

## ISSUES MEMORANDA

### ENERGY

#### A. Pricing.

oil -- there is no major difference between the Carter and Mondale positions on the need for continuation of oil price controls. Carter has said that U.S. oil prices should be kept beneath OPEC levels. WFM has argued that U.S. consumers should not be forced to pay cartel prices.

natural gas.-- Governor Carter has advocated decontrol of new natural gas over a 5-year trial period, while WFM has urged continued regulation of natural gas prices. Leading members of the Senate including Hollings and Stevenson have cosponsored a compromise natural gas deregulation bill which would maintain a ceiling of \$1.60 on the price of new natural gas-- roughly equal to the current ~~fixed~~ equivalent price for oil on a BTU basis. Senator Mondale has not taken a position on this bill. Earlier he voted for a scaled-down Tunney decontrol amendment as a substitute for a broader Pearson-Bentsen deregulation amendment, but following its adoption he voted against final passage of the bill. WFM has not wavered from the public position that deregulation of natural gas would be harmful to consumers.

#### B. Divestiture

Governor Carter qualifies his position on divestiture by saying that he would favor restrictions on the right of a single company to own all phases of production and distribution of oil if such restrictions are in the consumer interest. His position is similar with respect to horizontal ownership of alternative sources of energy such as coal and natural gas. WFM, on the other hand, voted for a strict vertical divestiture proposal (amdt. to S.632, fall 1975). However, practical problems have been revealed in connection with a similar divestiture bill that was recently reported by the Senate Judiciary Committee (e.g. the bill would prevent not only majors but also most independents from building pipelines, creating a major potential problem for their Northern Tier States who must have a pipeline by early 1979 at the latest and must rely on refineries to finance it. The prohibitions in the Senate bill could be avoided if the pipeline is built in Canada, nevertheless, in principle there is little doubt that immediate and strict divestiture could cause major problems for a number of regions in the United States that will require major short-term pipeline expansion.

#### C. General Policy

No other important differences are immediately apparent between the Carter and Mondale positions on energy policy. Carter's conservation rhetoric is somewhat stronger than Mondale's recent statements. In Carter has suggested that tough economic sanctions (which have been interpreted to include a possible food embargo) should be implemented in the event of any future oil embargo. WFM initially advanced, then suspended all of a possible food embargo in late '73 and early '74. To limit U.S. dependence

implemented if conservation efforts and alternative source development are insufficient. WFM has taken a lower-key approach in recent months, in large part because of his concern to promote economic recovery. Similarly, Carter has endorsed the idea of placing oil importation under government authority with auctioning of purchase rights among U.S. companies. Mondale has kept at arms length from this proposal in large part because of criticism by economists that centralization of U.S. purchasing authority might encourage OPEC to centralize selling rights, thereby reducing competition among OPEC members.

#### ENVIRONMENT

Both Carter and Mondale have strongly supported tough air and water pollution control laws, preservation of wild and scenic rivers and government preservation of critical wildlife and natural areas. Both support the strip mining bill. Based on prepared position papers there is no apparent disagreement. However, Governor Carter's transportation policy statement raises major questions concerning his views on Lock and Dam 26.

#### BUREAUCRACY AND GOVERNMENT INEFFICIENCY

There is no apparent conflict in the Carter and Mondale positions on restructuring and streamlining the bureaucracy to reduce costs and improve efficiency. However, WFM vehemently opposed the Nixon plan for consolidation of agencies such as merging USDA with the Department of Commerce. I believe that the Senator's position can be defended as being consistent with the general statements made by Carter on the grounds that the Nixon plan was designed to increase the dominance of big business over small and would have destroyed the only agencies that now serve the needs of rural America. This is not Governor Carter's intention.

*Stevenson lib?*

## Macroeconomic Policy

### Balanced Budget

#### Carter

In his presentation to the Platform Committee Carter stated "By 1979 we can achieve a balanced budget within the context of full employment."

#### Mondale

I know of no occasion when you have established a time-table for a balanced budget.

#### Note

CBO, in its five year projections, has said that if we were to experience rapid real economic growth from a source other than fiscal policy -- say, a boom from consumption, exports, or monetary policy -- from now until 1979 that we could have a balanced budget by that time at about 4 to 5 percent unemployment. However, if fiscal policy were to be the source of the rapid economic growth, then a balanced budget at full employment by 1979 is not probable.

There would seem to be no conflict in views if a balanced budget "within the context of full employment" is taken to mean that unless we achieve full employment, a balanced budget at anytime has not been promised.

### Non-inflationary unemployment rates

#### Carter

In an interview Carter indicated that we could aim for an unemployment target "below 5%" without generating inflationary pressures. He stated that inflationary pressures could become serious at an unemployment rate of 4%, and at a 3% unemployment rate "the inflation rate would probably rise above 10%".

#### Mondale

In the last year you have not indicated what a final unemployment target should be. At earlier times I assume -- but have not verified -- that you endorsed lower unemployment goals.

#### Note

In the early 1960's, the best economists felt that a 4% unemployment goal was only an "interim target", and that a lower goal was desirable and would not generate inflationary pressures.



Since that time work -- primarily by George Perry -- has indicated that the changing characteristics of our labor force has necessitated raising this unemployment goal. Perry would probably raise it to about 5 percent today. You can say that the 1970's are different from the 1960's in many important ways -- including not only demographic changes (a greater proportion of teenagers and women in the labor force) but an increased international inter-relationship of economies -- so that former unemployment targets have to be continuously re-examined.

### Fiscal Policy

#### Carter

Carter supports an expansionary fiscal policy "for the near future". He supports the Full Employment Act of 1976, counter-cyclical assistance to cities, federal funding of on-the-job training by business, employment services to match people to jobs, improved manpower training, "public needs" jobs "in areas such as housing, rehabilitation and repairing our railroad roadbeds," 800 thousand summer youth jobs and doubled CETA jobs from 300,000 to 600,000.

#### Mondale

For the FY 1976 First Concurrent Resolution on the Budget, you offered an amendment to increase outlays by \$9.0 billion for counter-cyclical expenditures -- though you expected also to reduce income security payments, and raise revenues through increased economic activity and tax reform, so that the deficit was increased by only \$3.5 billion.

For the FY 1977 budget, you offered an additional \$2 billion tax cut in the Budget Committee.

#### Note

In a paper prepared for Carter campaign workers there is a short section which reads: "I do not favor a tax cut for 1976. I believe most American people would much rather have some control over excessive spending (as would be insured by the zero-based budgeting technique) than to have a tax cut at this time with deficits in the neighborhood of \$70 billion." It would, of course, be inconsistent to argue for no tax cuts, and for holding down spending, but to promise to pursue an expansionary fiscal policy.

It is consistent to say simply that for 1977, the fact of fiscal drag will require a new look at the question of a tax cut, and that Carter is promising to hold spending below what it otherwise would have been, but not necessarily to cut spending. So, a commitment to an expansionary fiscal policy goes with the quoted sections.

## Monetary Policy

### Carter

Carter has said that monetary policy in recent years has been too restrictive. Also, while supporting the "independence" of the FED, he has called for making the term of the Chairman coterminous with that of the President.

### Mondale

You agreed with the Report for the First Concurrent Budget Resolution for FY 1976 which called for an accomodative monetary policy -- i.e. on which would keep short-term interest rates from rising. This was estimated to require, approximately, a 10% rate of growth of the money supply for 1975, and a somewhat slower rate of growth for 1976.

For FY 1977, the Senate Budget Committee called only for an accomodative monetary policy which would facilitate 6% and preferably 7% real growth.

### Note

The rate of growth of the money supply in 1975 turned out to be only just over 4 percent. This has turned out to have been an accomodative monetary policy in that it prevented short term interest rates from rising and so prevented any "crowding out". A more stimulative monetary policy -- which probably would have pushed short term interest rates down -- would still have been a better economic policy as it would have facilitated a higher rate of real economic growth.

## Housing

### Carter

For the Platform Committee Carter provided the following agenda for housing to rejuvenate the construction industry, and fulfill the goal of constructing 2 million housing units per year:

- (1) direct federal subsidies and low interest loans to encourage the construction of low and middle class housing
- (2) expansion of section 202 housing program (housing for the elderly)
- (3) more money for rehabilitation -- using public service job money for home rehabilitation
- (4) "greater attention to the role of local communities under the Housing and Community Development Act of 1974"
- (5) "greater effort to direct mortgage money into the financing of private housing"
- (6) prohibit redlining by federally sponsored Saving and Loans and the FHA
- (7) encourage more loans for housing and rehabilitation to the poor
- (8) more expansionary monetary policy.

### Mondale

You were a member of the Subcommittee on Housing and Urban Affairs from 1965 through 1972. In that role you helped create the major housing programs which Carter seems to support.

Housing and Urban Development Act of 1965. Title I authorizes rent supplement payments for disadvantaged persons. Other provisions supported continuing Federal support for college housing, urban renewal, acquisition of land for parks and urban beautification and rural housing.

Demonstration Cities and Metropolitan Development Act of 1966. This Act established "Model Cities". you were particularly active in providing for "citizen participation".

1976 - The Fair Housing Act. This bill became law as Title VIII to the Civil Rights Act of 1968. It protects the rights of minorities with respect to the renting and purchasing of homes.

Housing and Urban Development Act of 1968. Title I <sup>provided</sup> created homeownership for lower-income families (Sec. 235). This followed the work you had done in 1967 for the Housing and Urban Development Act of 1967. Carter seems to want to rejuvenate a similar program.

The Housing and Community Development Act of 1974. This bill contained many of the provisions of the 1972 Housing and Urban Development Act. You developed the formula for consolidating both the FHA housing programs and the urban development program.

#### Notes

In general Carter seems to want to return to a commitment to the programs which you helped create. There are, perhaps, a couple of important differences.

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A current controversy is whether Housing Assistance Authorization should make a priority of rehabilitation or whether the local community should have complete discretion over the mix of money for new construction and for rehabilitation.

The Housing Amendments of 1976 -- for which you voted -- clearly provide that this mix is supposed to be a local decision. Carter places some emphasis on making a national priority of increased rehabilitation money.



## Aging

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#### Social Security

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#### Housing

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#### Administrative change

Carter proposes to create a Counselor on the Aging in the Office of the President.

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Carter says that "we should consider the establishment of a national senior citizens' service corps and broaden the use by senior citizens of multi purpose centers.

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You have not commented on the various "decoupling" proposals.

#### Housing

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## Medicare and National Health Insurance

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### Notes

The only apparent important conflict is that Carter has proposed to raise the taxable wage ceiling for Social Security taxes, while you have favored no immediate increase, and have said that we need to look toward partial general revenue financing in the long run.

## Revenue Sharing

### Carter

Carter has proposed to extend Revenue Sharing for five years with an increase in the annual funding level to compensate for inflation and with enforcement of the civil rights provisions. He believes that all Revenue Sharing funds should go to the cities and that localities should be allowed to use these funds for defraying the costs of health, social services and education.

### Mondale

You are a cosponsor of the Administration's bill which would, in the main, continue the present program. You have spoken before the Senate and before State and local officials that you do not favor major changes in the distribution process.

## Science and Technology

### Carter

Carter has proposed that the Office of Science Adviser to the President be upgraded.

### Mondale

You were a cosponsor of the Science Advisor bill which accomplished this.

You are also a prime sponsor in the Senate of the NSF authorization bill for FY 1977. It provides for an \$832.4 million authorization.

## Consumers

### Carter

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He would also establish a consumer protection agency.

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You were a sponsor of the Federal Meat Inspection Act.

You supported the Mortgage Disclosure Act, and the truth in lending legislation.

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MEMORANDUM

TO: Senator Mondale  
FROM: Larry Oliver  
DATE: July 20, 1976

RE: Comparison of Carter and Mondale Positions on  
Certain Issues

SPECIFIC ISSUE DIFFERENCES ARE UNDERLINED.

I. Gun Control

Carter

1. Favors ban on the sale of "Saturday Night Specials."
2. Favors prohibition of ownership by anyone convicted of a crime involving a gun and by those not mentally competent.
3. Favors national registration of handguns.
4. Long guns - no statement.

Mondale

- Same.
- Same, but includes prohibition of sale to minors.
- Same.
- Opposes measures calling for the confiscation of handguns and requiring licensing and registration of long guns which are used for legitimate sporting purposes.

*check entire record*

II. Death Penalty

Carter

1. Death penalty should be retained for a few aggravated crimes like murder committed by an inmate with a life sentence. The penalty must be assessed by a jury and must be reviewed in each case by a 3-judge panel at the state Supreme Court.

Mondale

- Opposes death penalty in the absence of evidence that it deters crime.

### III. Crime

#### Carter

#### Mondale

1. Best way to reduce crime is to reduce unemployment and have a criminal justice system which delivers swift and firm punishment.

Same.

### IV. S. 1 (Criminal Justice Reform Act of 1976)

#### Carter

#### Mondale

1. Opposes S. 1.

Same.

### V. Judicial Reform

#### Carter

#### Mondale

1. Supports strong appointed independent Attorney General and highly qualified and independent judges.

Same.

2. Independent blue ribbon judicial selection committees should be established to give recommendations to the President of the most qualified persons available for positions when vacancies occur.

Same (?)

### VI. Labor

#### Carter

#### Mondale

1. As President, would approve legislation to repeal Section 14-b of the Taft-Hartley Act.

Same.

2. Generally believes in strong, effective, responsible unions.

Same.

## VII. National Health Insurance

### Carter

1. Supports comprehensive National Health Insurance, but (a) wants to phase it in for children, the poor, etc., (b) give insurance companies a chance to play a role, and (c) place more emphasis on preventive medicine.

### Mondale

Same (is co-sponsor of S. 3, the Kennedy bill).

## VIII. Unemployment Compensation

### Carter

1. As Governor, he devised a law eliminating the waiting period when a worker was laid off.

2. No position stated.

### Mondale

Same. Introduced S. 2079 in Senate which provides for no waiting period when a worker is laid off.

Supports a federal benefits standard.

## SMALL BUSINESS

Carter has outlined no specific positions regarding small business. I think that you can point to the accomplishments of the Small Business Committee during your term as solid evidence that you have supported the concerns of small businessmen. I am working with the staff of the Small Business Committee to develop more extensive issue briefs in this area and to document the inadequacies of the Ford Administration.

### ESTATE AND GIFT TAX

As a result of your efforts, the Senate Finance Committee adopted legislation that would more than double the current exemption of \$ 60,000 to \$ 120,000, effective January 1, 1977. A tax credit of \$ 30,000 would be substituted for this higher level of exemption, since a credit is a more progressive tax feature. This credit would be increased over the next four years to a level of \$ 50,000 which is the equivalent of a \$ 200,000 exemption.

The Finance Committee measure also increases the marital deduction for small and medium-sized estates, extends the time for repayment of the taxes to 15 years, and provides that farm land will be valued for estate tax purposes at its use as farm land.

### CORPORATE TAX REFORM

The 1975 Small Business Amendments to the Tax Reduction Act provided significant benefits to small businesses. They lowered the tax rates on the first \$ 25,000 of corporate income to 20 percent and the next \$ 25,000 of income to 22 percent. These cuts resulted in tax savings of 9 percent on corporate earnings below \$ 25,000 and by 40 percent on earnings between \$ 25,000 and \$ 50,000.

More remains to be done in this area. Studies have shown that small businesses pay an "effective tax rate" of more than twice that of their larger counterparts. The 1976 Annual Report of the Senate Small Business Committee cited figures that small manufacturers with assets under \$ 1 million paid an "effective tax rate" of 51 percent, whereas a group of the largest corporations paid an effective rate of 22 percent in 1974.

The Ford Administration's priorities are clear from their proposal to reduce corporate taxes by an across-the-board reduction from 48 percent to 46 percent. By Simon's own testimony before the Finance Committee, 81 percent of the benefits from the Ford proposal go to the largest 1.3 percent of the corporations and 62 percent go to the largest 0.2 percent.



## PAPERWORK

Agencies of the executive branch currently require small businesses to file ten billion sheets of paper per year on over 6,000 different forms. The cost to all business of meeting the reporting requirements of government at all levels is estimated at \$ 20 billion by the Federal Paperwork Commission. It costs government another \$ 20 billion to process and store these reports.

You can make the argument that most of these reporting requirements have been established by the executive agencies. They are time-consuming, costly, redundant, and often unnecessary to the implementation of Congress' legislative intent.

The Small Business Committee has been active in urging various executive departments to reduce the paperwork burdens they impose. The Labor Department and IRS, under pressure from the Committee, have reduced the reporting requirements under the Employment Retirement Security Act, and suspended its requirement of an accountant's opinion on small business plans. This latter action alone will save these small businesses between \$ 500 million and \$ 750 million in additional costs this year.

## LACK OF ADMINISTRATION SUPPORT FOR SBA SMALL BUSINESS ASSISTANCE PROGRAMS

For all of its rhetoric, the Ford Administration has failed to support the major small business assistance programs. In constant dollars the obligations incurred by SBA in its major small business loan programs were less in FY 1975 than in FY 1970. And the Administration's budget estimates call for further reductions in the programs' obligations for both fiscal years 1976 and 1977.

A good example of the disastrous effect of these restrictions is the Surety Bond Guarantee program, which you have been instrumental in saving on several occasions. This program provides bond guarantees to small (and often minority) contractors, which they require to stay in business. The Administration has refused to authorize an obligational authority sufficient to meet the additional need for the program, although its additional cost would be only \$ 3 million. As a result, it has faced imminent discontinuation on three occasions in the last year, throwing small business contractors everywhere into a panic and seriously undermining the program's credibility. Only pressure from you and a couple of other concerned Senators has kept the program functioning uninterrupted. This exemplifies the Administration's callous indifference to small business assistance programs.

## EDUCATION

### CREATION OF A SEPARATE DEPARTMENT OF EDUCATION

You and Carter agree that there should be established a separate Department of Education to strengthen the hand of education at the federal level. You both recommend that this new department consolidate the grant programs, job training, early childhood education, literacy training, and other education functions currently scattered throughout the government.

Note: This proposal to establish a separate Department of Education is strongly supported by the NEA. However, Shankar has expressed his reservations that such a Department would actually improve the administration of education programs and particularly his concern that it would be advanced as a substitute for additional funding for education.

### INCREASED FEDERAL SUPPORT FOR PUBLIC EDUCATION

You and Carter agree that the federal government should increase its support for public education beyond its 1974 share of 10 percent of the total. However, Carter has declined to commit himself specifically to the one-third figure advanced by NEA, which you endorsed in your speech before their Miami convention.

### USE OF REVENUE SHARING FUNDS FOR EDUCATION

As you know, Carter favors all revenue sharing funds going directly to local governments. This increase would be one prominent source of increased federal funds for public education. He favors removing the present prohibition against local governments' using these funds for education.

### COLLECTIVE BARGAINING FOR TEACHERS

Carter supports the right of public employees, including teachers, to organize and bargain collectively. He does not favor prohibiting teachers the right to strike.

### EXPANDED VOCATIONAL AND CAREER EDUCATION PROGRAMS

One of Carter's major proposals in education is for increased emphasis on career and vocational education programs. He cites statistics that 750,000 untrained youths enter the unemployment pool annually, and that by 1980 30% of all jobs are expected to require education beyond high school but less than a four year degree.

### HANDICAPPED EDUCATION

You and Carter agree that programs for the handicapped must be significantly expanded in view of the fact that only half of the six million school-aged handicapped children are receiving the attention they need.

### BUSING

Carter has stated that "the best thing that ever happened to the south in my lifetime was the passage of the Civil Rights Acts and complete integration of our schools." He points with pride to the completely integrated public school in Plains which his daughter Amy attends. However, he notes that busing was tried in Atlanta and did not work. "The only kids I have ever seen bused are poor children. I have never seen a rich child bused. The rich parents either move or they put their kids in private schools." He notes that at first it is very important to the black citizens to have the busing order. "But eventually the poor parents, mostly blacks, say 'We don't want our kids bused any more to a distant school,' because these are the very parents who don't have a second car, and if their children get sick in the middle of the day or if they want to go to athletic events, they can't go."

He points to the arrangement that was made for Atlanta during his governorship under the approval of the Court of Appeals.

- (1) Any child who wants to be bused can be bused at public expense.
- (2) The busing must contribute to increased integration. A child cannot be bused away from a school just because it has black children in it.
- (3) Black leaders have to be adequately represented in the decision-making process of a school system at all levels, so that black people will feel "that's my school system." He maintains this condition is lacking in Boston and many other cities.
- (4) No child is bused against the wishes of the child.

## MAJOR PROVISIONS OF THE DEMOCRATIC PLATFORM

### ELEMENTARY AND SECONDARY EDUCATION

Strengthen federal support of Title I, ESEA with emphasis on its compensatory education function and improvement of reading and math skills.

Expand federal support for handicapped, bilingual, and early childhood education.

Federally financed, family-centered, child care programs, operated by the public schools or other local organizations, for all who need and desire them.

Increased federal funds to eliminate differences in expenditures for education between school districts.

### DESEGREGATION

Continued support for school desegregation. Help through special consultation, matching funds, and incentive grants to encourage integrated education. "Mandatory transportation of students beyond their neighborhoods for the purpose of desegregation remains a judicial tool of the last resort for the purpose of achieving school desegregation." Encourages a variety of other measures, including the redrawing of attendance lines, pairing of schools, use of the "magnet school concept," strong fair housing enforcement, and other techniques for the achievement of racial and economic integration.

### TAX CREDIT FOR PRIVATE SCHOOLS

Support of a constitutionally acceptable method of providing tax aid for parents who wish to send their children to non-segregated private schools.

### POSTSECONDARY EDUCATION

Commitment to extend postsecondary opportunities for students from low and middle income families through full funding for BLOG and support for the campus-based grant, loan, and work-study programs to provide choice.

Federal support to postsecondary institutions through cost-of-education payments.

Federal support for basic and applied research, graduate education, traineeships, and fellowships.



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