

Ronald Reagan Presidential Library
Digital Library Collections

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

Collection: Deaver, Michael
Folder Title: The Reagan Presidency: A
Review of the First Year (2)
Box: 55

To see more digitized collections
visit: <https://reaganlibrary.gov/archives/digital-library>

To see all Ronald Reagan Presidential Library inventories
visit: <https://reaganlibrary.gov/document-collection>

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

Citation Guidelines: <https://reaganlibrary.gov/citing>

National Archives

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

Encouraging Private Sector Initiatives

"I believe the spirit of voluntarism still lives in America.... The truth is we've let government take away many things we once considered were really ours to do voluntarily, out of the goodness of our hearts and a sense of community pride and neighborliness. I believe many of you want to do those things again, want to be involved if only someone will ask you or offer the opportunity. Well, we intend to make that offer."

Ronald Reagan
Speech to Nation
September 24, 1981

During his campaign, "family, neighborhood, workplace" emerged as key words in Ronald Reagan's political vocabulary and in his plans for reorienting domestic policy.

During 1981, the private sector initiatives project was developed to create a structure for implementing those plans and putting those words into action. On September 24, the President announced a nationwide effort to encourage citizen participation in solving social problems, and on October 14, he signed an Executive Order creating the President's Task Force on Private Sector Initiatives as a focal point:

- For the development, support and promotion of private sector involvement in meeting public needs;
- For recommending action by the President to foster public and private partnerships and reduce dependence on government;
- For the identification and removal of obstacles created by public laws to private sector social services activity and self-help.

The President's Task Force is chaired by C. William Verity, Jr., Chairman of Armco, Inc.

Addressing the National Alliance of Business on October 5, President Reagan spoke of his budget cuts: "Now, some of these cuts will pinch, which upsets those who believe the less fortunate deserve more than the basic subsistence which the governmental safety-net programs provide. Well the fact is, I agree. More can be done; more should be done. But doing more doesn't mean to simply spend more."

Doing more, the President added, means: "With the same energy that Franklin Roosevelt sought government solutions to problems, we will seek private solutions."

To further the effort, the President directed all Cabinet members to review their department's procedures and regulations to identify barriers to private sector involvement -- and to develop seed money programs to offer incentives for private volunteer activity.

The response to the President's call for more individual initiative has been promising. In fact, specific commitments have been made by businesses, foundations, voluntary organizations and religious organizations.

-- Collaborative efforts in communities such as Seattle, New York, Chicago, Indianapolis and Middletown, Ohio are determining new ways that community resources can be developed and recognized;

-- Several large corporations have substantially increased -- in some cases, doubled -- their corporate contribution programs;

-- A number of smaller firms have hired CETA eligible employees and are committed to manpower training efforts;

-- The U.S. Chamber of Commerce is assisting 2300 communities around the country with a community planning model.

Many voluntary organizations have accepted the Private Sector Initiatives theme as their own. One national school volunteer network has committed to try to double the 100,000 volunteers now associated with it.

The President kicked off the annual United Way fundraising campaign and results already show increases in giving ranging from 10-25 percent in over two dozen major metropolitan areas.

OTHER DOMESTIC CONCERNS

While economic recovery and making government work were the President's top priorities in 1981, the year was one of significant activity -- and progress -- on a wide range of other domestic policy fronts. There follows a specific treatment of major domestic issue developments of the year.

ECONOMIC AFFAIRS

Domestic Finance -- The Thrift Industry

By 1981, the thrift industry's problems -- compounded by high interest rates -- had been building for years. Savings and Loans found themselves caught in a squeeze between low returns on loans they had made at moderate rates and the high cost of money they had to borrow at much greater rates. This was exacerbated by decreasing levels of deposits as traditional thrift institution customers sought higher yielding investments in the open marketplace. President Reagan's overall Program for Economic Recovery, while designed to boost savings broadly through tax reductions, also contained special incentives which would provide new funds to thrift institutions, such as the raising of the maximum contributions to Individual Retirement Accounts (IRA's) and Keogh plans and the expansion of the eligibility for IRA's.

In addition, the Depository Institutions Deregulation Committee (DIDC) uncapped the ceiling rates on 2-1/2 year to 4 year Small Savers Certificates, allowing interest on these accounts to match 2-1/2 year Treasury security yields. These types of deposits in thrift institutions increased by \$55 billion after the August ceiling removal.

With interest rates and inflation subsiding in response to the President's program, thrift institutions began to regain their health and will continue to occupy a central role in the financing of the housing sector.

Financial Deregulation

The Administration worked closely with Congress in the development of far-reaching legislation to deregulate and reform the financial institution system. In 1982, Congress is expected to consider legislation to permit all financial institutions to offer a broader range of services to the consumer.

Chrysler Loan Guarantees

On February 27, President Reagan affirmed the decision of the previous Administration to grant \$400 million in loan guarantees to the Chrysler Corporation. The Administration, through the Chrysler Loan Guarantee Board, chaired by the Secretary of the Treasury, closely monitored these loans and the performance of the Chrysler Corporation.

Gold Commission

The President closely followed the work of the Gold Commission, created at the request of Congress, in its study of the role of gold in the domestic and international economy. The Commission report will be presented to Congress in March, 1982.

Federal Credit Policies

Federal borrowing activities have been a major cause of "crowding out" in the financial markets. In the last decade federal presence in the marketplace -- either through direct federal borrowing or through loan guarantees -- had grown to unprecedented proportions. This exerted a disruptive influence on the nation's financial markets, placing upward pressure on interest rates and inflation. Direct federal borrowing of approximately \$140 billion was equal to almost 35 percent of all dollars raised in U.S. credit markets in 1981.

Given its adverse effect on the economy, President Reagan sought to control the rampant growth in federal borrowing activity.

-- Direct federal borrowing to cover operating costs of government was addressed through the President's continued effort to cut the rate of federal spending. Reduction in federal spending achieved by the President will represent that much less the government will have to borrow and pay interest on in fiscal '82.

-- In March the President proposed credit budget reductions of \$21 billion. This was followed in September by a further \$20 billion credit reduction proposal. Where feasible, changes in loan programs will be achieved through administrative action.

Tax Policy Details

The centerpiece of the President's economic program is the Economic Recovery Tax Act of 1981 (ERTA). Combined with the changes in regulatory and monetary policy and the effort to lower

the rate of increase in federal spending, ERTA represents the most far-reaching, comprehensive economic policy this nation has seen in thirty years.

For individuals, ERTA provides a comprehensive set of tax reductions, the most basic being a 25 percent across-the-board cut in marginal tax rates. For business, ERTA's provisions -- including a new accelerated cost recovery system -- are just as comprehensive. Other ERTA provisions of more general applicability to individuals and businesses are listed below:

Individual Income Tax Relief

-- Across-the-board marginal tax rate reductions of 5 percent on October 1, 1981, with additional reductions of 10 percent on July 1, 1982, and 10 percent on July 1, 1983;

-- Indexing of individual rate brackets beginning in 1985 to eliminate "bracket-creep" caused by inflation;

-- The top marginal rate on investment income lowered from 70 percent to 50 percent, effective January 1, 1982;

-- Marriage tax penalty relief;

-- Child care tax credits for taxpayers with incomes below \$10,000;

-- A deduction from gross income of up to \$1500 for adoption expenses of a qualified child;

-- Charitable contributions deduction permitted whether or not a taxpayer itemizes deductions;

-- Individuals permitted to defer gain on sale of a principal residence if a new one is purchased within two years; and the one-time exclusion of gain for those 55 years of age or older increased from \$100,000 to \$125,000;

-- For Americans working abroad an exclusion of the first \$75,000 in income, and a housing allowance.

Business Incentive Provisions

-- Effective January 1, 1981, faster write-offs for capital investments in structures, equipment and vehicles;

-- Replacing the 10 percent investment tax credit for rehabilitation expenditures with a graduated rate credit -- 15, 20, or 25 percent -- dependent on the age of the structure;

-- A research and development tax credit up to 25 percent of the incremental wages associated with project expenses, including costs associated with university contract research;

-- Corporate rate reductions for small businesses;

-- Increased investment credit limitations on used equipment.

Savings Provisions

-- A lifetime exclusion of \$1000 (\$2000 on joint returns) of interest paid on tax-exempt savings certificates issued after September 30, 1981 and before January 1, 1983; institutions to target 75 percent of proceeds raised to housing or to agricultural loans;

-- Beginning in 1985, a limited exclusion of 15 percent of the difference between interest income and interest deductions;

-- Increases in maximum allowable contributions to Individual Retirement Accounts (IRA) and Keogh plans, plus provision for IRA accounts for spouses and for those with already existing pension plans.

Estate and Gift Tax Relief

-- An increase in the credit against the unified estate and gift tax exempting 99.7 percent of all estates from the estate tax;

-- Reduction of the maximum estate tax rate from 70 to 50 percent over four years;

-- Unlimited marital deduction, effective January 1, 1982;

-- Increasing the annual gift tax exclusion from \$3000 to \$10,000 per donee, effective January 1, 1982. Certain gifts for medical care and tuition will receive an unlimited exclusion.

Energy

-- Raising the windfall profits tax credit for royalty owners to \$2,500 for 1981. From 1982-84, royalty owners will be exempt from the windfall profits tax on up to two barrels per day, increasing to three barrels in 1985 and thereafter;

-- The windfall profits tax on newly discovered oil will be reduced from 30 to 15 percent, beginning January 1, 1982. Stripper oil of independent producers will be exempt from the windfall profits tax beginning in 1983.

COMMERCE AND TRADE

Antitrust Enforcement

President Reagan believes proper enforcement of antitrust laws is an important factor in keeping the nation's economy competitive and healthy -- provided enforcement is focused on activities that are truly anti-competitive.

While the Administration sought to restore a balanced perspective on antitrust enforcement, there was no retreat from strict prosecution of the kind of cartel-type behavior at which the laws are centrally aimed:

-- Sixty cases were begun by the Justice Department between January 20 and December 1 -- including 49 criminal cases.

-- Fines totalling more than \$14 million were imposed, and 39 businessmen sentenced to prison for antitrust violations.

The Reagan Administration does not view the law as a weapon to be used against companies merely because they are large and successful. Antitrust laws will not be used to interfere with sensible joint ventures, with efficient methods of distribution, or with mergers that pose no credible risk of cartel-type behavior. Accordingly a number of unsound cases brought by the previous Administration were dismissed.

Consumers

President Reagan believes the major problem concerning the consumer today is too much government. While regulation is necessary to protect such vital areas as food, health and safety, too much unnecessary regulation actually has an adverse effect on the consumer by causing higher prices. Even worse, along with more regulations has come more government spending -- spending which has caused the largest consumer problem of all -- inflation.

The President's main approach to finding relief for consumers is his Program for Economic Recovery which will ease the burden of inflation and regulation. In addition, President Reagan has consumer offices in place throughout all major Executive branch offices. These offices are working closely with the White House through the White House Liaison on Consumer Affairs. President Reagan, through his consumer representatives, dealt with consumer problems by direct federal coordination between industry and the consumer -- using the government as a third party arbiter to help work out consumer-related problems.

The President's consumer liaison worked with private and public organizations to develop a national coalition for consumer education, to integrate consumer and economic education and to prepare for National Consumers Week, April 25 to May 1;

In addition, a Constituent Resources Exhibition was held in the fall to show Congressional staffers where and how to handle complaints from their districts. Another conference in May used the resources of the Federal Trade Commission and the Post Office to focus on problems involving the elderly and mail order fraud.

To further economic opportunities for the disabled and mentally restored, for minorities and for the aged, the Office of Consumer Affairs with 10 other organizations sponsored a "New Independence for Elderly and Disabled Consumers" Conference in September. That was preceded by a Health Care Conference in the same month sponsored by five public and private organizations.

During the past year, the U.S. Office of Consumer Affairs worked closely with both the funeral and airline industries to establish third party mechanisms so individuals with legitimate problems and complaints can obtain fair and quick redress and adjustments.

Small Business

American small business -- producing over 45 percent of the nation's GNP and over 80 percent of all new jobs created -- is one of the most vital segments of the nation's economy. It is not an exaggeration to say that small business must prosper if the rest of the nation is to succeed economically. Thus, President Reagan has taken a number of steps to aid the small business community. Primarily, small business will be a major beneficiary of the President's economic program -- sharing in the benefits provided by the combination of federal tax and spending reductions and relief from unnecessary regulation. Many specific changes in the tax laws will aid small business.

-- Since most small business is unincorporated, the 25 percent across-the-board reductions in individual income taxes will be especially beneficial.

-- Accelerated Cost Recovery System will permit faster write-off of selected capital investments and encourage modernization and competition; this will aid small businesses directly, especially since 40 percent of all depreciation filed with IRS is from small business.

-- Since most small businesses, including farms, are family owned, changes in the estate tax excluding 99.7 percent of those presently subject to it, will go a long way towards keeping small family-owned businesses in the family.

-- Other benefits from the tax act include the 25 percent tax credit for salaries involved in research and development; and a rehabilitation tax credit that will foster redevelopment of urban area businesses.

On deregulation, the President's Task Force on Regulatory Reform identified the twenty regulations most burdensome to small business. It began a review of the impact of Equal Employment Opportunity Commission (EEOC) regulations on smaller concerns with few employees.

President Reagan is also working closely with the small business community through the Small Business Administration. During the past year the SBA has intensified its efforts to promote the welfare of the small business sector through:

-- Actively pursuing private sector involvement through investment or management assistance to small businesses, having doubled the number of banks participating in the certified bank lending program;

-- Revitalizing the functions of Small Business Investment Companies licensed by SBA to ensure the injection of more private funds;

-- Expanding a program creating numerous new small business development companies at the community level, ensuring local control by officials and business operators familiar with local business needs;

-- Revising SBA's network of state and local advisory councils to ensure better communication between local businesses and the agency;

-- Providing management assistance and consultation to combat small business failures;

-- Making administrative changes within the SBA loan program to better target loan money and collect on delinquent accounts.

The Administration also continued its commitment to aid minorities in small business by continuing its support for SBA's 8(a) Minority Business Procurement Program, and the Commerce Department's Minority Business Development Agency. Through both programs, minorities receive specialized assistance to aid them in management and marketing.

Transportation

The Administration's transportation policy is consistent with the President's overall philosophy -- reduced federal regulations, reduced dependence on federal subsidies, renewed emphasis on the private sector and state and local government, and user charges to support federal activities where practicable. These policies help maintain and revitalize a strong national transportation system, while restraining federal spending.

Air Transportation

The nation's air traffic system continued to operate at the safest levels in history in 1981 -- despite an illegal strike by more than 10,000 air traffic controllers in August.

During the early months of the year, the Department of Transportation bargained with the controllers' union in good faith, and had reached a tentative settlement with the Union President, Robert Poli, who said it was "fair." However, the Union's executive board rejected the pact and Poli returned with demands that were 43 times as large as the original settlement. In the resulting illegal strike, which began August 3, the President stood firm in enforcing the law that forbids strikes by federal employees. Striking controllers were given 48 hours to return to work, then dismissal proceedings were begun against those who did not return. The FAA also instituted decertification proceedings before the Federal Labor Relations Authority, which ruled on October 22 that the Professional Air Traffic Controllers Organization (PATCO) could no longer represent controllers in bargaining with the federal government.

The Federal Aviation Administration developed and quickly put into place new procedures to reduce and stabilize air traffic at levels consistent with a reduced work force.

The system continued to handle 75 to 83 percent of normal scheduled aircraft movement; and operational errors and reported near-collisions were significantly lower than pre-strike levels.

According to findings by the independent National Transportation Safety Board, the air traffic control system was safer after the strike, with fewer near-misses and fewer computer problems from August through October, than in the same period a year earlier. The FAA accelerated the training of new controllers to return the system to normal capacity by the end of 1983. In November, the Administration proposed legislation to provide pay raises and other benefits for controllers who stayed on the job and other air traffic personnel.

On December 9th, the President announced that he was lifting ban on federal employment for the fired controllers. His action permitted them to apply for federal jobs in any agency but the Federal Aviation Administration.

Other significant air transportation developments in 1981 included:

-- Continued support for airline deregulation and for legislation to speed up the sunset of the Civil Aeronautics Board;

-- A multi-billion dollar Administration commitment to modernize air traffic control equipment over the next 10 years;

-- An Administration proposal to defederalize the nation's largest airports, and to charge equitable user fees to recover most of the costs of the air traffic system;

-- A review of aviation regulations, to avoid imposing unnecessary costs on the industry and flying public;

-- Resolution by a Presidential task force of a longstanding dispute concerning crew complement on new aircraft. The Task Force on Crew Complement, appointed February 11, issued its report July 2;

-- Development and implementation of a new policy finally to balance the usage of National and Dulles airports serving Washington, D.C.

Auto Industry and Safety

A Cabinet-level task force on the auto industry, chaired by Transportation Secretary Drew Lewis, announced on April 6 a program to reduce the burden of excessive federal regulation on the industry.

Efforts began early in the year to review, then revise or rescind where appropriate, a variety of regulations posing an unnecessary burden on the auto industry and consumers.

-- On April 6, the Reagan Administration proposed 34 changes to environmental and auto safety regulations and legislative revision of the Clean Air Act, that could save the industry an estimated \$1.4 billion in capital costs and save consumers \$9.3 billion over the next five years.

-- On October 23, the Administration rescinded the costly and controversial "passive restraint" rule, which would have required airbags or automatic seatbelts in new cars beginning in 1982.

The President remains committed to auto safety, and the Administration is continuing research on safety systems. An intensive public information and education campaign to encourage the voluntary use of seat belts will be instituted in early 1982.

Highways

In March, the Administration submitted legislation, the proposed Federal Aid-Highway Act of 1981, to complete the interstate highway system, while cutting out "frills" to hold down costs, and to continue federal support for primary highways and bridge repair. The Administration also proposed adding a fourth "R" - reconstruction - to the current 3R program of rehabilitation, restoration and resurfacing of national systems. The Federal Highway Administration also instituted procedures to reduce highway construction costs and federal paperwork. Consistent with overall Administration policy, total federal highway spending was reduced to \$8 billion per year from the \$10 billion planned by the previous Administration.

On December 16, Congress completed highway legislation to redefine interstate competition and create the expanded 4R program. The bill includes an approved interstate cost estimate totalling \$38.9 billion and authorizes a 4R program for fiscal '82 and '83 at \$800 million per year.

Maritime Transportation

At the President's request, Congress transferred the Maritime Administration from the Department of Commerce to the Department of Transportation, thus placing responsibility for all modes of transportation within a single department. Limits were placed on new federal shipbuilding loan guarantees and subsidies, and the Administration undertook regulatory reform to help U.S. flag vessels compete in the world market.

Mass Transit

To restrain overall federal expenditures, President Reagan ordered DOT to defer the start of expensive new rail transit systems and to concentrate federal resources on bus purchases and upgrading of existing rail systems.

The President also proposed that federal operating subsidies be phased out to encourage increased efficiency and productivity at the local level. To assist the states and communities, DOT began relaxing or eliminating federal transit regulations -- such as mandated bus specifications, and the

"Section 504" handicapped accessibility rules -- to provide local transit agencies with increased flexibility to meet local needs. The President's proposals were submitted in the Transit Assistance Act of 1981. Congress had not completed action on that act when it adjourned in December.

Railroads

During the late 1970s, the federal government attempted to meet the rail needs of the Northeast by creating a federally-owned freight railroad, Conrail, spending billions to cover operating deficits and provide capital assistance. In March, the Reagan Administration proposed a permanent solution to the problem: transfer of Conrail's freight operations to the private sector, and of its commuter rail systems to local transit agencies or to an Amtrak subsidiary. Working with Congress, the Administration secured enactment of the Northeast Rail Service Act of 1981 to reverse a decade of increased federal involvement in rail freight transportation.

The federally-owned passenger railroad, Amtrak, had also consumed ever-increasing amounts of federal aid in the 1970s. Amtrak had covered only 40 percent of its operating costs and subsidies were averaging about \$37 per passenger trip.

-- For the Washington to Cincinnati run, the subsidy is \$137 per passenger; it would be cheaper to buy airline tickets.

The prior Administration had proposed nearly \$1 billion in Amtrak aid for fiscal '82. Again, the Reagan Administration reversed the trend by proposing legislation, the Amtrak Improvement Act of 1981, to reduce Amtrak subsidies and require the railroad to cover at least half of its costs. Congress enacted part of the Administration's Amtrak reform plan and the railroad began to cut costs and restructure routes to conform to the new fiscal discipline.

On December 17, Congress approved legislation to rehabilitate Washington's Union Station, restoring it as a transportation facility and encouraging private sector participation in developing as a commercial center. Responsibility for the station was transferred from the Department of Interior to the Department of Transportation.

Science and Technology

Through coordination with his Office of Science and Technology, President Reagan has ensured that the nation maintains a broad view of the impact that changes in science and technology have on a wide variety of federal policies. Among the achievements of the Office of Science and Technology over the past year.

-- The first major review of American space policy in the last twelve years. The review focused on the long range outlook for American prospects in space including plans for the highly successful Space Shuttle Project.

-- An intensive look at federal efforts on the development of energy resources. A major restructuring of federal policy was achieved with the recommendation that federal efforts should concentrate solely on the long-term, with short-term developments left to the private sector.

-- Establishment of the Regulatory Work Group on Science and Technology to work with the President's Task Force on Regulatory Relief. The aim: to strengthen the role of scientific data in the analysis of the regulatory process.

-- Start of a review of possible tax incentives for research and development aimed at industry as well as universities and colleges.

-- Start of a review of all government operated and owned laboratories and research facilities, as well as of government owned but contractor operated facilities. These facilities have not had a review of their operations in almost two decades.

International Trade

Trade Policy

The Reagan Administration formulated a forward-looking trade policy that addresses U.S. needs in an increasingly complex and interdependent world. This policy takes into account the immediate goals of a liberalized world trading system and an American economy that can flourish within it. It also sets the conditions for a healthier American trading posture in the eighties and nineties. The increase in the number of Cabinet level Trade Policy Committee meetings -- a total of 12 in 1981 -- and greater participation by Cabinet principals provide evidence of the heightened priority on international trade within the Administration.

During the past year, President Reagan and his Administration took tangible steps toward more open world markets:

- Terminating shoe import quotas;
- Avoiding tightened restraints on steel, textiles and apparel, and other imports;
- Pressing the European Community, Japan, and Canada to reduce their barriers against U.S. goods and services;
- Mobilizing broad opposition to the continuation and expansion of European agricultural subsidies;
- Challenging the European community, Japan and the newly industrializing nations to adopt a bold agenda for the GATT Ministerial Meeting in 1982, pointing toward the gradual, reciprocal dismantling of quotas and other restrictions on free trade during the 1980s.

In 1981, President Reagan laid the groundwork for a comprehensive policy covering trade, aid, and investment for the Caribbean Basin.

Even where domestic protectionist pressures were strong, the Administration took positions more supportive of freer international competition than did America's major trading partners.

-- Timely action by the government of Japan to limit auto exports to the United States helped to dampen pressures in Congress for passage of protectionist measures.

-- Significant progress was also made in improving America's relationship with Mexico through the newly created U.S.-Mexico Joint Commission on Commerce and Trade. In addition, a strategy for dealing with Canadian Investment policies which adversely affect U.S. interests was achieved.

-- The Reagan Administration also successfully negotiated a one-year extension of the US-USSR Long Term Agreement on Trade in Grains.

Removing Disincentives to Trade

The Reagan Administration made progress in eliminating trade barriers created by our own laws. On November 23, 1981, the Senate passed Administration-supported legislation amending the Foreign Corrupt Practice Act (FCPA). The current law, labeled "ambiguous" by the President's Trade Policy Committee, resulted in loss of legitimate export sales of U.S. businesses.

Also, the Administration placed priority on the passage of legislation to encourage the establishment of export trading companies. A bill passed the Senate on April 8, and was sent to the House for consideration.

Congress also reformed tax treatment for American business personnel living abroad, as provided in the Economic Recovery Tax Act of 1981.

Technology Transfer

The Administration took a set of actions to reduce markedly the unauthorized loss to Communist Bloc countries of militarily useful know-how. These measures are being pursued multilaterally through COCOM (a non-treaty organization composed of NATO countries, except Iceland and including Japan) and also bilaterally. The Reagan Administration has also sponsored a study by NATO of the loss of technology, and this work will complement that being undertaken by COCOM.

There is now clear understanding among the Allies of the serious consequences of the loss of sensitive technological know-how. The President successfully put this issue before these countries and fully expects good results in reducing the dangers of further technology loss.

International Financial Institutions

In 1981, the Administration completed a major review of the international financial institutions and the role of the United States in them. It supported their constructive activities at major conferences in Ottawa, Paris, Washington, and Cancun.

In addition, the Administration sought from Congress and successfully secured funding for the international financial institutions.

Also, 1981 was the first year in three that Congress passed a foreign aid appropriations bill.

HUMAN CONCERNS

Education

Soon after President Reagan came to office, he ordered the Department of Education to move toward reducing the federal role in education and restoring its control to state and local authorities. In doing so he began efforts to fulfill his campaign promise to abolish the Department, to reduce the federal bureaucracy's intrusive reach into the nation's classrooms, and to restore authority over education to the states and localities -- and to parents.

To accomplish this goal the Administration took steps both to deregulate American education and restore federalism to education policy:

- Converting major spending programs from categorical to block grants;

- Abolishing over 30 sets of rules and regulations, saving approximately \$1.5 million annually;

- Reducing expenditures and increasing efficiency of departmental programs;

- Pinpointing federal assistance only to areas of true need, particularly in certain types of student financial aid programs.

Tuition tax credits remain a vital leg of the President's plan for improving the quality and degree of parental control in education. On October 16, in a letter to Chief Administrators of Catholic Education, President Reagan repeated his strong commitment to passage of tuition tax credits legislation based on his belief that "formal education becomes an extension of the family, and ... it is the responsibility of government to assist parents, to make their burden easier, not to interfere with them."

Dismantling the Department

President Reagan's commitment to abolish the Department of Education remains fixed, and he reiterated it in a September 24 televised address to the nation. At year's end, the President was considering various options for carrying it out. Meanwhile, progress was made in complying with the President's order to reduce the size of federal government, cut spending, streamline operations and reduce internal waste and inefficiencies:

-- Four of 13 Assistant Secretary positions and 35 of 47 Deputy Assistant Secretary positions were eliminated;

-- The number of Education Department employees was reduced by 16 percent, or 1200 positions;

-- The Department reduced its administrative costs by improving management and making more efficient use of space, vehicles, equipment and materials, furniture and telephone services;

-- The continued review and deregulation of federal education programs reduced the paperwork burden on the public by 18 percent.

Assistance Through Block Grants

Elementary and secondary education programs long dominated federal aid to education policy. President Reagan proposed to return power to the states and localities by consolidation of programs into a block grant. Passage of the Education Consolidation and Improvement Act of 1981, which will become effective on October 1, 1982, goes a long way toward achieving the President's goal. Under the Act, 31 elementary and secondary education programs will be consolidated and some \$521 million in federal aid will be transferred to state and local agencies:

-- Reducing the number of federal reports and paperwork requirements associated with categorical grants;

-- Transferring to state and local control the responsibility for audits to maintain accountability of federal funds.

The Office of Elementary and Secondary Education is also reviewing 34 school regulations to identify those which can be either dropped or changed from regulations to guidelines.

Providing Assistance To Encourage Voluntary Desegregation

The Administration, through the Emergency School Aid Act, assisted 482 school districts and 800 projects in the elimination of segregation. One priority area under ESAA was the encouragement of voluntary desegregation through such approaches as magnet schools as alternatives to forced busing. This program was among those being folded into a block grant to allow more local flexibility.

Student Financial Assistance

In the last few years these programs grew substantially. In fiscal '81, 3.5 million students borrowed \$7.73 billion through the Guaranteed Student Loan Program. While most of the principal was supplied by private lenders, the cost to government of subsidizing loans -- and absorbing defaults -- skyrocketed.

President Reagan sought to restore the focus of federal student loans on the truly needy and to emphasize the traditional role of family and student in meeting the costs of higher education. To improve the program, new procedures were established:

-- To determine that loan applicants with family incomes above \$30,000 can substantiate true need;

-- To allow lenders additional leeway to make student loans more attractive in the credit market, minimizing costs to the government.

To improve its debt collection mechanisms, the Department centralized its 10 regional collection offices into three and signed contracts with two private collection firms. Increased policing of institutions administering student loans was also initiated, and has begun to yield results -- including a fine of \$3 million levied against the owners of two proprietary schools.

Vocational Education

The Office of Vocational and Adult Education (OVAE) reduced federal regulations to provide greater latitude for states and localities in administering their programs. Although federal appropriations for vocational education were reduced from \$784 million in fiscal '81 to \$685.6 million in fiscal '82, programs will continue to contribute to productivity and to revitalize the nation's economy by training America's youth for work, and by retraining and upgrading adult workers to keep them abreast of changing technology.

The Reagan Administration's proposals for revising the Vocational Education Reauthorization Act will go further: (1) returning decision making authority to the states and localities while redefining the federal role as one of support and facilitation; and (2) refocusing federal vocational education programs on economic revitalization and preparation of a skilled work force that can work cooperatively with the private sector to accomplish this goal. These will be sent to Congress by early 1982.

National Commission on Excellence In Education

The National Commission on Excellence in Education, chaired by David Gardner, President of the University of Utah, was established on August 26. The Commission was charged with undertaking to enhance the quality of teaching and learning at all levels. Special emphasis will be placed on finding ways to develop clear and thoughtful writing skills, master math, spelling and the basic sciences, as well as cultivate basic understandings in economics, government and the principles of democracy. The Commission will issue its report in early 1983.

Older Americans

A Better Economy

Inflation hits the elderly hard, especially those with limited and fixed incomes. The President knows that each one percent drop in inflation puts an estimated additional \$1 billion of purchasing power in the hands of the poorest 20 percent of our population -- including our older poor. The Program for Economic Recovery will help improve the financial security of older Americans by reversing the economic trends that have seriously threatened their life savings and the standard of living they have worked to attain.

Changes in the tax laws will also benefit the elderly, as well as help younger Americans plan for a more secure retirement. Like everyone else they will benefit from the three year-cut in individual income tax rates:

-- Provisions for the indexing of income taxes after 1984 will protect older Americans from the penalties of bracket creep.

-- Reform of the estate tax, the capital gains tax, the marital deduction, residence sales and gift tax exclusions, will benefit many older Americans.

-- Increases in the allowable contributions to Individual Retirement Accounts and KEOGH plans will be particularly beneficial to younger Americans planning their retirement.

Social Security

In his first year in office, President Reagan frequently called attention to the perilous conditions of the Social Security system.

-- The aging of America and a decade of relatively slow economic growth have taken their toll on the system. Without basic reform -- according to the Social Security Trustees in both the Reagan and Carter Administration -- the OASI trust fund could be bankrupt by the middle of 1983. By some estimates, government-maintained trust funds of the Social Security system are being depleted at the rate of \$18,800 a minute.

On May 5, President Reagan proposed a comprehensive set of reforms that would have protected the elderly already receiving benefits while also lowering the long-term costs of the system. Unfortunately, the proposals became more of a political football than a beginning of serious discussion.

On September 24, President Reagan withdrew his proposals. In their place, and in an effort to remove the issue from partisan politics, the President made three basic proposals -- all of which were favored by the Congress:

-- Temporary interfund borrowing to keep the system solvent in the short run until a long term solution is agreed to;

-- Restoration of the minimum benefit for low income beneficiaries who depend on it;

-- Formation of the bipartisan National Commission on Social Security Reform with fifteen members appointed by the President, Senate Majority Leader Baker, and Speaker of the House O'Neill. On December 16, the membership of the Commission was announced. President Reagan named economist Alan Greenspan to be Commission Chairman.

President Reagan intends the Commission to be an action group, not a study group. The problems of the system are well known. The purpose of the Commission is to propose realistic, long-term reforms to put Social Security back on a sound financial footing and to build the political consensus necessary to obtain passage of solutions. Its report is expected by the end of 1982.

Older Americans Act

With leadership from the Administration, Congress voted this year to reauthorize the Older Americans Act. The Act helps older Americans keep their independence by supporting a wide variety of locally based services such as support for homemakers, meals - including Meals on Wheels -- and counseling. The Reagan budget for elderly services for fiscal '82 contained a 13 percent increase over fiscal '81, and a 36 percent increase over fiscal '80. In fiscal '82, 28 percent of the federal budget funds programs for America's elderly -- 11 percent of the population.

Health Care

Changes in the Medicare law proposed by the Administration and passed by Congress this past August will help bring about more cost effective health care to the elderly. The Administration also began seeking changes to permit home-based health care wherever feasible as an alternative to institutional care -- permitting individuals to be cared for close to family and friends. Recent changes in the Medicaid law permitted home-based care for those elderly who qualify for its coverage. President Reagan believes that, in the long run, encouraging home-based care is in the best interest of both the individual and the government.

Conference on Aging

In November, the White House hosted the third White House Conference on Aging. For the better part of a week, delegates representing all segments of American life gathered from all sections of the country to meet and discuss the problems confronting America's elderly. Addressing the Conference, President Reagan reaffirmed his commitment to better the lives of Older Americans through a program of economic recovery and told the Conference delegates, "The state of the aging is bound together with the state of the nation. We cannot have a healthy society without a healthy economy."

Handicapped

In October, President Reagan proclaimed National Employ the Handicapped Week, stating: "We need to make the 1980s years in which disabled individuals achieve the greatest possible access to our society, maximum independence and full opportunity to develop and use their capabilities."

The Reagan Administration directed programs for the handicapped in several federal agencies with the President's goals in mind.

-- To assist disabled veterans, the Veterans Administration authorized small business loans and instituted an average 11.2 percent increase in VA compensation rates. In addition, specially adapted housing assistance grants for "wheelchair" homes were increased from \$30,000 to \$32,500, and automobile assistance allowances for the severely disabled were increased from \$3,800 to \$4,400. President Reagan designated August 13 as "National Blinded Veterans Recognition Day" to honor the sacrifices and service by blinded veterans.

-- To aid the developmentally-disabled, the Department of Health and Human Services awarded grants totalling \$1.5 million to improve services and assist efforts toward de-institutionalization. In addition, contracts were let for seven pilot projects worth \$375,000 to provide outreach services for racial minorities with developmental disabilities who had not been reached in the past.

-- To encourage and facilitate the adoption of children with special needs, HHS drew up the Model State Adoption Act which states may enact into law to provide financial assistance to adopting families. The Act also expands the grounds for legally freeing such children for adoption and clarifies the roles of adoption agencies in arranging and providing support services for these adoptions.

-- To help resolve complex issues regarding the education of handicapped children, the Department of Education conducted a thorough review of existing regulations under the Education for All Handicapped Children Act. As a result, a briefing paper was prepared which discusses potential areas for deregulation and provides alternative approaches. To ensure that all concerns are taken into account, the briefing paper was distributed for comment to 13,000 agencies and individuals in the education and handicapped communities.

-- To make public buildings accessible to handicapped persons, the Architectural and Transportation Barriers Compliance Board under the Department of Education reached an agreement on acceptable minimum standards yet reduced the costs and technical requirements.

-- Project Partnership was also established -- a White House demonstration program which will provide jobs for the disabled through voluntary efforts of 40 major corporations and 30 disabled constituency groups in San Francisco, Los Angeles and New York.

Health Care

President Reagan's goal in health care policy is to enhance the availability of care at reasonable costs for all Americans. As costs have skyrocketed, past Administrations have tried without success to contain them through increased federal involvement. President Reagan's approach is to stimulate private innovation at the local level, promote health care competition, encourage innovative alternatives to institutional care, and reduce unnecessary regulatory burdens, waste and fraud.

Progress Toward State and Local Control

The President's block grant initiatives played a major role in shifting certain health care responsibilities to state and local government. Under President Reagan's direction, the Department of Health and Human Services moved rapidly and effectively to turn responsibility for health care programs over to the states through four health-related block grants in Maternal and Child Health; Preventive Health; Alcohol, Drug Abuse and Mental Health; and Primary Care.

More Cost-Effective Care

The Reagan Administration made several changes in Medicaid and Medicare to enable more cost-effective delivery of health services to the poor and the elderly. Medicaid changes emphasized increased state flexibility and more effective reimbursement methods to reward efficient hospitals and health providers. In addition, Medicaid payments are now allowed for non-medical expenses when they help avoid institutionalization. Medicare changes will deliver services more cost-effectively and will save approximately \$1 billion in the first year alone.

To help keep people healthy in the first place, the Reagan Administration gave special support to health promotion and disease prevention. HHS exceeded its goals in school immunizations and is on target in wiping out indigenous measles in the U.S. HHS also launched a "Healthy Mothers, Healthy Babies" public awareness effort, with cooperation of the private sector, to inform the public of the importance of prenatal care.

Innovations In Health Care Research

Under President Reagan, the Department of Health and Human Services continued uninterrupted support for excellence in research. Budget support for the National Institutes of Health was increased by \$200 million, in the belief that the research it supports proves many times worth its cost.

In addition, HHS began revising regulations to remove the existing ban on awarding research grants to profit-making organizations. This step will help to bring the broadest spectrum of research talent to bear on health and social problems.

Drug Regulation

In the area of drug regulation, the Reagan Administration launched a special review of regulations to speed the approval of new drugs without compromising safety. Requirements for as many as 3000 reports each year from drug manufacturers were eliminated. Potentially cost-saving generic drugs now can be approved for sale without undergoing duplicative testing if there is adequate evidence of safety and effectiveness. The Food and Drug Administration came close to setting a record in the number of new chemicals approved for drug use -- it already approved 21 compared to 12 in 1980.

Welfare Reform

On May 4, the Reagan Administration presented to Congress the broadest changes ever proposed for the country's largest cash assistance program, Aid to Families with Dependent Children. Signed into law with the Omnibus Budget Reconciliation Act on August 13, these changes will save taxpayers \$11 billion over the next five years and are intended to assure that assistance goes only to those who need it. The reforms reward self-reliance and encourage work instead of welfare; they eliminate provisions that prolong the dependency of AFDC families. Some major changes:

-- Providing for Community Work Experience programs to create new avenues for welfare recipients to enter the work force, and let states require community service work by able-bodied recipients;

-- Setting a ceiling, for the first time, on the amount of total income that a family may have and still receive AFDC assistance, to prevent families with incomes as high as \$20,000 from qualifying for welfare as they could in the past;

-- Counting the value of other public assistance programs such as food stamps or housing subsidies in computing a family's resources when determining whether assistance is needed.

HOUSING

The housing industry has been chronically depressed by high interest rates and high costs that price millions of home buyers out of the market. President Reagan believes that general economic recovery is essential to solving current housing problems by bringing down both inflation and interest rates.

Interest rates began to decline in September with the prime rate falling from a high of 21-1/2 percent in January to a year-end level around 15-1/2 percent.

Mortgage rates also dropped to the 15 percent range in some areas. As the new year approached, prospects for a further drop in interest rates were good, promising to remove a major barrier to the onset of recovery and the restoration of growth.

Housing Commission

On June 16, President Reagan announced the creation of the National Commission on Housing, chaired by William F. McKenna, to develop recommendations for housing policy in the '80s. The Commission submitted an Interim Report to the President on October 30, which contained recommendations for the reform of subsidized housing programs.

An additional Special Report was submitted on December 30, which calls for institutional reform of the housing finance system.

A Final Report on land and timber policies, finance, regulatory and homeownership options will be delivered to the President on April 30, 1982.

On December 3, the President met with housing and union officials, as well as members of the Commission to inform them he was acting on recommendations in the Interim Report.

The President directed the Department of Labor to change certain provisions of the Employee Retirement Income Security Act (ERISA) to permit construction-oriented pension funds to invest in mortgage markets. Additional deregulatory action will apply to all pension funds and will open up a major source of investment capital for mortgage investment. The construction-oriented funds alone have assets of \$20 billion and all funds together have assets estimated to total one-half trillion dollars now, growing to \$3 trillion by 1995.

Program Reform

The Administration also reviewed government housing assistance programs especially the mixture of Section 8 and Public Housing Authority programs. These programs, costly and often abused, serve only a small fraction of those in need, and place the government in the position of either holding the mortgage on a housing project or paying rent subsidies to a private landlord. President Reagan restrained the growth of both these programs -- substantial cuts were made -- and the Reagan Administration will continue to explore more direct methods of helping the poor.

The HUD Appropriations Bill for 1982 contains \$1.973 billion for the purchase of multifamily housing mortgages, expected to yield construction of another 40,000 apartments. To target funds toward those with the most legitimate need, the Administration first supported legislation to lower the income eligibility requirements for housing assistance. With this in place, a housing voucher program was suggested by HUD Secretary and by the President's Commission on Housing.

The Administration also requested redirection of federal subsidy dollars for the rehabilitation of existing housing and the modernization of the current public housing stock. These methods working together will prove to be much more cost efficient and will expand the availability of housing for the poor with the expenditure of fewer tax dollars.

The Reagan Administration is demanding strict cost containment in federally supported construction and rehabilitation of housing, in addition to setting new guidelines for better management practices to preserve and maintain existing units.

Civil Rights

President Reagan is committed to enforcing all civil rights laws and his Administration has been active on a variety of enforcement fronts.

In 1981, the Justice Department initiated or intervened in the following civil rights cases:

- Violation of the Voting Rights Act in Sumter County, Alabama;
- Discrimination by a public club and restaurant in Chicago;
- Discrimination in Mobile, Alabama;
- Discriminatory promotion practices of New York City police;
- Discriminatory hiring and promotion practices of teachers and principals in two county school systems.

In addition, the Justice Department entered as friend of the court in several important Supreme Court and Court of Appeals cases involving fair housing, employment discrimination and voting rights.

Under Section 5 of the Voting Rights Act, the Justice Department entered objections to a number of redistricting and other election changes which would have hampered minority voting rights:

- Objections to Virginia and New York City Council redistricting changes;
- Objections to various changes in voting procedures (i.e., registration requirements, assistance to illiterates, ballot casting, vote recording).

A number of indictments were obtained for those charged with violations of federal criminal civil rights laws involving alleged incidents of police brutality:

- Prosecutions were initiated in Alabama, Connecticut, Florida, Georgia, New Jersey, North Carolina, Ohio, Rhode Island, Texas and Wisconsin.
- A conviction was obtained in Salt Lake City for a racially motivated killing.

School Desegregation

In the past decade, there was a preoccupation with court-ordered busing in school cases. This not only aggravated racial imbalance but diverted attention from the objective of quality education for students.

The Reagan Administration is working to eliminate state imposed racial barriers on student enrollment and to ensure that states do not discriminate in the provision of educational opportunities. In working to achieve those priority goals, the President will seek a variety of remedial techniques to accomplish desegregation -- including voluntary student transfer programs, magnet schools, and modest zone line adjustments.

Equal Employment Opportunities

In the employment area, the Reagan Administration firmly supports the view that all persons, regardless of race or sex, have a right to pursue employment goals in an environment which is free of discrimination based upon race, sex or national origin.

Voting Rights

Dedication to evenhanded and consistent enforcement of civil rights guarantees has also led to the President's endorsement of extension of the Voting Rights Act to ensure protection of this valued Constitutional right. The President has endorsed the longest extension in the history of the Voting Rights Act -- 10 years.

Alternatively, he made it known on November 6, that he would be willing to accept a version of the Voting Rights Act passed by the House if it contained more reasonable provisions on the so-called bail-out provision and retained an "intent" standard rather than an "effects" test to determine the existance of discriminatory practices. In a statement announcing his position, President Reagan insisted "the right to vote is the crown jewel of American liberties, and we will not see its luster diminished."

LAW ENFORCEMENT

On September 28, in New Orleans, President Reagan told the Chiefs of Police Association, "It's time for honest talk, for plain talk. There has been a breakdown in the criminal justice system in America. It just plain isn't working.... The people are sickened and outraged. They demand that we put a stop to it."

The Reagan Administration developed a comprehensive program to do just that. It was designed to develop more effective enforcement against a variety of federal offenses and to assist state and local law enforcement agencies in the fight against violent crime.

Task Force

Early in 1981, the Attorney General's Task Force on Violent Crime was established to suggest ways the federal government could have a greater impact on what is generally acknowledged to be the nation's worst single crime problem.

After receiving a comprehensive report in August, the President directed the Attorney General to begin implementation of key recommendations:

-- Since shortages of prison space are a major problem, the Administration created a clearinghouse to help states and localities obtain surplus federal property for use as corrections facilities. In 1981, two states received former Air Force properties to use as prisons. Some 500 facilities were identified as surplus and efforts began to assist 14 states to acquire properties.

-- To correct a long-standing imbalance in the criminal justice process -- where proceedings often are heavily weighted in favor of the defendant to the detriment of society's rights -- the Administration proposed changes in the exclusionary rule.

-- Changes in bail procedures were sought -- such as denying bail for defendants, repeat offenders and others, who present a danger to the community.

-- As a key step against violent crime, mandatory prison terms were recommended for those carrying a firearm in commission of a felony.

The President also directed the Justice Department to begin planning an effort to find suitable ways to assist victims of crime.

Coordinating Committees

At the President's request, the Attorney General directed each U.S. Attorney to create a law enforcement coordinating committee in each of the 94 federal judicial districts that covering the entire country.

The committees will draft detailed plans for a coordinated attack by federal, state and local law enforcement agencies on the most urgent crime problems that exist in cities, counties, regions or states.

Code Reform

The Administration worked closely with the Congress toward reform of the Federal Criminal Code; encouraging progress was made.

Narcotics Control

The President made narcotics control one of his major law enforcement priorities and directed the Justice Department to create a new enforcement strategy to sharply diminish the flow of drugs into the country.

Operations of the Drug Enforcement Administration were streamlined and improved, and President Reagan directed the Federal Bureau of Investigation to coordinate more closely with the Drug Enforcement Administration. As a result, cooperative investigations between DEA and the FBI grew significantly during the year -- to 118 investigations from 15 the previous year leading to discovery of \$160 million worth of illegal drugs and related materials.

President Reagan also signed into law a bill allowing civilian law enforcement agencies to use military radar sightings and intelligence information to interdict suspected narcotics traffickers en route to the United States. The Task Force recommended this indirect use of military resources to assist in law enforcement.

Aid for Atlanta

The City of Atlanta experienced a law enforcement crisis in 1981 with a series of murders that eventually claimed 28 lives. President Reagan said the tragedy was so serious that federal assistance was required.

In all, more than \$1 million was made available to the city and adjacent counties -- much of it for a special police task force and for crime prevention programs.

The Federal Bureau of Investigation assigned a large number of agents to the case and played an important role in the investigation that eventually led to the arrest of a suspect later indicted by local authorities on two counts of murder.

Reducing Judicial Activism

The Reagan Administration started an effort to encourage federal courts to exercise self-restraint in their decisions. Policymaking is committed by the Constitution to the elected representatives of the people, not to the courts. When courts exceed their proper bounds and engage in policymaking, they undermine the basis for their independence and invite politicization and popular attack.

Encouraging courts to stay within their proper bounds will promote the constitutional values of separation of powers and federalism, and fortify the independence of the judiciary. This can be furthered in many ways:

-- The President will nominate to federal judgeships people who understand the constitutional limits of the judiciary:

- the new Associate Justice of the Supreme Court, Sandra Day O'Connor, has such a judicial outlook;
- President Reagan made 42 other such nominations, 33 to the federal district courts and nine to the Circuit Courts. Forty of these were confirmed by the Senate by year's end.

-- The Justice Department will select cases and appeals with an eye to promoting judicial self-restraint and will urge courts to accept only those cases brought by litigants with a specific injury rather than generalized grievances;

-- Justice will also urge courts to show appropriate deference in reviewing the constitutionality of state and federal laws, avoiding the tendency to substitute their policy choices for those of the elected representatives of the people;

-- Finally, the Department will urge courts to avoid intruding into state functions, such as running prisons and schools. Courts have no expertise in these areas and, when shaping remedial orders, should scrupulously avoid intruding upon the responsibilities of state officials.

IMMIGRATION AND REFUGEES

President Reagan acted promptly to overcome the serious long-term neglect of the nation's immigration policy. The Census Bureau has estimated that 3.5 million to 6 million people are in the U.S. illegally. In 1980 alone, an estimated 500,000 to one million illegal aliens entered the country. In March, the President asked the Attorney General to chair an interagency task force to review these matters. In July, following study of the task force recommendations -- and after consulting with Mexican President Lopez Portillo -- the President announced a comprehensive program of immigration reforms:

-- To increase the law enforcement resources of the Immigration and Naturalization Service to reduce the flow of illegal aliens into the country;

-- To reform and expedite procedures to return persons who came here illegally;

-- To penalize those who knowingly hire illegal aliens;

-- To deal realistically and humanely with illegal aliens who are now here, by granting many of them legal status.

President Reagan is determined to see that these measures permit the nation to reassert control over its borders, while continuing the tradition of openness to those seeking a new life in this country.

By early December, the Senate and House had moved swiftly and nearly completed hearings on the immigration reform legislation.

One of the most pressing immigration problems to face the new Administration was the large and growing number of illegal aliens traveling by sea from Haiti. Following agreement with the Haitian government, President Reagan directed the U.S. Coast Guard to patrol the seas off Haiti in an effort to reduce the flow of boats, especially those operated by smugglers, bringing aliens to Florida.

The patrols began in October and they worked -- both to limit the illegal flow to our shores and to reduce the danger to the refugees themselves.

-- In October and November, some 453 Haitians arrived in Florida -- most probably having left Haiti before interdiction began. The total for those two months in 1980 was more than 3300 arrivals.

-- During that same period, 57 Haitian lives were saved when the Coast Guard intercepted a refugee boat about to capsize in rough seas.

MINORITIES

"We cannot be tied to the old ways of solving our economic and racial problems...it is time we looked into new answers and new ways of thinking that will accomplish the very ends the New Deal and the Great Society anticipated."

President Reagan
Before Annual Convention
of the NAACP
June 29, 1981

President Reagan believes the only way to achieve full equal opportunity is through a strong, stable economy, coupled with vigorous enforcement of anti-discrimination laws.

More Government Hasn't Worked

When Governor Reagan accepted the Republican nomination for President, he stated: "Our message will be: we have to move ahead, but we're not going to leave anyone behind." He knew that under past federal policies, too many people had been left behind -- too many of them members of minority groups. During the 1960s, an era of fewer and smaller federal programs -- but larger economic growth -- the number of families in poverty was reduced by nearly 50 percent. During the 1970s, when social welfare programs grew ten-fold -- and economic growth slowed -- only about five percent escaped poverty. With more government came higher inflation and lower productivity -- higher prices and not enough jobs.

In addition, much of the federal money intended for the minority poor never reached them -- diverted away through bureaucratic overhead or misdirected to those who were better off.

President Reagan has taken a different approach to assure improved opportunities for all Americans. He believes that tightly administered federal programs, coupled with direct block grants to state and local governments, can better target federal funds to those who must depend on government assistance. However, for those who can make it on their own, the President's goals of a strong economy, coupled with active federal enforcement of civil rights laws, will accomplish what federal programs alone had never achieved -- full equal opportunity.

Economic Recovery

As a result of passage of President Reagan's economic proposals, policies in place to provide for real and sustained economic growth beginning in 1982 -- more take home pay, more buying power and more jobs -- 13 million more jobs by 1986. This is particularly important to the working poor, since an estimated 85 percent of their spendable income does not come from a federal program, but from a paycheck. The impact of inflation falls heavily on them since every added one percent of inflation costs the poorest 20 percent of Americans an estimated \$1 billion in purchasing power.

While the President took steps to restrain federal spending growth, he maintained his commitment to basic social needs. For example, overall spending for health and human services continued to grow -- over 15 percent in 1981 and an estimated 10 percent in 1982.

Civil Rights Enforcement

At the NAACP convention in June, President Reagan repeated a pledge he made as a candidate: "My Administration will root out any case of government discrimination against minorities and uphold and enforce the laws that protect them." During his first year in office, he upheld that commitment.

Under the President's direction, the Justice Department initiated or intervened in civil rights cases in at least four states. The cases covered a wide spectrum -- from voting rights violations to discriminatory employment practices. In addition, a number of indictments were obtained by the Justice Department in violations of federal criminal civil rights laws in at least 12 states.

President Reagan fully supports and has publicly endorsed a 10-year extension of the present Voting Rights Act, key provisions of which will expire in August 1982. This would be its longest extension since the Act's enactment in 1965. Under the President's direction, the Justice Department also vigorously prosecuted violations of the Act, entering objections to a number of redistricting and other elections law changes which would have hampered minority voting rights. (For more detail, see section on Civil Rights.)

Blacks

In his NAACP speech, President Reagan told Black America: "We want your input.....I ask you to join me to build a coalition for change."

In his first year in office, President Reagan sought and received input from the Black community by maintaining a line of communication with most national Black organizations -- business, civic, social, civil rights, professional and educational -- and with people throughout the Black community.

To assure a continued open line of communication, President Reagan personally held 11 meetings with representatives from the Black community. In addition, the President designated a member of his staff to serve as a liaison with the Black community, and a member of his policy development staff has focused direct attention to policies and programs of particular concern to Black Americans. President Reagan also appointed HUD Secretary Samuel Pierce to serve on his Cabinet and at least 80 other Blacks in senior-level positions in the Administration.

This direct communication was of particular assistance in addressing two issues of specific concern to the Black community: higher education and minority business.

-- During his first year in office, President Reagan moved to strengthen Black colleges and universities by providing a \$9.6 million increase in federal Title III funds -- a jump of almost eight percent. Then, on September 15, the President signed an Executive Order which strengthened the federal commitment to historically Black colleges, while seeking new ways for the private sector also to increase its support.

Minority Business

With regard to minority business, the Small Business Administration's 8(a) program was also revised to better target funds available for minority small business ventures. In addition, the Department of Commerce Minority Business Development Agency (MBDA) implemented programs to establish a higher rate of minority joint ventures with majority firms and provide assistance to these firms in the area of international trade. The Office of Minority Business Advocacy was also established under MBDA to assure better cooperation between minority business, the federal government and the private sector.

Hispanics

The President considers direct input from Hispanics a number one priority in addressing the special concerns of the Hispanic community. During his first year in office, he took three important steps in opening direct lines of communication with Hispanics:

-- Early in his Administration, President Reagan designated key members of his staff to serve as liaison with the Hispanic community. The President's representatives worked closely with such groups as the Hispanic Coalition for Economic Recovery, comprised of representatives from all major Hispanic organizations, to establish open exchanges with regard to Administration policies.

-- During his first year in office, the President selected 18 Hispanics to serve in top management positions within the federal sector -- almost twice as many as under the previous Administration. In total, he has appointed more than 80 Hispanics to senior-level positions in departments and agencies.

-- In addition, President Reagan met on four occasions with leaders in the Hispanic community.

President Reagan also dealt with several issues of special interest to Hispanics including:

-- The initiation of radio broadcasts to Cuba designed to ensure the Cuban people an accurate source of world news.

-- The formation of a special task force to solve the economic problems of Puerto Rico;

-- The development of an immigration policy;

-- The support of a 10-year extension of the bilingual election provisions of the Voting Rights Act;

-- The improvement of relations with Mexico.

Labor

President Reagan is dedicated to maintaining and promoting the welfare of the American worker and continuing the nation's protection of equal opportunity in the workplace.

The President's first commitment to American labor is the creation of jobs through sustained economic growth from the President's economic program. Instrumental in helping create a climate for job growth will be efforts to lessen the burden on employers of governmental regulations, particularly in the labor field. When combined with reduced taxes and a lower governmental share of gross national product, the President's economic program should produce some three million additional new jobs by 1986, over and above the 10 million preexisting policies would have produced.

President Reagan is also sensitive to the need to complement job creation with job training for the disadvantaged or unskilled. However, the previous governmental approach of creating make-work jobs in the public sector is an approach doomed to failure by wasting public funds without teaching usable job skills to participants. Consequently, President Reagan ordered major changes in the CETA program during the past year by eliminating all public sector subsidized employment. This move saved over \$4.5 billion, while through the efforts of the Department of Labor and others, over 150,000 of the former participants in these subsidized public service jobs were placed in jobs in the private sector. The Administration is completing internal review and discussion of a program to completely replace the present CETA system. This new program will emphasize skills required to obtain unsubsidized jobs in the private sector. Specific legislation to create this new job training system will be presented to the Congress early in its new session.

Worker Safety

By selectively decreasing the regulatory burdens of firms with outstanding safety records and concentrating on those with frequent and flagrant violations, the Reagan Administration added to the productivity of the industries involved while ensuring better protection for workers who were at risk.

In mining, regulation and procedures are being revised to give new emphasis to education and training and to further improve the efficiency of mine safety inspections. In 1981, both the rate of fatalities and the number of days-lost-to-injury in non-coal mining declined on a yearly basis for the first time.

Equal Employment Opportunities

Equal rights in the workplace received priority attention during the past year through efforts to strengthen the effectiveness and efficiency of the Federal contractor compliance program.

program. The OFCCP, which is charged with enforcing the non-discrimination requirements for Federal contractors, proposed revisions to its regulations which permit continued pursuit of the goal of equal employment opportunity while at the same time substantially reducing paperwork and unnecessary expense in the administration of this program. OFCCP successfully resolved a significantly larger number of discrimination complaints during 1981 compared with the preceding year.

The Women's Bureau also was active in reviewing government regulations and practices in the area of affirmative action and employment opportunity. The Bureau will release a major study on economic opportunity early in 1982.

Deregulation

Consistent with his promises during the campaign, President Reagan refused to support efforts to repeal the Davis-Bacon Act. However, in 1981, the Department of Labor proposed administrative revisions for Davis-Bacon estimated to mean a total savings of over \$670 million per year when the new rules are finally implemented.

In the fall, efforts were made in the Senate to exempt some \$4.1 billion of military construction from Davis-Bacon, in effect selectively repealing the Act as it applies to defense contracting. Consistent with the President's pledges, the Administration did not favor this proposed Senate amendment and, in the first week of November, it was defeated in Committee.

Open Door

On December 1 and 2, President Reagan met in the White House with officers of the Executive Committee of the AFL-CIO and the Teamsters union. They met to exchange views on policy matters of mutual concern. The President invited the union officials in his effort to maintain an open door with a group which had grown somewhat estranged from the White House during 1981.

Two weeks before, the President reiterated to members of his Cabinet his desire that the doors throughout his Administration should remain open to organized labor's advice and counsel. In a memo to the Cabinet, President Reagan said, "Unions are among our most valued institutions and serve as some of our best examples of participatory democracy. I want to ensure that their views are fully heard and considered by my Administration."

Secretary Donovan began to meet on a regular basis with a special committee, composed of Assistant Secretaries or higher officials from each federal department, to discuss issues of concern to organized labor and ways to improve communications between the Administration and organized labor.