPS), which add increased costs due to paperwork and time delays due to inspections. While improved energy efficiency is a laudable national goal, Republicans believe the marketplace, rather than a bureaucratic quagmire, is the best means of reaching that objective. Since 1974, the housing industry -- by its own initiative -- has increased the energy efficiency of homes by an average of 30 percent. (Senate Committee on Banking, Housing and Urban Affairs)

Additionally, the Carter Administration is even now proposing programs and changes that will further aggravate the housing sector and hamper Americans' ability to purchase a home. For example:

- The Carter Administration has proposed the elimination of the tax-exempt status of Mortgage Revenue Bonds. These bonds, which were sold by cities and municipalities, provided an important source of mortgage money at a rate below the price of a conventional mortgage. The result of this Administration proposal would be to lessen even further the amount of money available to potential home buyers for mortgage money.
- The Carter Administration's proposal for withholding taxes on interest and dividends will also cut in on available money by creating another major disincentive for Americans to save and invest. Similarly, it will encourage spending and thus fuel inflation.

Contrary to its earlier commitments to home builders and home buyers, the Carter Administration has seemed to do everything in its power to hinder both.

The Carter Administration's failures seem endless. Chief among them is its inability to handle inflation. Additionally, the litany includes pursuing spending policies that have forced the government to borrow and thus dry up money that would otherwise be available for private sector investment; pursuing tax policies which create undue burdens for buyers and builders; pursuing policies that create disincentives for savings and investment and thus hinder capital formation, which is fundamental to the nation's economic well-being; and pursuing regulatory policies which are costly hindrances which do little more than needlessly consume time and millions of dollars.

Mr. Carter has truly destroyed both the American dream of home ownership and the home building sector which helps American families realize that dream. His policies leave us with the question: "Where will Americans live?"

A P P E N D I X

"I think there is no industry that I can think of in the country that would have a more greatly magnified beneficial effect on employment and general stimulus of the country than housing."

--Hearst Newspaper Task Force, Interview
New York, New York
July 22, 1976

"Here we have suffered because of an inadequate commitment on the part of the federal government to constraints and a predictable housing policy.... We have got developers who would like to build homes, and 600,000 construction workers who want to go back to work, and lenders who want to lend money for better housing. But I think last year we only completed about one million housing units..."

--Hearst Newspaper Task Force, Interview
New York, New York
July 22, 1976

"The Republicans say that housing is one of their campaign issues. But they have plunged the construction industry into a depression. The cost of a new house has increased by more than 50 percent, from an average of \$30,000 in 1968 to an average of \$46,000 in 1976. Interest rates are also up 50 percent. When Lyndon Johnson left office more than half the families in this country could afford their own homes. Eight years later less than a third of our families can."

--Address to the AFL-CIO
Dearborn, Michigan
September 15, 1976

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. In 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 coordinate 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.

A P P E N D I X

"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)

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 devalued 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 businessman 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 for 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)

A P P E N D I X

"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.

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"* (Position 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.

A P P E N D I X

"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 10 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)

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

*Enacted tax increases
ⁿProposed tax increases

<u>New and Proposed Taxes</u>	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
∩ Repeal of Refund of Motor-boat Fuel Tax	1	4	4	4	4	4
∩ 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
∩ Repeal of Sales Tax Deduction	----	1,734	2,720	3,100	3,535	4,030
● ∩ Deduction for Medical and Casualty Exemptions	----	1,336	2,056	2,282	2,533	2,812
∩ Entertainment and Travel Expense	----	644	1,347	1,695	1,843	2,011
∩ Minimum Tax Changes	----	----	284	306	329	332
∩ Phase-out of DISC.	----	249	807	1,551	1,771	1,675
∩ Phase-out of Deferral of Tax on Foreign Source Income	----	40	174	580	796	860
<u>Extended Taxes</u>						
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
 ∩ 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.

A P P E N D I X

"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 -- 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.

A P P E N D I X

"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

UNEMPLOYMENT

UNEMPLOYMENT -- THE RECORD

From July 1979 through July 1980:

- the overall unemployment rate rose from 5.7 percent to 7.8 percent;
- the unemployment rate for adult men rose from 4.1 percent to 6.7 percent;
- the unemployment rate for adult women rose from 5.9 percent to 6.7 percent;
- the unemployment rate for teenagers rose from 15.8 percent to 19 percent;
- black unemployment rose from 12 percent to 15.2 percent.

More than two million workers joined the ranks of the jobless.

(Source: Department of Labor, the Bureau of Labor Statistics, July 1980)

UNEMPLOYMENT: ANALYSIS

UNEMPLOYMENT AND THE CARTER RECESSION

The overall unemployment rate rose to 7.8 percent in July of 1980, up from 7 percent in April 1980 and 6.2 percent in March 1980. Over eight million persons were forced on the jobless roles. In the six months ending in June, total civilian employment declined by 1.3 million jobs. Between April and May of 1980, the number of jobless workers rose by 1.7 million. Hardest hit were teenagers, whose unemployment rate jumped three full percentage points, to 19 percent. Jobless rates for jobless men, a key indicator of the severity of the Carter recession, have been climbing faster than adult female unemployment in recent months, both standing at 6.7 percent in July. For the first time in two decades, the rate for men has been as high as that for women.

From March through June, the economy lost nearly 1.1 million jobs; about three-quarters of the decline occurred among adult men.

In May, 450,000 blue collar workers lost their jobs.

Black unemployment, after declining to a still unfortunately high rate of 11.7 percent in October of 1979, rose by 3.5 percent through July 1980 to 15.2 percent -- more than double the rate for whites. (Department of Labor, The Bureau of Labor Statistics, unless otherwise indicated)

The precipitous rise in unemployment may be an indicator of both the depth and breadth of the Administration's deliberately engineered recession. During the last recession, unemployment rose from a base of 4.8 percent to nine percent. Many employment experts are now concerned that unemployment may breach the nine-percent-mark by the time the Carter recession is over. As in the case of other fiscal policy variables, the Carter Administration has grossly underestimated the damage its policies would render. In January 1979, the Administration estimated a 6.2 percent rate of unemployment for the end of this year. A year later, it was forced to recognize that its policies were leading the country to recession, and thus re-estimated unemployment to arrive at 7.5 percent for the fourth quarter of 1980. In light of mounting indications that the President's programmed recession was near, in March he did an about face and again re-estimated downward the rate of unemployment to 7.2 percent for the end of 1980. But the first quarter was barely over as unemployment shot up to over seven percent, indicating a much sharper recession than first thought of, with unemployment rates exceeding the earlier, and more politically acceptable, levels.

On July 21, 1980, the Administration conceded that unemployment could go as high as 8.5 percent before peaking during the current recession. (Office of Management and Budget, Mid-session Review of the U.S. Budget, July 21, 1980) However, some private economists estimate that unemployment may "rise well above the postwar high of 9 percent...." (Newsweek, June 16, 1980)

CARTER FIGHTS INFLATION WITH UNEMPLOYMENT

As a candidate, Mr. Carter promised to achieve an unemployment rate of four percent by the end of his first term in office. (Jimmy Carter on Economic Issues, undated Post-Convention Position Paper No. 133) He further stated, "*my commitment during the next administration...is to concentrate on putting our people back to work.*" (Balanced Growth and Full Employment, Presidential Campaign, 1976: Jimmy Carter, August 31, 1976) Candidate Carter thus tried to position himself as the man most concerned with jobs. This was evidenced by Carter's commitment

to high employment as he promised that his Economic Game Plan would

[n]ever [consider] using unemployment as a tool to fight inflation, (Economic Position Paper No. 133)

and that

the federal government has an obligation to provide funds for useful and productive employment of those whom private business cannot or will not hire. (The Future of Our Cities, April 1, 1976)

These commitments, along with most of his other campaign promises, are now broken, as unemployment soared to 7.8 percent in July and joblessness became a dismal reality for over eight million workers.

As late as October 1979, Mr. Carter was still promising a policy that would not use unemployment as a tool with which to fight inflation. Speaking before the AFL-CIO on October 2, 1979, Carter once again promised:

I guarantee you that I will not fight inflation with your jobs.

In his January Budget Message, however, Mr. Carter announced his fourth anti-inflation plan whose cornerstone would be a balanced budget setting spending levels at \$628 billion and taxation at \$611.5 billion. Mr. Carter's proposed budget contained \$47 billion in new spending and \$104 billion in higher taxes -- the largest peace time tax increase in this nation's history. (Budget of the U.S., Fiscal Year 1981) Such rapid increase in taxes and spending could only make matters worse, not better. Consumer price inflation ended the first quarter at 18.2 percent and interest rates rose to 20 percent. The interaction of high inflation and even higher interest rates devastated household budgets and precipitated the current recession.

In March 1980, the Carter Administration presented its budgetary revisions for Fiscal Year 1981 wherein it conceded that unemployment would rise from a 5.9 percent level in 1979 to 7.2 percent in 1980. These overly optimistic estimates soon become obsolete as unemployment jumped .8 percent in April and May, pushing the overall rate to a level of 7.8 percent and rising. Indeed, a deliberately induced recession was now part of Administration policy.

Indeed Vice President Mondale said, "We think what we're doing now will be using unemployment for a while. We know that." (The Courier-Journal, May 4, 1980)

Both Carter and Mondale were clear in enunciating a policy which the general public knew, for example, that the Administration was fighting their self-induced inflation by putting people out of work.

The "misery index" (also known as the discomfort index) is the sum which results when the rate of unemployment is added to the rate of inflation. It is a yardstick which is used to measure how well off people are. The higher the index, the worse off you are, and vice versa.

As a candidate, Mr. Carter promised that by the end of his first term in office inflation and unemployment would each be reduced to an annual rate of four percent. The misery index would stand at a tolerable level of eight. Almost four

years later, both these promises have fallen by the way-side. In March 1980, inflation stood at 18.2 percent and unemployment rose to 6.2 percent, resulting in a misery index of 24.4.

Indeed, by Mr. Carter's own accounting, Americans are three times worse off today than from the levels he once promised them. The cruel interaction of unemployment and inflation has its most insidious impact on those who are at the lower rung of the economic ladder.

While the overall misery index stood at the intolerably high level of 24.4 percent in March, it rose to alarming rates for blacks and other minorities. In March, the overall black misery rate stood at 30, while for black teenagers between the ages of 16 and 19, it rose to a crisis level of 54.6. Mr. Carter, the candidate who promised price stability and high levels of employment, will be remembered as the President who gave us the worst of both worlds, high unemployment and high inflation. As the candidate who won the overwhelming support of blacks, the poor, and the young, Mr. Carter has betrayed their trust. For today, their lot has deteriorated to tragic dimensions.

Writing in the New Republic (April 2, 1980), Democratic pundit Arthur Schlesinger, Jr., summed up Mr. Carter's anti-inflation program, stating:

The only way his program will restrain inflation in the longer run is by throwing the whole economy into a recession -- an object Mr. Carter is pursuing....The burden of such a draconian policy would fall disastrously on the poor, the unemployed and the cities. And the effect of recession on such underlying sources of inflation as declining productivity would be compound disaster.

Schlesinger concluded:

Reelect Jimmy Carter? Four more years for a President whose record of ineptitude stands....
Someone must be kidding.

A P P E N D I X

"My commitment during the next administration, and I know you share it, is to concentrate on putting our people back to work."

--Balanced Growth and Full Employment
Presidential Campaign, 1976: Jimmy Carter
August 31, 1976

"I pledge that if I'm elected, we will never use unemployment and recession as a tool to fight inflation."

--Economic Position Paper No. 133

"The federal government has an obligation to provide funds for useful and productive employment of those whom private business cannot or will not hire."

--The Future of Our Cities
April 1, 1976

"I guarantee you that I will not fight inflation with your jobs."

--AFL-CIO
October 2, 1979

URBAN POLICY

URBAN POLICY -- THE RECORD

Despite Mr. Carter's call for a "*coherent national urban policy that is consistent, compassionate [and] realistic,*" (Urban Policy, June 29, 1976) his efforts in this area have been inconsistent and incoherent, making compassion a meaningless gesture.

Further, under Carter:

- Central city unemployment has risen from 6.9 percent in the second quarter of 1979 to 8.4 percent in the second quarter of 1980. (Bureau of Labor Statistics, July 1980)
- Revenue Sharing has been slashed.
- Housing units assisted by HUD have dropped.
- Crime in the central cities has increased.
- Welfare rolls have remained constant.

URBAN POLICY: ANALYSIS

In 1976, Mr. Carter called for,

...a coherent national urban policy that is consistent, compassionate [and] realistic...(Urban Policy, June 29, 1976)

Yet, once elected, Mr. Carter did not introduce his urban policy program until March 27, 1978. Labeled "A New Partnership to Conserve America's Communities," Mr. Carter's program was little more than extensions of already existing approaches to the cities' problems and was described by columnist David Broder as a "guarantee [of] more bureaucracy, regulations and frustrations for local officials..." (David Broder, "Chaos, Reshuffled," Washington Post, March 29, 1978)

Despite the fact that the Carter Administration had over a year to prepare its urban program, it was forced to make hasty decisions as to its final form and content in order to submit it to Congress before the Fiscal Year 1979 legislative budgetary deadline. (Congressional Quarterly, April 1, 1978) So haphazard was the Administration's approach, that it is rumored that the President in a period of forty-eight hours cut and then restored billions of dollars to the program. (Congressional Quarterly, April 1, 1978) What finally emerged in Broder's words were:

a list of little programs awarded each agency as a payoff for its participation in the whole ghastly process: social service and health money for HEW; urban parks for Interior; Transportation Department money for 'inter-modal' connections; solid waste grants for EPA; 'mini-grants' for ACTION; arts money for Joan Mondales's friends; and neighborhood grants for Rosalynn Carter's favorites in the bureaucracy. (David Broder, Washington Post, March 29, 1979)

CENTRAL CITY ECONOMIC PROBLEMS

In 1976, Mr. Carter said:

We must begin our urban policy by recognizing human needs of the individuals who live in our cities. The essential building block of our urban policy must be the provision of a job for each person capable of holding gainful employment. I believe every person has a right to a job.
(The Future of our Cities, April 1, 1976)

However, in the Carter engineered recession of 1980, this belief of the President's seems to have been forgotten. Unemployment in central cities has risen from 6.9 percent in the second quarter of 1979 to 8.4 percent in the second quarter of 1980. (Bureau of Labor Statistics, July 1980)

REVENUE SHARING

In 1976, Mr. Carter said to the U.S. Conference of Mayors,

Our efforts toward full employment must be supplemental by fiscal assistance, and in particular by an improved program of revenue sharing.

I stand with you in urging Congress to extend the General Revenue Sharing Program with an inflation factor and with full enforcement of the civil rights provisions of the bill. (Urban Policy, June 29, 1976)

Yet, in Fiscal Year 1978 and Fiscal Year 1979, the amount of \$6.8 billion in General Revenue Sharing remained constant, thus causing a depletion in real dollar terms.

My proposal for General Revenue Sharing will be the cornerstone of my policy for federal-state-local government relations in the 1980's. This policy will emphasize the need for all levels of government to cooperate in order to meet the needs of the most fiscally strained cities and counties, and also will emphasize the important role that GRS can play in forging this partnership. (State of the Union, January 21, 1980)

Aside from his lack of support for Revenue Sharing, Mr. Carter's record regarding the use of block grants is also disappointing. His Fiscal Year 1981 budget revision called for the total scrapping of the state share of the program, 40 percent of which was passed on to the cities.

HOUSING

Despite the fact that in 1976 Mr. Carter said, "*housing has deteriorated enormously and new housing is often unaffordable,*" (The Future of Our Cities, April 1, 1976) government-assisted urban housing programs have also suffered at the hands of Mr. Carter.

Urban housing subsidies have been cut each year by the Carter Administration while Carter economic policies have destroyed the private housing sector's ability to fill the void.

In 1976, 517,000 assisted housing units were placed under program reservation by HUD. By 1979, the number had dropped to 325,000.

The HUD Section 8 public housing program has dropped to a projected level of 240,000 units for 1980. This is far short of his promised 300,000 units, and of the goal of 600,000 set by the 1968 Housing Act. Similarly, the HUD Section 202 housing program for the elderly has been reduced by one-third. (Department of Housing and Urban Development)

His failure in public housing has left America's cities with a major housing void since the Carter Administration has virtually devastated both the private housing market and the housing industry.

His commitment to a steady source of credit has also been forgotten. Under Carter, interest rates for mortgages have risen by 88 percent to record highs of 15 percent, 16 percent, and even 17 percent. In early 1980, it was not uncommon for builders to be offered building loans at upwards of 25 percent interest. (Federal Home Loan Bank Board)

Further, the Administration's efforts at policing and exerting greater control over the federal government's public housing programs has been abysmal. The Department of Housing and Urban Development's Section 8 Housing Program is a glaring example. From its inception in 1974 through 1979, this program has cost the American taxpayer over \$130 billion in rent subsidies. However, there has been little effort to insure that subsidies go to needy recipients and that the dwellings subsidized are reasonable in price. Reports of Section 8 funds subsidizing families in "luxury" apartments are numerous. (Donald Robinson, "Billion Dollar Nightmare," Reader's Digest, June 1980) Current estimates indicate that the lax administration of this program can cost taxpayers up to \$600 billion in misspent funds. Further, the above-cited Reader's Digest report quotes one top official at HUD as having "no idea" of the number of Section 8 projects in his jurisdiction, no less the costs involved.

CRIME

Contrary to promises Carter made in 1976 to cut down the crime rate, there was an eight percent increase in total crimes nationwide in 1979, while violent crimes rose by 11 percent that year. Although Mr. Carter promised that efforts on crime prevention would be concentrated in high crime areas, there was a 2.9 percent increase in personal crimes in central cities for both 1977 and 1978. (FBI Uniform Crime Rates -- 1979 Preliminary Annual Release) In the face of this, Mr. Carter's budget revisions for Fiscal Year 1981 made this past March call for the elimination of the Law Enforcement Assistance Administration (LEAA), thus depriving local law enforcement agencies of a valuable source of support. (Also see section entitled CRIME AND JUSTICE)

WELFARE

The nation's welfare roles have shown no real change as the number of recipients of AFDC benefits still is in excess of 10 million. (See section entitled WELFARE)

CONCLUSION

Four years ago, Mr. Carter stated:

Our country has no urban policy or defined urban goals, and so we have floundered from one ineffective and uncoordinated program to another. Hopes have been raised only to be dashed on the rocks of despair when promise after promise has been forgotten.
("Future of Our Cities," April 1, 1976)

His words have come full circle and epitomize the Administration's failure.

A P P E N D I X

"Our goal must be to develop a coherent national urban policy that is consistent, compassionate [and] realistic and that reflects the decency and good sense of the American people."

--Urban Policy
June 29, 1976

"We must begin our urban policy by recognizing human needs of the individuals who live in our cities. The essential building block of our urban policy must be the provision of a job for each person capable of holding gainful employment. I believe every person has a right to a job."

--"The Future of Our Cities"
April 1, 1976

"Our efforts toward full employment must be supplemental by fiscal assistance, and in particular by an improved program of revenue sharing."

"I stand with you in urging Congress to extend the General Revenue Sharing Program with an inflation factor and with full enforcement of the civil rights provisions of the bill."

--Urban Policy
June 29, 1976

"My proposal for General Revenue Sharing will be the cornerstone of my policy for federal-state-local government relations in the 1980s. This policy will emphasize the need for all levels of government to cooperate in order to meet the needs of the most fiscally strained cities and counties, and also will emphasize the important role that GRS can play in forging this partnership."

--State of the Union Address
January 21, 1980

"Housing has deteriorated enormously and new housing is often unaffordable."

--"The Future of Our Cities"
April 1, 1976

"Our country has no urban policy or defined urban goals, and so we have floundered from one ineffective and uncoordinated program to another. Hopes have been raised only to be dashed on the rocks of despair when promise after promise has been forgotten."

--"The Future of Our Cities"
April 1, 1976

WELFARE

WELFARE -- THE RECORD

In 1976, Mr. Carter said,

The basic components of a fair and workable program are well known...it is time to act. (Business Week, January 17, 1977)

However, Mr. Carter's welfare program, if it had passed, would have:

- Increased the cost of welfare.
- Added more people to the welfare rolls.
- Given welfare payments with incomes in excess of \$10,000.
- Contained no work incentive program.

Further during Mr. Carter's Administration:

- Fraud and waste in welfare programs has increased.

WELFARE: ANALYSIS

Our welfare system is an insult to those who pay the bill and to those who honestly need help...The basic components of a fair and workable program are well known...it is time to act... (Business Week, January 17, 1977)

Those were the words of candidate Jimmy Carter during the 1976 Presidential campaign as he enumerated the top priorities for his new Administration. It was clear that a substantial overhaul of the welfare system of the country would be in order.

Four years later, however, the system continues much as it did then, albeit substantially larger. In fact, those very same words could be used to describe the present state of our welfare system. Or, if one were inclined to press the matter and pass harsher judgement, the words of the 1976 Democrat Platform have proved to be prophetic in its unintended forecast,

...huge sums will be spent on food stamps and medical care for families of the unemployed. Social insurance costs are greatly increased... (1976 Democratic Platform)

Those words, instead of being a reflection of the previous four years as they were intended to be, turned out to be a blueprint for the next four years when just over \$1 trillion dollars would be spent for social welfare programs. (Budget of the United States, Fiscal Year 1978-1981)

Upon taking office, Mr. Carter immediately assigned the task of overhauling the system to then Secretary of Health, Education and Welfare (HEW) Joseph Califano. Carter's original intention was to redesign the system at no higher cost than the total cost of the programs in operation at the time.

The goal was quickly dropped, though, for reasons stated in a memo to Carter from Califano and Secretary of Labor Ray Marshall,

The politics of welfare reform are treacherous under any circumstances and they can be impossible at no higher initial cost... (Welfare: The Political Economy of Welfare Reform in the United States, Martin Anderson, p. 173)

THE BETTER JOBS AND INCOME PROGRAM

With the original goal now disposed of, what emerged was a massive program that, to be frank, was naive in its grandiosity. Despite his campaign assertion that, "*we cannot just throw money at problems,*" (New York Times, June 30, 1976, p. 20) the projected cost of reforming welfare programs was enormous. The original HEW estimate of the total cost (\$11 billion to \$16 billion) was greeted with skepticism by many, and for good reason. Shortly afterward, the Heritage Foundation revised that estimate upward to at least \$17.8 billion.

But the deathknell for the proposal was sounded when the Congressional Budget Office released figures indicating that the program, if enacted, would add at least \$23 billion to the total spent for the programs it would replace. The total cost of the Carter proposal for one year was \$42 billion. (Welfare, Martin Anderson, p. 185)

Furthermore, despite Mr. Carter's claim that the program would "significantly reduce the number of people who rely on welfare payments," (Washington Post, August 7, 1977) CBO released another study indicating that his plan would add 22 million to the 44 million people already receiving some form of welfare. His plan, if enacted, would have put almost one-third of the people in the country on welfare.

As if that wasn't enough, even more disturbing was the revelation as to who would be the beneficiaries of this largess. As the chart below indicates, the recipients would not be those in the lowest income groups; instead, the majority of the assistance would have been distributed to people with incomes in excess of \$10,000!

Distribution of Welfare Recipients by Pre-Welfare
Family Income Classes Under Current Welfare Policy
And Under President Carter's Welfare Reform Plan (PBJI)

Family Income Class	Number of People Receiving Benefits under Current Welfare Policy*	Number of People Receiving Benefits under Carter's Reform Plan	Number of People Added by Carter's Reform Plan	Percent Increase
Less than \$5,000	25,600,000**	26,900,000	1,300,000	5%
\$5,000 to \$9,999	12,000,000	16,300,000	4,300,000	36%
\$10,000 to \$14,999	3,600,000	15,200,000	11,600,000	322%
\$15,000 to \$24,999	2,600,000	6,600,000	4,000,000	154%
More than \$25,000	600,000	1,000,000	400,000	67%

Source: Robert D. Reischauer, Assistant Director for Human Resources and Community Development, Congressional Budget Office, statement to Task Force on Distributive Impacts of Budget and Economic Policy, Committee on the Budget, "Preliminary Analysis of the Distributional Impacts of the Administration's Welfare Reform Proposal," October 13, 1977, page 13, Table 2(a). Preliminary estimates as of October 12, 1977. Based on earlier CBO studies, an average family size of 2.824 was used to convert numbers of families to people.

*Includes Aid to Families with Dependent Children, Supplemental Security Income, state general assistance, food stamps, and the earned income tax credit.

**Number of people rounded to nearest 100,000.

Fortunately, the cost of the program was enough to keep the bill bottled in committee. The main provisions of the plan were hardly considered, though they shortly would be.

The Carter Administration attempted to revamp the welfare system in 1979. Since the cost of the first attempt was the primary obstacle, Version Two of the original plan was scaled down sharply in terms of cost, but retained the essential, controversial features.

The new plan, the Social Welfare Amendments of 1979, still had a substantial price tag -- \$5.7 billion*. The following is a brief description of the "basic components."

*Later cut back to \$5.5 billion by the House Ways and Means Committee

THE GUARANTEED INCOME

...the welfare system is antiwork and antifamily...
(Carter speech, Manchester, N.H., August 3, 1976)

The central feature of the Carter plan was the guaranteed income. Basically, with this provision, what Mr. Carter planned to do was give every eligible person a cash grant equal to 65 percent of the poverty level (\$4700 in 1979 dollars) beginning in 1981.

Besides the fact that this was an idea that had been tried and failed in the past, the philosophical implications of the proposal are profound. Essentially, it concedes the existence of a permanent, dependent welfare class -- a concession anathema to social conservatives.

This point was amplified by Martin Anderson in his work, Welfare: The Political Economy of Welfare Reform in the United States, which stated:

...the thrust of Carter's plan is to further the idea of a guaranteed income...This is not welfare reform. This is a potential social revolution...(p. 169)

The guaranteed national income was also an idea that proved to be ineffective at achieving what Mr. Carter hoped to achieve. While still a candidate, he announced that,

As President, I intend to reform that system so that it encourages work and encourages family life and reflects both the competence and compassion of the American people. (Campaign tour of Manchester, N.H., August 3, 1976)

In one fell swoop, he proposed the enactment of legislation that would have done exactly the reverse of what he intended to do. The guaranteed income concept alone would have increased the rate of family breakup and decreased the incentive to work. Those were the primary conclusions of a 10-year study called the Seattle/Denver Income Maintenance Experiment (SIME/DIME) which tested the effects of the proposed income floor. The results of the experiment were so convincing that a one-time leading advocate of the guaranteed income, Senator Daniel Patrick Moynihan, conceded that, "maybe we were wrong." (Newsweek, January 17, 1978, p. 32)

WORK REQUIREMENT

Those persons who are physically able to work...should be required to accept appropriate available jobs or job training...(1976 Democratic Party Platform)

Despite Carter's commitment to institute a system with "*strong work incentives*," the plan Carter presented contained no provision requiring recipients to work, no provision making receipt of benefits contingent upon working a designated amount of hours, no provision requiring participation in a job training program, or no provision requiring the recipient to take any job offered which he is physically capable of performing.

In fact, the bill actually represented a step backward from the current situation in that it would allow potential recipients to be excused from work entirely for the first two months of eligibility.

Other than that effort, Mr. Carter has not really done much in the way of reforming and slowing the growth of any other of the major social welfare and insurance programs.

His Administration has been active in two of the other major programs, however, but this activity has only contributed to rapid growth of them. For example, in the four years since Mr. Carter took office, the Food Stamp Program has almost doubled in cost, with the acquiescence of his Administration, and is well on its way toward supplanting the Aid to Families with Dependent Children (AFDC) program as the number one federal welfare program.

Besides the 91 percent increase in expenditures for the program, changes made in the law in 1977 resulted in subverting the program's original intent, the provision of nutritional food.

Consequently, the 21 million people who now receive food stamps are not getting the nutritional assistance they need nor are they getting the level of assistance they need because of the approximate \$1 billion loss each year in fraud and waste.

A P P E N D I X

"Our welfare system is an insult to those who pay the bill and to those who honestly need help...The basic components of a fair and workable program are well known...it is time to act..."

--Business Week
January 17, 1977

"For millions of Americans, the Republican Party has substituted welfare for work. Huge sums will be spent on food stamps and medical care for families of the unemployed. Social insurance costs are greatly increased. This year alone the federal government will spend nearly \$20 billion on unemployment compensation. In contrast, spending on job development is only \$2.5 billion. The goal of the new Democratic Administration will be to turn unemployment checks into paychecks."

--Democratic Platform, 1976

"The federal government must provide predictable and adequate financial support to assist communities in meeting your legitimate fiscal needs, so that localities can avoid excessive service cutbacks and inordinate property tax increases.

"Of course, we must be realistic. We cannot just throw money at problems. We must respect the desire of the American taxpayer to get a dollar's worth of results for each dollar spent. But I believe that if we talk sense to the American people, we will find support for a realistic program to meet the urban crisis. That is what I intend to do as President."

--New York Times
June 30, 1976, page 20

"It will significantly reduce the number of people who rely on welfare payments primarily by doubling the number of single-parent families who are supported primarily through work."

--Washington Post
August 7, 1977

"It is clear that the national government should have strong pro-family policy, but the fact is that our government has no family policy, and that is the same thing as an anti-family policy.

"Because of confusion or insensitivity, our government's policies have often actually weakened our families, or even destroyed them.

"Our present welfare system is both anti-work and anti-family. We have welfare policies in half our states that deny aid to children unless and until their father deserts them. As President, I intend to reform that system so that it encourages family life and reflects both the competence and compassion of the American people."

--Carter speech, Manchester, N.H.
August 3, 1976

"As currently constituted, it [the welfare system] is a crazy quilt of regulations administered by a bloated bureaucracy. It is wasteful to the taxpayers of America, demeaning to the recipients, discourages work, and encourages the breakup of families. The system lumps together dissimilar categories of poor people, and differs greatly in its benefits and regulations from state to state. It is time we broke the welfare and poverty cycle of our poor people. My recommendations are designed to satisfy the following goals: (a) we must recognize there are three distinct categories of poor people -- the unemployable poor, the employable but jobless poor, and the working poor; (b) no person on welfare should receive more than the working poor can earn at their jobs; (c) strong work incentives, job creation, and job training should be provided for those on welfare able to work; (d) family stability should be encouraged by assuring that no family's financial situation will be harmed by the breadwinner remaining with his dependents; (e) efforts should be made to have fathers who abandon their family be forced to continue support; (f) the welfare system should be streamlined and simplified, with a small bureaucracy, less paperwork, fewer regulations, improved coordination and reduced local disparities; (g) persons who are legitimately on welfare should be treated with respect and dignity."

--Carter speech, Manchester, N.H.
August 3, 1976

ON CARTER

"ON" CARTER

ACADEMIC LEADERS

Kenneth L. Adelman, Stanford Research Institute, previously special assistant to former Secretary of Defense Donald Rumsfeld

"...the President was often startled by seemingly predictable diplomatic events, mostly of his own making. This is rare for a leader...President Carter's lack of a firm political ideology also means that he lacks a firm and committed base of political support, both in the country and the Congress, which he can summon up when needed."

--Policy Review
Winter 1978

Fred I. Greenstein, Princeton University

(attending the 74th annual meeting of the American Political Science Association)

"This is a President who really needs a fundamental reconception of how to handle the presidency and himself if he is going to be re-elected."

--National Journal
September 16, 1978

"It seems to me beneath his great composure is a personal lack of confidence in being able to do the job."

--National Journal
July 28, 1979

Arthur Schlesinger, Jr., historian

(in reference to Carter's Cabinet shakeup)

"If anything it is likely to increase the sense of chaos within the Administration. It certainly doesn't give any impression of strength, confidence and resourcefulness. The whole thing is ludicrous."

--National Journal
July 28, 1979

"HOW DOES HE DO IT? Here is an administration in ruins. Here is a president who has nearly quadrupled the inflation rate at home, has produced the highest interest rates in American history and now is deliberately steering the nation into a recession; while abroad he has kicked away confidence among friends and foes alike in the sobriety, consistency and reliability of American foreign policy. Six months ago he was nowhere in the polls. Today, barring a rebirth of sanity in the Democratic party, Jimmy Carter seems headed for renomination and (barring repression of a death wish in the Republican party) for re-election. Have we turned into a nation of masochists? Has our noble land fallen under some malign curse?...There are simpler explanations. In an irony not unknown to historians, Mr. Carter's very incompetence has been his salvation. He owes his resurrection to two international crises -- Iran and Afghanistan -- that he himself helped bring about.

"There are, it may be said, only two reasons to shudder at the thought of four more years of Jimmy Carter in the White House. One is foreign policy. The other is domestic policy....Like his foreign policy, his economic policy has been one of zig-zags and flip-flops. His goal, he said in 1976, was to reduce inflation to 4 percent by 1980. In his campaign, he was for standby price and wage controls, but he dumped them thereafter and proceeded to combat inflation by offering an economic stimulus package in 1977, a tax reduction package in 1978, and two separate budgets within six weeks in 1980."

--The New Republic
April 12, 1980

Noted historian Arthur Schlesinger, Jr., termed Carter's foreign policy the "most incompetent in half a century."

--Omaha World-Herald
April 16, 1980

BLACK LEADERS

Julian Bond, State Representative

"He (Carter) is a liar and a hypocrite and the kind of man who plays a different tune in different places."

--United Press International
April 3, 1976

"He (Carter) refuses to come to grips with the basic issues of the day, he speaks in one fashion to one set of people and another fashion to another set."

--Atlanta Constitution
April 4, 1976

The Congressional Black Caucus

The Congressional Black Caucus criticized Carter's 1981 budget as an "unmitigated disaster for the poor."

--Washington Post
February 6, 1980

Henry B. Dotson, Jr., Los Angeles NAACP President

"It would be a big boost to have a leader to rally around who really understands economics as well as civil rights, but I rather doubt that that kind of messiah is coming soon."

--Time
December 18, 1978

Vernon Jordan, National Urban League President

(Annual Report on the State of Black America)

"Because their hopes have been so high, their disappointment was magnified when the Carter Administration gave unmistakable signs that it was more interested in balancing the budget than in providing jobs for the jobless."

--The Star-Ledger
January 18, 1978

"The problems of leadership and confidence are more attributable to the President himself and those around him."

--(Chicago) New York Times
July 22, 1979

"The expectations of bold leadership and moral commitment to minority needs have not been fulfilled."

--(Chicago) Chicago Tribune
July 23, 1979

Vernon Jordan criticized Carter for failing to deliver promises of lower black unemployment and says that racial discrimination in housing is "rampant."

--Christian Science Monitor
January 16, 1980

BUSINESS LEADERS

Donald L. Bower, President of Chevron USA, Inc.

"The President's (energy) program must be corrected or it will inevitably lead this country into a serious energy supply gap during the 1980's -- possibly worse than anything we have seen thus far."

--Oil and Gas Journal
August 20, 1979

Malcolm S. Forbes, Editor-In-Chief, Forbes Magazine

"To get ourselves in meaningfully military shape, we do not have time to fiddle, diddle and fumble as long as we have on energy matters. This Administration has squandered whatever time we might have had."

--Forbes
April 14, 1980

"I don't know whether the Russians are more emboldened by Carter's flip-flopping lack of leadership or by their knowledge of the degree to which this Administration has permitted our military capabilities -- conventional and atomic -- to erode."

--Forbes
May 26, 1980

David Rockefeller, Chairman of New York's Chase Manhattan Bank

David Rockefeller criticized the Carter Administration by saying that it was "strident with its friends and too weak and vacillating with its adversaries." He continued by saying a "fundamental cohesion, this sense of consistent pursuit of vital national interests, appears to be lacking in the conduct of our foreign policy today."

--Los Angeles Times
April 11, 1980

"He just hasn't learned."

And, in reference to Carter's foreign policy:

"It is not enough for leaders to exhort the populace for support of a policy. They must also explain its rationale. For a policy to be convincing, it must have consistent objectives and a global pattern of implementation. The present Administration has often fallen short."

--Forbes
June 9, 1980

John Swearingen, Chairman of Standard Oil Company

"President Carter has attempted to drum up support [for his energy program] by declaring what he calls the 'moral equivalent of war.' The banner he carries into battle isn't that of a righteous crusade, but rather the tattered rag of political expediency.

"But if it is war, it looks to me like a guerrilla war designed to smear the oil business and divert public attention from the flaws in the President's own program."

--(New York, New York) Chicago Tribune
November 15, 1979

ECONOMIC LEADERS

Barry P. Bosworth, former director of the Council on Wage and Price Stability

"Each time a policy was developed, the policy was too weak for the problems that appeared....We had no overall framework of what are the things we stand for and what are our priorities."

--New York Times
March 23, 1980

John Kenneth Galbraith, Harvard University economist

"Carter has no remedy for inflation, except a recession and unemployment."

--Boston Globe
March 30, 1980

Arthur Okun, chairman of the Council of Economic Advisers under President Johnson

"There was a tremendous amount of complacency about inflation right until October 1978You just couldn't find evidence that the Administration saw inflation as a serious problem."

--New York Times
March 23, 1980

Richard W. Rahn, chief economist for the Chamber of Commerce

"It is clear we are rapidly going into a recession. It is also clear that the Carter Administration has not come to grips with either the problem of unemployment or the problem of inflation."

--New York Times
April 5, 1980

John Rutledge, President, Claremont Economics Institute and Former Senior Economist of the U.S. Treasury

"The problem with Carter is not that he's a screaming liberal, but his failure to manage the government. The public doesn't expect any consistent policy to be followed for any length of time with Carter. That's why your long term market is in the doldrums."

--Forbes
May 12, 1980

Robert J. Samuelson, Economist

"If a President ought to be a source of reasoned calm, Carter increasingly seems just the opposite. His decision to make a major energy speech before knowing what he would say is as laughable as it is sad and revealing."

--National Journal
July 14, 1979

LABOR LEADERS

Douglas Fraser, UAW President

"The President has walked away from his promises."

--The Detroit News
December 10, 1978

Lane Kirkland, president of the American Federation of Labor and Congress of Industrial Organizations

Lane Kirkland said he was not leaning toward either Carter or Kennedy, stating: "I am perpendicular." Kirkland did, however, accuse Carter of "clinging to outmoded economic theories."

--New York Times
February 19, 1980

John Lyons, President of the Ironworkers International

"I certainly would not endorse him on the record he has now. He's ambiguous and is on both sides of every issue. In Georgia his record with labor is not good. He's only a press-made candidate...I have never talked to anyone in the labor movement who was really for Carter."

--Chicago Tribune
May 10, 1976

Jerry Wurf, President of the American Federation of State, County and Municipal Workers -- the first major union to endorse Carter in 1976

"There is a crisis in our political system, a crisis of leadership and a crisis of accountability...We need leaders, not politicians who respond to the latest press."

--New York Times
July 13, 1979

POLITICAL FIGURES

Brock Adams, former Secretary of Transportation

"I think one of the problems is...there's a difference between campaigning and governing. Governing takes a different kind of people...You can't govern being against government, and I think that's the problem that he is wrestling with now..."

--Washington Post
September 26, 1979

James Fallows, former Carter speechwriter

"Carter often seemed more concerned with taking the correct position than with learning how to turn that position into results.

"During the first year came other indications that Carter did not really know what he wanted to do in such crucial areas as taxes, welfare, energy, and the reorganization of the government. In each of these areas, Carter's passionate campaign commitments turned out to be commitments to generalities, not to specific programs or policies.

"...Carter has not given us an idea to follow. The central idea of the Carter Administration is Jimmy Carter himself, his own mixture of traits..."

"I came to think that Carter believes fifty things, but no one thing. He holds explicit, thorough positions on every issue under the sun, but he has no large view of the relations between them..."

--The Atlantic
May 1979

Don Fowler, South Carolina Democratic State Chairman

"He doesn't make your juices run."

--New York Times
November 13, 1979

David Gartner, commissioner of the Commodity Futures Trading Commission

"...my clear preference -- based not on sour grapes but on a lack of leadership on the part of this administration -- would be Sen. Kennedy.

"I'm just displeased, as I think most Americans are, with the lack of leadership exerted by this administration."

--Washington Post
November 8, 1979

Raymond B. Harding, leader of the Liberal Party which endorsed Carter in 1976

"The President's policies have left the economy in ruins and foreign policy in shambles."

--New York Times
March 30, 1980

Peter Hart, pollster for Democratic candidates

"He didn't dig himself into a hole in a week and he isn't going to get himself out in a week."

--Christian Science Monitor
July 18, 1979

Lou Harris, Harris Poll

"Jimmy Carter has run on his opponents' weaknesses more than he has on the positive appeal for Jimmy Carter."

--New York Times
April 22, 1976

Patsy Mink, chairperson, Americans for Democratic Action

The Americans for Democratic Action accused Carter, January 19th, of "abandoned or revised...campaign promises." ADA's national chairperson said Carter has failed "to adhere to the basic tenets of the Democratic Party's platform..."

--Washington Post
January 20, 1980

Sargent Shriver

"Whenever he's [Carter] asked a question requiring any specific or detailed response, he avoids giving any specific or detailed response."

--Atlantic Constitution
March 21, 1976

Robert Shrum, former Carter speechwriter

In a letter of resignation to Carter, Robert Shrum stated: "I disagree with both the method and substance of your issues approach...I was distressed to discover that you might favor a substantial increase in your defense budget in spite of your previous pledge to reduce..."

--New York Times
May 3, 1976

Shrum found Carter to be "manipulative and deceitful...He lies and doesn't believe he isn't telling the truth. It's just a constant and pervasive thing."

--The State
South Carolina
May 16, 1976

"He [Carter] doesn't like people to argue in front of him, or with him. He would much prefer to deal with things written down on paper...I think as President he would prefer to deal through memoranda rather than orally. I think that things would tend to get funneled through one person, probably Hamilton Jordan, from inside the government. And would probably get funneled out in terms of public relations through one person, probably Jody Powell."

--New York Times
July 5, 1976

Stephen Smith, Kennedy's campaign manager

Stephen Smith criticized Carter's use of presidential power, saying: "Under a good deal of sanctimonious rhetoric from the President, there is a lot of very hardhanded use of federal funds and the whole government's apparatus for political purposes in a dimension that seems to go well beyond anything in my recollection..."

--Los Angeles Times
February 15, 1980

Bill Tipps, Ohio Democratic Party Chairman

"...there is no perception in Ohio that Jimmy Carter understands the problems of Ohio."

--The Cincinnati Enquirer
December 10, 1978

COLUMNISTS

Dom Bonafede, Senior Editor, National Journal

"For his part, Jimmy Carter has been unable or unwilling to provide a coherent sense of his Presidency, either in ideological, thematic or institutional terms."

--National Journal
December 15, 1979

David Broder

"The conventional wisdom, it seems fair to say, is that we need a bigger person than Jimmy Carter to fill the presidency....Far more critical things were said of his [Jimmy Carter's] term of president than were said in praise of his stewardship."

--Washington Post
December 5, 1979

Patrick Buchanan

"In a year-end review, a stunned President Carter confessed that he had been misled by Brezhnev and that events in Afghanistan had altered completely his views of the Kremlin's 'ultimate goals.' One wonders what he imagined them to be in the first three years of his presidency."

--Chicago Tribune
January 8, 1980

"In his Inaugural Address President Carter expressed his dream for the ultimate elimination of nuclear weapons and set his administration on a course of negotiation and restraint designed to reduce military tension....Three years later, with Soviet troops seeking to control Afghanistan and American hostages in their third month of captivity in Iran, it's clear that course has failed."

--Wall Street Journal
January 8, 1980

William F. Buckley, Jr., columnist and editor of the National Review

"If the idea is to conserve energy, President Carter's speech was a poor example. Seldom has so much energy been expended by so many to yield so little. The homiletic passages by the president were entirely correct. It is true that much of America has become self-indulgent, true that we lust after material comforts, true that we have little appetite for sacrifice. But in what way has Jimmy Carter lifted the banner?"

--Washington Star
July 19, 1979

Allen Drury, former congressional correspondent for the New York Times

"He has misruled us sufficiently. We have been patient with his abysmal ineptitude to the outermost limits of the national tolerance and safety. As Oliver Cromwell said to the worst of his parliaments, we must say to the President: 'You have sat here long enough. In the name of God, go!'"

--Chicago Tribune
August 14, 1979

Evans and Novak

"President Carter's disavowal last week of his three-month-old confession that the invasion of Afghanistan changed his view of 'ultimate' Soviet goals followed a familiar pattern of reshaping positions to his political needs..."

"In an interview with The Washington Post's Meg Greenfield, Carter denied he had ever admitted changing his own mind about the Soviets' 'ultimate goals' as a result of Afghanistan. In fact, on Dec. 31, following the Soviet invasion, Carter declared over ABC television that Afghanistan 'made a more dramatic change in my opinion of what the Soviets' ultimate goals are than anything they have done' during his administration.

...Thus, Carter's syndrome: what he says for immediate political impact one day, he denies the next under the stress of changed political needs. The result is that U.S. policy becomes hostage to instant political requirements. That has infuriated U.S. allies, confounded U.S. enemies and consigned Carter's real policy to the murky world of make-believe."

--Washington Post
April 2, 1980

Michael Novak

"Unfortunately, in trying not to be an imperial president, Carter failed to be an inspiring president. He did not live up to the second part -- the majestic part -- of his office. This failure weakened him in the managerial part as well."

--Chicago Tribune
November 13, 1979

James Reston

"...His opponents in Iran are saying that when he is asked to give them more time and to withdraw his threats of sanctions, he pulls back. His political opponents make the same point: whenever Mr. Carter is faced with violent opposition on any policy, he retreats and compromises."

--New York Times
April 2, 1980

"President Carter is really in a jam now between his re-election strategy and his foreign policy. The more moves he makes on Iran or Afghanistan that may appeal to the voters at home, the less support he seems to get from the allies...His latest diplomatic and trade sanctions against Iran illustrate his dilemma. He had to react against the defiance and even humiliation of the United States by Iran. He was beginning to be mocked by his political opponents, by the press, and even by many of his own supporters....So more is at stake in Carter's latest move than a few symbolic acts. He has given up on the moderates in Teheran, even said a good word for the militants, and implied further actions that could split the Western alliance even more seriously than it is....As for the hostages, it is hard to believe them safer or closer to liberation than they were last week. The tragedy is that the greater the tension between Washington and Teheran, the more the terrorists are in control and the greater the menace to the prisoners."

--New York Times
April 9, 1980

William Safire

"This week's next year's budget is better than last week's next year's budget, but I wonder what next week's next year's budget will be?...The reason nobody believes President Carter will stick to his Anti-Inflation Plan No. 4 is the same reason nobody put much faith in his previous three plans: when public opinion shifts, so will he. His single consistent sail on a sea of inconsistency is a determination to stay in office."

--New York Times
March 17, 1980

FOREIGN PRESS

"The weekly Economist of London...warned that the President could not solve the country's problems 'unless there is some understanding of how the world works and some readiness to eschew symbolism and appearances and go instead after the substance of the problems.'"

--Time
July 30, 1979

The following quotes were taken from the Chicago Tribune, August 21, 1979:

"The American presidency is experiencing its most serious crisis in 50 years, in many respects more serious than Watergate."

--Il Giornale, Milan

"Placing a 34-year-old imagemaker, Hamilton Jordan, at that power level of the Western world leaves some people uneasy. The members of Carter's young team are the most expensive apprentices in the world."

--Handelsblatt, Dusseldorf

"The painful truth is that the President has been unable to transform his charisma into a political base."

--Jornal do Brasil, Rio de Janeiro

"The recent housecleaning's only purpose was to mask the departure of certain presidential associates judged undesirable and a liability among the electorate."

--Le Nouvel Observateur, Paris

"Jimmy Carter's difficulties are the result of his ambiguous relationship with the traditional political groups that dominate Congress."

--Le Matin, Paris

"After 30 months in office, Carter appears to be more a preacher than a statesman, with many exhortations but little action."

--Frankfurter Allgemeine Zeitung, Frankfurt

"President Carter changes his policies as readily as he changes his neckties."

--Ad-Dustour, Amman

"Carter confessed that he had lost touch with ordinary American people. But there are many who felt instead that he is out of the mainstream of American politics."

--The Age, Melbourne

"Can President Carter turn his fortunes around? It seems increasingly impossible."

--The Guardian, London

DEMOCRATIC MAYORS

Jane Byrne, Chicago

"We must withhold our support from Jimmy Carter in 1980 with a touch of sadness, with a touch of deep regret and with a sense of disenchantment -- a disenchantment that I believe unfortunately has spread throughout the American electorate with respect to his performance in the last three years."

--New York Times
November 19, 1979

"He [Carter] has not been off that phone calling people here on the primary....I know for a fact that jobs have been offered."

--Chicago Tribune
January 11, 1980

Richard Hatcher, Gary, Indiana

(Regarding Carter's economic policies)

"We don't feel the poor and the minorities ought to bear the burden."

--Time
December 18, 1978

DEMOCRATIC GOVERNORS

Jerry Brown, California

"I don't think Carter has captured the excitement and imagination of the Democratic Party.

"I just don't get a sense of where he's at or where he's coming from."

--Los Angeles Times
May 1, 1976

"Jimmy Carter is not electable in 1980."

--Christian Science Monitor
August 15, 1979

"Carter is playing politics with the Iranian Situation.

"This is obviously part of the Iowa campaign. We are seeing more and more politics and less diplomacy."

--Las Vegas Sun
December 23, 1979

"Jimmy Carter said in the last week that he just found out that the Russians can't be trusted. Not too many other people have that kind of slow learning curve."

--Sacramento Bee
January 6, 1980

"Carter's got us into a mess now, and he cannot escape responsibility and the discussion of how we got here in the first place.

"It was Carter who brought the shah in, and since he wanted to do that, he had an obligation to protect the American diplomats. He didn't do that. Now they're over there, and to try to get them back safely is a real dilemma.

"I think he [Carter] obscures the issue with these [campaign] films, and these other political hypes that he's engaging in are making it look like he's doing something, and he's doing absolutely nothing."

--Washington Star

"President Carter cannot escape full responsibility for the problems we face."

--New York Times
January 9, 1980

Hugh Carey, New York

Governor Hugh Carey criticized Carter's Administration for: "The interest rates, the discharge of auto workers, the near collapse of the economy on the housing side, unemployment raging upwards, a lack of consistency and total uncertainty in foreign policy."

--New York Times
May 6, 1980

Patrick Lucey, former Wisconsin governor

"We don't need an administration [that] continually walks out...on the American farmer..."

--The Bismark Tribune
April 19, 1980

"I sense a certain hypocrisy on the part of Jimmy Carter...by ducking out of a debate and at the same time calling precinct captains in Iowa and asking for their support."

--Boston Globe
January 14, 1980

DEMOCRATIC REPRESENTATIVES

Shirley Chisholm, New York

"President Carter had been a 'great disappointment' to many liberals and...his record 'has become one of the unfulfilled promises for the little folks out there.'"

--New York Times
December 6, 1979

Walter E. Fauntroy, D.C. delegate

D.C. Delegate Walter E. Fauntroy criticized Carter's economic policies, terming the federal budget an "unmitigated disaster."

--Washington Star
February 14, 1980

Thomas R. Harkin, Iowa

Democratic Representative Thomas R. Harkin from Iowa, who endorsed Carter in 1976, this year charged that the administration "seems to be following a policy of benign neglect," toward American grain farmers.

--Washington Star
April 11, 1980

Toby Moffett, Connecticut

"Completely at odds with what his party stands for."

--Washington Post
May 23, 1979

Benjamin Rosenthal, New York

"The immediate impact is overwhelmingly negative. Everyone around here is very, very disgusted. I'm genuinely worried about the stability of the country. What he wants -- team players -- is a legitimate element, but the destruction of confidence in our Government is hardly worth it."

--New York Times
July 20, 1979

Morris Udall, Arizona

Udall characterized Carter as "a candidate who will not tell us where he stands."

"I don't believe we can accept the premise that a candidate first earns our votes and then tells us what policies we have voted for...and I don't think we can afford simply a wink and a smile from a man who would be our President."

--Wall Street Journal
March 24, 1979

Udall said that Carter "has flip-flopped all over on the issues. He's fuzzy, and if you pin him down, you'll find he really doesn't have a program."

--Los Angeles Times
April 22, 1976

DEMOCRATIC SENATORS

Joseph R. Biden, Jr., Delaware

"I don't see any way Carter can be re-elected with an inflation rate of 18 percent...."

--The Delaware State News
February 26, 1980

Robert C. Byrd, West Virginia

"People in West Virginia believe President Carter is a good man, but they don't give him high marks for leadership."

--Washington Post
September 16, 1979

Alan Cranston, California

"I think the Carter Administration has not fulfilled its commitments to the Hispanic community. I don't know why...All I know is that they have failed....That is overall one of the problems of the Carter Administration, that he seemingly has not been able yet to establish full control over his own Administration."

--Los Angeles Times

Gary Hart, Colorado

Carter has "limited the scope of the office and sacrificed some of the psychological and political weight that the presidency has gained."

--National Journal
January 14, 1978

Ernest F. Hollings, South Carolina

"Senate Budget Committee Chairman Ernest F. Hollings (D-S.C.) accused President Carter yesterday of the 'height of hypocrisy' and 'outrageous, deplorable conduct' for assailing a compromise congressional budget plan as too defense-heavy."

--Washington Post
May 29, 1980

Henry Jackson, Washington

Jackson accused Carter of talking out of both sides of his mouth:

"In Pensacola and Jacksonville, he is for a strong defense. In Miami, he promises to cut the defense budget by billions. In Iowa, he promises to abolish legalized abortion. In New York, he promises to oppose a constitutional amendment for such a change.

"In Atlanta, he writes letters to special interest groups promising support for a right-to-work law. In Florida, he promises audiences he would sign a repeal of the right-to-work laws."

--United Press International
February 17, 1976

"I don't see how he can be viable in November. I don't see how he can really win the nomination without tearing the party apart."

--Los Angeles Times
July 30, 1979

"'We appear to be going from one crisis to another' with the Carter administration dispensing 'red-hot rhetoric at least once a week about the dire consequences of this or that or something else....Littered along the way are all of these strong positions, with no follow-through and no clear cut policy...The tragedy is that we've ended up in a position where we're not credible either to the Soviets or the weakest oil-producing state.'"

--Wall Street Journal
May 13, 1980

"What is the voter to think of the steadfastness of our party's foreign policy objectives if our candidates warn us against an inordinate fear of Communism one day and, on another, admit they had misjudged Soviet intentions in the world?"

--New York Times
May 23, 1980

Edward M. Kennedy, Massachusetts

Edward Kennedy stated that Carter is "intentionally...indefinite and imprecise."

--Washington Post
May 27, 1976

"The president speaks of a decade of high inflation...but there are peaks and valleys in that decade. And the highest peak...has erupted since the present administration came to power."

--Washington Post
October 28, 1979

"We do not have to throw millions of men and women out of work by putting the economy through the wringer of high interest rates and severe recession.

"We do not have to destroy the economy to save it."

--New York Times
November 3, 1979

"I say it isn't the American people that are in a malaise, it's the political leadership that's in a malaise."

--Washington Post
November 7, 1979

"...when present difficulties grow so large that they threaten the essential confidence of the nation, the energies of our people must be marshaled toward a larger purpose -- and that can only be done from the White House. Only the president can provide the sense of direction needed by the nation. Only the president can inspire the common will to reach our goals.

"For many months, we have been sinking into crisis, yet we hear no clear summons from the center of power. Aims are not set. The means of realizing them are neglected."

--Washington Star
November 7, 1979

"It's the failure of leadership....I want a president who's going to take a stand on issues, go to the American people and say this is what we need, this is what we're going to fight for, and then go ask Congress to say yea or nay on these issues."

--Washington Post
November 8, 1979

"We do not have to settle for things the way they are. Our problems today are no more difficult than those we have faced before. I regret the views of those who say this nation has reached the limits of its strength, or that the time has come to lower our sights and accept the status quo. They are the counsels of defeat and despair, excuses for leadership that has failed to do its job."

--Boston Globe
November 8, 1979

"The sounds coming out of the White House these days are not the sounds of leadership. Instead, they are the sounds of uncertainty and of retreat."

--Boston Globe
November 14, 1980

"President Carter likes to say he tackles the tough issues. Most of the time he misses the tackles. I reject the view that doing badly is the best we can do. How dare anyone tell us that we have to set a low horizon for our future?"

--Washington Star
November 15, 1979

"A constructive, effective policy on law enforcement should have been forthcoming long ago from the White House. The nation cannot wage an effective war on crime unless it has a commander in chief who is willing to lead the fight....During the past three years, the White House has not issued a single major statement on crime and law enforcement. In my view it would have been a good idea for President Carter to say a little more about crime and a little less about the Central Arizona Project."

--Arizona Republic
November 30, 1979

"Not one additional state has ratified ERA since President Carter took office."

--Des Moines Register
December 5, 1979

"The most troublesome aspect I have found in recent years is the proliferation of different voices that speak for the administration."

--Boston Globe
December 11, 1979

"[Carter told the country that government] cannot set our goals, define our vision, eliminate poverty or reduce inflation.

"It seems to me he should be asked the question, why then, does he want to be President of the United States?"

--New York Times
December 14, 1979

"If you take this new deficit and add it to other Carter deficits of the past three years...[it] will go down in the economic record book as the largest...of any presidential term."

--Washington Post
January 29, 1980

Carter's 1981 budget "is a harsh and insensitive document that defies the great historic traditions of the Democratic Party and promises only more hardship for the poor, the sick, the cities and, cities and, above all, the unemployed."

--Wall Street Journal
February 12, 1980

In a speech at Harvard University, February 12, Kennedy sharply attacked Carter's foreign policy, saying: "No President should be re-elected because he happened to be standing there when his foreign policy collapsed around him....Instead of pursuing a consistent course, the President has rushed helter-skelter in foreign affairs.... This President did not comprehend until the other day that 'the long twilight struggle' with the Russians still goes on. Another President would have heeded the months of warning signals about Afghanistan and given the Russians reason to pause. He would have raised the issue in advance instead of drawing a line after it was already crossed. In the hands of other Presidents, the crisis might have ended with nothing more than Soviet military maneuvers near the Afghan border."

--New York Times
February 13, 1980

"Whether by incredible misjudgment, mismanagement or irresponsible action, the Carter administration has managed to jeopardize the security of Israel, damaged the peace process in the Middle East, undermined our relations with other friends and made American foreign policy the laughingstock of nations throughout the worlds."

--Baltimore Sun
March 6, 1980

"I do believe that the American people have suffered because of the inadequate policies of this Administration in the areas of the economy, but it is only really emerging as the political dynamite issue in very recent days."

--"Face the Nation"
March 9, 1980

"President Carter stood on this spot in October 1977, saw the devastation and pledged to repair it....Two and a half years later...the housing has not been built, the economy of the Bronx has not been developed, the jobs have not been created."

--New York Times
March 23, 1980

George McGovern, South Dakota

"We can't afford leadership that will reveal their charms but not their plans for the country."

--New York Times
April 6, 1976

Carter "continues to show signs that he is not a forceful enough leader -- not forceful enough in dealing with the great issues or in dealing with Congress for that matter. He just doesn't seem to be able to get control of his office and his leadership potential."

--Louisville Courier Journal
September 10, 1979

Claiborne Pell, Rhode Island

Claiborne Pell characterized the President as a man whose "ability to lead and administer and to mold the country is not great." He continued: Mr. Carter "ran as an outsider, saying we all were dreadful jerks in the Congress, and that Washington was a dreadful place and he was going to show everybody. This created some problems in cooperation right then and there."

--The Providence Journal
July 2, 1979

Adlai Stevenson, Illinois

The President lacks "the instinct for power."

--Chicago Tribune
July 22, 1979