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TASK FORCE REPORT SUMMARIES

OFFICE OF THE PRESIDENT-ELECT

Richard M. Nixon

450 Park Avenue
New York, N.Y. 10022
(212) 661-6400

January 18, 1969

The Honorable Richard M. Nixon
President-Elect of the United States
Pierre Hotel
Fifth Avenue at 61st Street
New York, New York

Dear Mr. President:

I have already sent you those Task Force reports that I thought you would want to read in their entirety.

The enclosed summaries of other Task Force reports will probably suffice for your immediate needs. Needless to say, any or all of the full reports can be made available to you on a moment's notice.

As the remaining reports arrive, you will promptly receive either the full report or a summary.

Sincerely yours,



Arthur F. Burns
Chairman
Program Coordination
Committee

SUMMARIES OF TASK FORCE REPORTS

1. Intergovernmental Fiscal Relations
2. Federal Credit Programs
3. Resources and Environment
4. Transportation
5. Labor, Incomes, and Manpower
6. Education
7. Urban Affairs
8. Housing and Urban Renewal
9. Health
10. Public Welfare
11. U.S. Balance of Payments Policies

Intergov'tl.
Fiscal Relns.

Summary

Report of the Task Force on Intergovernmental Fiscal Relations

Chairman: Richard P. Nathan

This report presents the view that the time has come for a major reform of intergovernmental fiscal relations. The prime need is for deemphasis of the categorical grant-in-aid approach and for stress instead on policies leading to responsible decentralization. A special Presidential message on this subject early in the new Administration is suggested. The report presents background material on the need for this reform, a group of principles to guide reform, and a series of specific proposals, the most important of which is the inclusion of revenue sharing in the fiscal 1970 budget.

The report's recommendations are based on the premises that state-local public service needs are high and rising; that state-local tax systems are strained and that major tax sources have inequitable features; that the use of the Federal tax system to aid state and local governments is essential; that the present Federal aid system has critical deficiencies; and that the administrative machinery for achieving public purposes requires strengthening at all levels of government.

To pursue responsible decentralization, the report sees a need for:

- (1) Strong Presidential leadership, to be promoted through strengthening the Executive Office, to develop and ensure implementation of policies.

- (2) Encouragement of state and local involvement and acceptance of responsibility in problem-solving and program administration.
- (3) Coordination among community participation programs.
- (4) An advisory role for state and local governments in the administration of specific tax incentive programs.

The report recommends nine measures for overhauling the categorical grant-in-aid system: (1) legislation authorizing the President to submit grant consolidation plans, the plans to become effective unless rejected by either House within 90 days; it is suggested that consolidation is needed especially in the areas of water and sewer facilities and vocational education; (2) legislation authorizing single applications for joint funding of projects deriving funds from several federal sources; (3) legislation authorizing the transfer by executives of the recipient jurisdiction of up to one-tenth of the funds received in any one grant category to other programs funded by the same federal agency; (4) the establishment of guidelines on the use of major types of federal grants; (5) simplification of matching and apportionment formulas; (6) legislation to encourage more comprehensive planning, especially in relation to urban problems (revision of Section 701 of the 1954 Housing Act is specifically recommended); (7) authorization in grant legislation for Department heads and the Comptroller General to accept the results of state and local accounting and auditing when those results meet

appropriate standards; (8) better timing of aid fund appropriations so that state and local governments can plan and budget effectively; (9) extension of provisions for pre-financing (such as now exist in the highway and water pollution programs) to permit contingent approval of projects beyond currently available Federal authorizations.

The report offers proposals for revising Federal aid programs in two specific areas, manpower and welfare. In the manpower area, the report recommends a study to establish criteria for selecting localities in which to operate comprehensive manpower programs; programs would be comprehensive and administration would be decentralized. In the area of welfare, the report recommends: (1) a study to consider making the AFDC-UP program mandatory; (2) a study to consider the development of minimum national standards for AFDC-UP, with cost-of-living adjustments; and (3) a study to consider administration by the Social Security system of other public assistance programs (aged, blind, disabled), with general revenue financing for those covered.

The report recommends that the fiscal 1970 budget include a program for sharing one-half of one percent (0.5 percent) of taxable income reported on individual tax returns (estimate: \$1.75 billion) with state and local governments. It recommends that a major portion of these funds be allocated on the basis of population. The use of tax credits as an alternative to revenue sharing is discussed, but no recommendations are offered.

The report also recommends panels to study block grants, especially in the areas of higher education and elementary and

secondary education.

It is also recommended that a study be made of the desirability of legislation authorizing state-local imposition of a surtax on those residing within a particular SMSA, the proceeds to be distributed in accordance with state law to political units within the SMSA.

Support for cooperative arrangements for Federal collection of state and some local taxes is also recommended.

Finally, the report notes that the Model Cities program offers advances in the development of an intergovernmental strategy for an urban society through its encouragement of executive leadership within local government, its offering of multifunctional Federal grants, and its encouragement of coordination of programs by Federal agencies and state governments to achieve locally defined objectives. It notes that the Community Action Program is based on sound concepts but should be restructured -- perhaps by placing its administration in HUD rather than OEO -- so that it does not function in competition with established state and local governmental institutions. The report finds merit in certain aspects of the Community Self Development Act, but cautions against accepting proposals that would utilize the funds of Community Development Corporations to finance and operate public-service programs.

Federal Credit
Programs

Summary

Task Force Report on Federal Credit Programs

Chairman: James J. O'Leary

Students of the money and capital markets and economists generally have been disturbed by the way in which the Federal credit programs have proliferated in recent years. These programs have put considerable strain upon the nation's real and financial resources, and they often have been inadequately coordinated with broad economic stabilization and growth-promoting policies of the Federal government. Financing sometimes has been dictated more by a desire to reduce the apparent budgetary impact than to achieve sound program funding. Finally, programs often have failed to make adequate use of private initiative and private funds in meeting credit needs.

The general principles which should guide the Federal credit programs are as follows:

1. Federal direct loan and loan-guaranty programs are appropriate in filling those important needs in our society that would not be satisfied by the private market system without Federal stimulus.
2. Nevertheless, a primary objective of the Administration and Congress should be to obtain greater involvement of private funds and managerial effort.
3. As a general rule, all new and existing Federal credit programs should rely upon Federal insurance or guaranty of private financing rather than on direct Federal loans.

- (a) The insurance or guaranty should, if possible, be less than 100 percent. Some measure of risk should be left to private lenders through coinsurance to encourage careful underwriting of loans.
 - (b) The programs should also, as a general rule, require the promoter or developer of a project aided by Federal insurance or guaranty to have a significant equity position in the project.
4. Nonetheless, in some cases where risks are exceptionally high, a full Government guaranty without co-insurance or direct Federal loans with private participation will be required to make a project feasible.
 5. Only as a last resort should there be direct Federal loans without private participation. In no event should these direct loan programs be permitted to undercut viable insured or guaranteed loan programs.
 6. Private investors must be permitted to invest in Government-insured and guaranteed loans at the going market interest rate.

Our recommendations to bring existing and new Federal credit programs into line with the guiding principles are as follows:

1. The President should appoint a Cabinet-level task force to make a comprehensive reappraisal of the existing Federal direct loan and loan-guaranty pro-

grams. Programs should be scrutinized rigorously in the light of the guiding principles. The Director of the Bureau of the Budget should serve as Chairman of the task force, and the Secretary of the Treasury, the Chairman of the Council of Economic Advisers, and the Chairman of the Federal Reserve Board should participate personally or through designated alternates.

2. The President should establish machinery to make Federal credit agencies fully responsive to the general economic policy needs of the country. This review machinery should probably be established under the Chairman of the Council of Economic Advisers; the Secretary of the Treasury, the Director of the Bureau of the Budget, and the Chairman of the Federal Reserve Board -- or their designated alternates -- should be included.
3. The President should establish machinery, perhaps by creating an office for this purpose within the Treasury, for coordinating the money and capital market operations of all Federal credit agencies. This office should also consider the possibility of reducing the number of standard categories of borrowing instruments. The possibility of Treasury handling of the financing activity of all Federal credit agencies should also be considered.

Resources &
Environment

Summary

Task Force Report on Resources and Environment

Chairman: Russell E. Train

The report of the Task Force on Resources and Environment recommends that improved environmental management - especially in urban areas - be given high priority by the new Administration.

Although the report notes that many Federal departments and agencies are involved with environmental problems, it recommends postponing major reorganization in this field pending study by a Hoover-type commission or a National Commission on Environment. Such a commission should be concerned with more than just efficient administration. It also should devote attention to structural changes aimed at providing more effective monitoring of the major environmental impacts of Federal programs whose basic purpose is not environmental protection, such as highway construction.

For the immediate future, the report recommends:

- An effort to make existing programs work better by promoting greater Federal cooperation with business and with state and local governments.
- Increased appropriations (up to authorized levels).
- Appointment of a Special Assistant for Environmental Affairs, who would provide a focal point for policy and planning in this badly fragmented field.
- Broadening the responsibility of the existing inter-agency Council on Recreation and National Beauty and designating the new Special Assistant as its Executive Secretary. The Council

would be concerned with all environmental matters and also would function as a vehicle for consolidating other inter-agency groups dealing with the environment, such as the Water Resources Council and the Marine Science Council.

- Changing the name of the Citizens' Committee on Recreation and Natural Beauty to the Citizens' Committee on the Environment, and extending its area of concern also. Private sector involvement would be one of the main considerations of this committee.

- Establishing a focal point of environmental responsibility in each Federal agency whose activities significantly affect the environment, comparable to the units now existing in the Army Corps of Engineers and the Department of Transportation.

- A Presidential statement of goals and priorities in this field, preferably as a message to Congress.

Finally, the report notes that many environmental bills were presented in the 90th Congress and that voters in state and local elections have shown great willingness to support bond issues for environmental programs. This clearly indicates that environmental problems are now of considerable concern to voters.

Transportation

Summary

Report of the Task Force on Transportation

Chairman: C. L. Miller

The most urgent problems and our recommended actions are:

1. Public mass transportation must be guaranteed a sustained source of funds and support for planning, research, and implementation. The creation of a Public Transportation Trust Fund is urged; and major strengthening of the Urban Mass Transit Administration is needed to insure effective coordination and management of its national programs.
2. The air transportation system is facing a national crisis of insufficient capacity. Legislation to set up an equitable system of user charges is urgently needed to provide the essential funds (in conjunction with other sources) for airports, airways, and airport access. Federal executive leadership in research, development, and implementation of measures for improved air traffic control, noise, and air pollution control, and V/STOL technology is essential.
3. The Federal-aid Highway Program is now highly controversial. Citizen groups in urban areas are in opposition. State highway officials deeply resent the Federal handling of the program. Executive leadership to generate public confidence and provide constructive

direction to the highway program is urgently needed.

4. The railroad industry is burdened with many outmoded regulations. The nation needs a modern, efficient rail industry and should discard archaic restrictive practices. Early steps should be taken to relax obsolete constraints on the rail industry and to expand research and development. Expenses for social services, such as operation of long-distance or commuter passenger trains, which the public wishes to maintain, should be paid for by public funds.

5. The maritime industry has a unique opportunity to regain U.S. leadership by taking advantage of the technological revolution in shipbuilding, shipping, and oceanography. Emphasis on meaningful incentives and decreasing reliance on Federal funding and control is required for the effective implementation of such a program. Integration of all Federal agencies oriented to the maritime industry is recommended to develop proper overall planning and use of Federal, industry and labor resources.

6. Science and technology programs in transportation are far short of what is required for all modes. Priorities need to be set. Resources should be devoted to sustained research and demonstration programs. The Department of Transportation should design and implement a viable national

program of research and fundamental improvements in all transportation systems.

A strong Department of Transportation is the key to effective Federal action. The Task Force feels it is too early for the new department to undergo a major reorganization, but urges immediate steps to strengthen the Office of the Secretary of Transportation, including the various Assistant Secretaries.

1. The modal administrations should be continued, but this orientation should be complemented by a) equally strong representation of inter-modal and multi-modal functions by appropriately designated Assistant Secretaries; and b) clear authority and the necessary resources for the Secretary to exercise control and leadership of national programs.

2. The activities of the Office of the Secretary should be expanded to include a) responsibility for advising the President on transportation labor-management disputes; b) a systems planning capability and a program of advanced research; and c) new mechanisms for interdepartmental coordination and creation of an advisory body to the Secretary.

3. Explicit recognition should be given in the organizational structure of the department to the special problems of a) urban transportation, to include all modes

and their relation to urban development; and b) the human and environmental impact of transportation.

Finally, we urge the new Administration to take a fresh and objective look at the role of private enterprise in transportation. Specifically, we suggest:

1. Greater reliance on human desires, as reflected by market forces, to encourage carrier ingenuity and innovation, through a reduction of restrictive regulations; carefully controlled rate flexibility; and increased opportunity for intermodal service.
2. Clear incentives for private enterprise to invest in new systems, equipment and technologies, through aggregation of the equipment market into large units; structuring of the market for private sector services; and new opportunities for small businessmen in transportation.

Labor Incomes
& Manpower

Summary

Report of the Task Force on Labor, Incomes and Manpower Policies

Chairman: George P. Shultz

This report presents recommendations in three areas - labor relations policy, wage-price policy, and manpower policy. Underlying the recommendations in all three areas are two basic convictions: 1) high employment is an important goal in itself, but is in tension with the goal of reasonable price stability - a situation that must be recognized and dealt with; and 2) unions and companies themselves must be made responsible for making particular decisions free of government intervention and accepting their consequences.

Labor Relations Policy

The members of the task force are opposed to seeking changes in labor legislation - including application of the anti-trust laws to unions - in the near future. (An appendix presents suggestions for labor legislation to consider if the subject is opened up.)

Instead, they recommend seeking changes through administrative means, generally following a policy of a) emphasizing resolution through free collective bargaining; b) intervening only when absolutely necessary; and c) pursuing equitable settlements rather than "peace without regard to its price" when intervention is undertaken.

The task force also recommends abolition of the distinction between the Mediation Service and the Department of Labor. The official in charge should have a research and technical assistance function as well as the mediation function, for the purpose of

studying the year's negotiating calendar in depth and doing special studies.

The report strongly urges an almost off-the-record, internal study of the problem of public employees at the Federal and other government levels, including careful review of the evaluation of Executive Order 10988 now underway.

For the immediate future the report recommends:

1) Establishing a joint (Department of Labor - Mediation Service) study unit to study the 1969 negotiation scene. The General Electric-Westinghouse negotiation is year's major event, but is not an immediate problem.

2) Giving immediate attention to the airline negotiations with mechanics, which open January 1, 1969 - a situation that could present the Administration with a precedent-setting crisis.

3) Keeping track of the East Coast longshoremen dispute, which may not be resolved before January 20th.

Wage-Price Policy

The report views both voluntary and statutory restraints on wages and prices as ineffective; only restraints on aggregate expenditure will be effective in resisting inflation.

Recommendations are offered for softening the conflict between greater price level stability and unemployment (likely to fall most heavily on minority groups), but the report regretfully concludes that this goal cannot even be approximated in the next four years. The recommendations cover the areas of unemployment compensation, training allowances, training opportunities and programs, employment services, and moving allowances.

Although opposed to direct intervention in price determination, the task force members recommend that efforts be made to improve the wage-price setting process in particular industries.

The specific recommendations are essentially methods for making the particular industry's labor market more competitive. An expansion of international competition through lowered tariff barriers and resisting or ignoring "Buy American" clauses is also recommended. Finally, the report advocates continued surveillance of product price-fixing arrangements by the Anti-trust Division.

Manpower Policy

The report recommends a continuation of the emphasis on job opportunities for the disadvantaged, suggesting that the new Administration first make full use of the possibilities opened up by recent legislation and administrative decisions, specifically the Vocational Education Act of 1968, the amendment of Title I-B of the Economic Opportunity Act (permitting comprehensive community programs in place of various separate ones), 1968 amendments to the MDTA. (providing for improved administration and federal matching funds for state programs), and the decision providing for reorganizations of the Manpower Administration of the Labor Department.

Because of these opportunities, the report emphasizes the importance of the position of Assistant Secretary for Manpower Progress and suggests elevating it to Undersecretary status.

Long-term, the report recommends legislation authorizing a single appropriation for all manpower services, the allocation among programs to be made mainly by state governments in accordance with Federal guidelines; some funds would be reserved for pass-through to cities and for interstate programs and research. The states would be responsible for delivery of services, either through a state employment service or in accordance with a federally approved plan; in either case, the job seeker should be able to gain access to services through a single community contact point.

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Education

Highlights

Report of the Task Force on Education

Chairman: Alan Pifer

The report of the Task Force on Education cannot be briefly summarized--at least not adequately--mainly because it touches on a very large number of programs and issues. Thus, only the highlights are covered in this short memorandum.

The members of the Task Force have no essential quarrel with the rapid expansion of Federal educational activities that has occurred in recent years. Rather, they believe that Washington does have substantial responsibility for education under the "general welfare" clause of the Constitution and they think it very important that President Nixon continue to build on the foundation that has been erected. This need is seen as especially compelling because of the inadequacy of State and local financial resources.

The members of the Task Force make a variety of proposals for enlarging Federal expenditures on educational programs; a few of the proposals would involve immediate supplementary appropriations for spending in the current fiscal year, but most relate to fiscal 1970. Collectively, the proposals would add \$2 billion to the annual rate of Federal outlays on education, with half of this to be earmarked for special efforts aimed at strengthening urban education, which the Task Force singles out as demanding especially urgent attention. The members of the Task Force express a preference for a new Urban Education Act as a vehicle for intensifying Federal help

to inner-city schools. The alternative approach of increasing ESEA Title I funding and rewriting that Title's apportionment formula to achieve a greater concentration of assistance money in large cities would be acceptable to the Task Force members, but they doubt that such a route is politically feasible.

While the Task Force report accepts as appropriate the broad thrust of Federal educational efforts in recent years, it does fault the mechanisms for policy formulation and for intra-Governmental coordination that exist. The time has come, according to the members, for consideration of a separate Department of Education headed by an officer of Secretary rank and also for consideration of the creation of a National Council of Educational Advisors (modelled after the President's Science Advisory Council) that would conduct long-range studies of the Federal role in education and assess the need for possible new programs; pending study of such basic organizational reform, the rank and salary level of the Commissioner of Education ought to be significantly upgraded to make them commensurate with the responsibility involved. The Task Force believes further that the maze of existing legislation ought to be promptly reviewed by a skilled internal Task Force to determine how it can be reorganized to provide for greater efficiency in administration and less burden on state and local education authorities.

The Task Force report stresses the desirability of

regrouping a number of categorical grant programs into what it terms "designated block grant programs." The objective would be to give state and local officials somewhat greater latitude than they now have in using Federal assistance. But the Task Force emphasizes that any regrouping of programs must not go so far as to give Federal assistance the appearance of "general aid." That, according to the Task Force, would probably reopen the Church-State issue in aggravated form and jeopardize all Federal educational efforts. The Task Force explicitly takes note of Mr. Nixon's campaign pledge to move in the direction of block grants; it urges caution until the full implications of new departures can be thoroughly assessed in terms of the sensitive Church-State issue.

Urban Affairs

Summary

Report of the Task Force on Urban Affairs

Chairman: Edward C. Banfield

The report concentrates on the problem of giving the poor and the black a sense of increasing hope and opportunity and of greater control over their lives. It stresses the importance of avoiding promises which cannot be fulfilled. The report suggests that the new Administration give the public a more balanced view of the city by stressing the city's successes as well as its failures.

In general the report recommends using the market, price incentives, and the principle of consumers' choice to the largest extent possible; and, when choices are made through political institutions, giving autonomy to the smallest possible unit of government.

Equal Access: The Administration should commit itself to vigorous enforcement of all laws designed to ensure equal access to market, ballot boxes, and courts of law; as part of this, it should encourage black economic development, not necessarily in the ghetto but wherever opportunities are, by providing access to training, credit, insurance, and other needs.

Income Distribution: The incomes of the very poor should be raised in a manner that will leave them free to choose

how and where to live. The report comments on inequality of opportunity between urban and rural areas, and recommends enactment of legislation to equalize bloc grants to the states along the lines of the Heller-Pechman proposals as one helpful tool. Giving the Secretary of Agriculture a seat on the Council on Urban Affairs and transferring the Farmers Home Administration from Agriculture to HUD are also recommended.

The effect of certain Federal programs (e.g., agricultural price supports) on the living costs of the poor should be examined.

The task force favors moving towards a negative income tax as a substitute for other forms of welfare, but not before wider testing is done of its effect on incentives. It should be instituted at once for those groups where incentive is not relevant, such as the aged and disabled.

For those poor people incapable of functioning as consumers, special arrangements should be made.

Meanwhile, the Federal government should assume responsibility for financing welfare programs; the AFDC freeze should be repealed; and children of an unemployed parent should be treated as are those without fathers.

Manpower and Employment: The report recommends removing impediments to the proper functioning of the labor market as

an effective means for improving employment among low-skilled urban workers. Specifically, racial discrimination should be eliminated; better information about jobs should be provided; the minimum wage laws should be repealed or limited to those 21 and over; and restrictive practices by labor unions should be ended.

The report also urges the establishment of a small group to review the problem of employment of Vietnam veterans.

Payments to employers for training should be proportioned to the increase in the trainee's earnings in the year or two subsequent to training.

The task force opposes incentives for locating plants in ghetto areas on the grounds that workers should be encouraged to move out of these areas.

Housing: The task force believes that once minimum standards are met, government should not attempt to establish consumption levels but rather seek to eliminate restrictive practices, ensure a stable supply of mortgage credit, and eliminate imperfections in the mortgage market. In the absence of a national income maintenance program, the task force favors income supplements to be used for housing purposes.

Transportation: The task force favors liquidation of the Highway Trust Fund or some other arrangement to give states

freedom to allocate Federal funds among various transportation modes, steps to improve competition among different modes and reduce the preferential treatment given to private automobiles; emphasis on traffic flow rather than new highway construction in urban areas.

Schools: The goal should be incentives for consumer expenditure on education and a larger variety of educational products, so that parents, teachers and other groups do not struggle for control of the public monopoly. The report recommends considering:

- A tuition rebate plan.
- A rebate supplement plan for educational activity outside the public schools.

Safety in Public Places: The report recommends that the Federal Government make clear to black citizens its commitment to law and order, including equal and vigorous enforcement of laws for their protection. Saturation foot patrols in high-crime urban areas are recommended. The Federal Government should help cities recruit and pay police officers involved in safety in public places. The task force recommends a "civilian service corps", in which service would substitute for military duty.

Organization: The report supports the Federal grant-in-aid program but favors consolidation of categories; the

Federal Government's policy should be to favor ward or precinct-based election systems to ensure representation for the poor and minorities; support should not be quickly withdrawn from community action programs, even though there is little long-run future in them. Eventually these groups should be absorbed into a representative local government structure.

Evaluation and Testing: Evaluation programs, with staffs in their own departments, are encouraged.

Housing &
Urban Renewal

Summary

Report of the Task Force on Housing and Urban Renewal

Chairman: James Wm. Gaynor

This report recommends that the new Administration:

- Establish an urban policy and urban goals relating to housing and community improvement on a total basis, not exclusively for low-income groups.
 - Determine priorities among domestic and foreign programs.
- The goal of the 1968 Housing and Urban Development Act - 26 million new units in 10 years - will be difficult to meet under present circumstances.
- Stress programs in the construction field to end job discrimination, increase job opportunities, introduce off-site fabrication, and expand training programs.
 - Support vigorously Title VIII of the 1968 Act - providing for a reconstituted FNMA - to attract additional funds to the mortgage market at reasonable rates.
 - Encourage government assistance to non-profit housing sponsors through the 1968 Act.
 - Establish an urban affairs advisory council composed of representatives of leading professional and community organizations.
 - Decide whether Model Cities programs or Anti-poverty programs are to be used in areas where they now compete.
 - Provide an urban policy for land banks, minimum model code standards, and effective relocation policies, with recognition of states' rights and home rule.

- Decide policy on use of Federal block grants to the states for welfare and health care.
- Decide whether to support new towns or satellite cities.
- Encourage the states to take a more active role in urban problems.
- Assure revitalization of central business districts.
- Name the members of the National Home Ownership Foundation and encourage Congress to fund it.

* * *

The Task Force report further recommends:

- Reorganization of HUD on a mission rather than a program basis.
- Use of the department's electronic data processing equipment to compile meaningful statistics and to measure the effectiveness of programs.
- Unification of HUD's technical review activities.
- Intensification of research and development studies on construction problems.
- Assignment of responsibility for administrative limitations on development costs to regional administrators.

* * *

Additionally, the report recommends that the Administration:

- Recognize the housing provisions of the welfare program as a form of rent supplement.
- Have HEW coordinate standards for the operation and administration of the housing provisions of welfare legislation with HUD.

- Place all rent assistance programs under one administrative unit.
- Encourage the turnkey program and the lease-out of private apartments by local housing officials under Section 23.
- Make Section 235 and Section 236 programs effective by (a) allowing the Government National Mortgage Association to sell its mortgages at a discount and absorb the cost; (b) using subsidy provisions to the maximum; and (c) recognizing differences in construction costs in different areas.
- Stimulate acquisition of homes by ghetto residents.
- Consider new FIAA program to encourage creation and ownership, with 100 percent mortgage and rent supplements.
- Review urban relocation programs.
- Provide a fund reserve to ensure completion of Neighborhood Development Programs. Put action programs on a two-year basis and make the cost of preparing NDP applications eligible for reimbursement.
- Consider restricting the Model Cities program in most cities to one phase of activity so that the original objective - of a massive, intensive attack on a multitude of problems - can in fact be attained in a restricted number of cities; the Task Force believes that too much dilution of the program has occurred.

* * *

A dissenting paper was submitted by one member of the Task Force. It emphasizes the need to consider housing construction in the context of the total environment and to establish a national urbanization policy that would include:

- A general resettlement policy.
- A conservation program.
- Adjustment of other social and economic programs to ensure consistency with the urbanization policy.
- Revitalization of existing communities and plans for new communities.
- Programs to improve the responsiveness of government institutions.
- Programs for technological advance in areas related to urban problems.

The dissenting paper recommends that the President's Council on Urban Affairs be developed and asked to review programs and make an annual report to Congress and the President. It also recommends that the President ask Congress to create a Joint Congressional Committee on Urban Policy and that he reaffirm the housing goals of the 1968 Housing and Urban Development Act.

The dissenting paper puts more emphasis on the Model Cities program than does the Task Force report. It acknowledges that the program is characterized by administrative shortcomings but holds that it should be supported as the best strategy for coordinating Federal, state and local government programs at the community level. The dissenting paper recommends that Model Cities be used as the instrument for coordinated assistance to neighborhoods for the entire Federal government, not just HUD.

It argues further that the Model Cities program should be used as a long-term strategy applied to all major cities and urban centers, with Federal financial support designed as part of a continuing delivery system rather than as project grants to a short-run program.

Health

Summary
Report of the Task Force on Health
Chairman: John T. Dunlop

The report notes the rapid expansion in health expenditures in recent years accompanied by sharp cost increases, and concludes that additional funds would only increase costs further rather than expanding the amount of service offered. Thus, the task force strongly recommends heavy emphasis on greater efficiency and productivity in health care through a variety of means.

The report includes recommendations in the following areas:

Medicaid: The report outlines five alternative approaches to Medicaid but does not recommend any specific approach.

Medicare: The task force feels that decisions on the financing, coverage, administration and methods of payment for Medicare should await resolution of the Medicaid question. Suggestions are offered for legislative amendments; an increased role for private enterprise, where this would reduce costs, is recommended for consideration.

The Poor: The report recommends that the delivery of health care for the poor be adapted to their specific needs and cultural patterns. Neighborhood Health Centers are suggested.

Organization and Administration: A Council of Health Advisers is recommended. The task force also feels that the Assistant Secretary (HEW) for Health and Scientific Affairs

should have responsibility for those health programs in HEW that are not now under his purview; that a separate Department of Health, or of Health and Welfare, be created; and that other internal changes be made.

Medical Manpower and Education: The task force members are divided on the question of whether new medical schools are needed or whether expansion of existing schools is a better route for increasing the supply of doctors. Support for expansion is also recommended for training dentists and nurses. Involvement of medical schools in the training of new types of paramedical personnel, such as the physician's assistant, is encouraged. The

Licensing: The report urges increasingly high standards of licensing in the field of health care, but notes that licensing imposes a rigidity that should not be carried into law for those whose activities are not yet clearly defined.

Medical Education: A proposal for financing graduate medical education was offered by a sub-group of the task force.

Capital: It is urged that in spending money for new facilities, care be taken to improve the productivity of the health system. This is especially possible in health facility planning under HEW programs.

Research and Demonstration: The report notes that while much has been spent on biomedical research, very

little has been spent on health service research. HEW grants to providers of care, the tying of grants to medical schools to a commitment to participation in delivery-system research, and third-party grants to individual institutions are suggested.

Longer-range Special Problems: The report comments briefly on family planning for low-income women, environmental health, accidents, and drugs.

Public
Welfare

Summary

Report on the Task Force on Public Welfare

Chairman: Richard P. Nathan

The report focuses on near-term issues and opportunities facing the new Administration in the field of public welfare broadly defined to encompass problems and conditions of the poor in the United States and the government programs designed to assist them.

Following introductory and background material, the Task Force report makes recommendations on various near-term issues and opportunities.

A. Public Assistance and Related Support Systems.

Three pending HEW administrative regulations are discussed. The Task Force recommends the following actions ranked in the order listed:

1. First, retention of the declaration (or simplified) application procedure for Public Assistance recipients, with an amendment to allow individual states to negotiate for limited extensions on the basis of administrative necessity.

2. Second, implementation of the pending HEW regulations mandating continuation of assistance during the period of an appeal of the suspension or modification of a recipient's Public Assistance benefits.

3. Third, implementation of the HEW regulation making legal services available to appellants, on request, in hearings on appeals of suspension or modifications of a recipient's Public Assistance benefits.

On two immediate legislative issues, the task force recommends:

1. Repeal of the freeze on AFDC beneficiaries enacted in the 1967 Social Security amendments or, as an alternative, a further postponement of the effective date to July 1, 1971.

2. Formation immediately of a study panel to recommend a position on the anticipated effort in the 91st Congress to cut the Medicaid program. This recommendation assumes that the Health Task Force does not provide specific proposals suitable for this purpose.

On the subject of basic program reform of the Public Assistance programs, the Task Force recommends increased federal financial responsibility for Public Assistance and the establishment of national minimum standards for benefits under one of two specific approaches presented in the report:

1. Alternative one would blanket-in most adults on Public Assistance under the Social Security system, with general revenue financing to cover the added costs, and set minimum benefit levels for the AFDC program. The total estimated federal cost (with our assumptions) is \$1.9 billion, offset by savings to states and localities of between \$700 million and \$800 million.

2. Alternative two would set minimum benefit standards for all Public Assistance recipients. With our assumptions, it would cost \$1.4 billion, offset by savings to states and localities of \$500 million.

The Task Force report also includes suggestions for: (1) increasing employment opportunities to remove people from the Public Assistance rolls; (2) provision of day care and family planning services, both of which can help reduce poverty conditions and hence the need for Public Assistance; and (3) eventual

reform of state and local general assistance programs, which would ultimately permit the elimination of the categorical system and the establishment of a system with the single qualifying factor of economic need based on family size and resources.

The report also recommends consideration of the following changes in Public Assistance and related income support programs:

1. Mandating the AFDC program for families headed by an Unemployed Parent (AFDC-UP) as a means of curbing the present incentive of Public Assistance for men to desert their families in order to qualify them for welfare;
2. Setting a minimum monthly benefit for each member of the family under Social Security Survivors' Insurance, so that surviving children in large families are not prevented from receiving benefits;
3. Consideration of a proposal for the recovery, through a tax credit, of Social Security taxes paid by the poor;
4. Increasing widows' benefits; and
5. Separating the income and social service functions of welfare agencies.

B. Organization at the Federal Level of Service Programs for the Poor

The Task Force recommends that planning, coordination, and oversight functions for programs to aid the poor be assigned -- perhaps as a part of a broader assignment for all domestic programs -- to a staff component in the Executive Office of the President (EOP) -- although not the Office of Economic Opportunity (OEO)

which failed to carry out its planning and coordination assignments.

As for the future of OEO, the Task Force recommends that a new independent agency be created -- perhaps called the Agency for Community Development (ACD) -- which would be responsible for:

1. The Community Action Program and some of its closely related "national emphasis" programs, although the Task Force recommends that several of the current "national emphasis" programs be spun off or delegated to other agencies;
2. The new economic self-development program along the lines recommended in the Community Self-Determination Act of 1968; and
3. The VISTA program.

The Task Force also suggests that the new Agency for Community Development (ACD) have general responsibility for innovative self-help programs and for the development of neighborhood service centers in urban poverty areas.

As for the Job Corps -- presently an OEO program -- the Task Force recommends that it be discontinued as a separate entity and that authority for operating centers which are efficiently administered, plus new ones for selected areas, be assigned to the Secretary of Labor or HEW -- preferably the Secretary of Labor.

C. The Community Action Program: Its Role at the Local Level

The Task Force discusses the Community Action Program and recommends its concentration on: (1) citizen participation and self-help; (2) innovative local programs; and (3) the improvement of program delivery in poverty areas. This section of the report discusses CAP functions along with related federal programs

in order to develop a comprehensive framework for action at the local level which maximizes program flexibility and promotes improved planning, coordination, and program implementation (principally through a recast Model Cities program) with the close involvement of state and local officials.

D. The Model Cities Program

The Task Force recommends the use of the Model Cities program -- with fundamental revisions -- as a basic federal strategy for improving program coordination and delivery in urban poverty areas. This requires that: (1) the states are brought into this system; (2) local officials have an effective role; (3) the program is broadened; and (4) the present federal aid formula is revised.

E. The Community Self-Determination Act.

The Task Force endorses the Community Development Corporation (CDC) approach for community-ownership and economic development and recommends a two-part strategy to fulfill the basic objectives of this proposed legislation:

1. In phase one, OEO (if it is retained) or the new Agency for Community Development (ACD) would be directed to support on a flexible and experiemntal basis local community organizations (some are already in existence) to foster economic self-development in poverty areas.

2. In phase two, the new Administstration would work toward the enactment of legislation setting up CDCs on a more formal basiswith the necessary financial support through tax incentives, a banking system, direct appropriations, or a combination of these techniques. Phase two would include the careful analysis of aspects of this legislation now being revised by its principal sponsors. Areas for further study are indicated in the report.

Other Areas for Early Action

Early action by the new Administration is recommended in six other areas: (1) hunger programs; (2) health services for the poor; (3) Indian poverty; (4) "black capitalism" and economic development; (5) rural poverty; and (6) returning Vietnam veterans.

U.S. Ball of
Pay. Policies

Summary

Report of the Task Force on U. S. Balance of Payments Policies

Chairman: Gottfried Haberler

The present U.S. balance-of-payments position is very precarious. Serious deterioration in the nation's trade accounts is being temporarily camouflaged by a combination of window-dressing special transactions and an abnormal inflow of foreign capital.

Existing balance-of-payments controls should be rapidly eliminated because they are wasteful and inefficient, undermine our free enterprise system, and thus reduce the rate of growth in the economy. Their dismantling is further indicated because whatever short-run payments relief they may have afforded in the past, they are now beginning to have a delayed adverse effect. Diplomatic efforts aimed at inducing other countries to hold more dollars than they normally would also should be terminated.

Given the present underlying weakness of our payments position, severe foreign-exchange pressures against the dollar could develop quickly. A series of protective actions is therefore necessary, involving the pursuit of disinflationary economic policies domestically and simultaneous reform of existing international monetary arrangements.

With respect to reform, confidential negotiations with the key industrial countries through the Group of Ten should begin immediately, with the main American objective being to secure quickly a significant realignment of parities of some currencies. To provide continuing flexibility in the international monetary mechanism, this one-time realignment should be accompanied by:

- (1) The establishment of wider permissible trading bands for currencies under IMF rules (with fluctuations on either side of par to range up to 2 percent or 3 percent, instead of the present 1 percent maximum).
- (2) The provision for automatic adjustments in parities by small amounts in instances where a currency remained at the upper or lower end of its band for some specified time period.

Discussions aimed at providing wider bands and self-adjusting pegs should proceed even if significant one-time realignment of Group-of-Ten currencies cannot be successfully negotiated.

Such reform in itself would not solve the problem of outstanding dollar balances, and consequently the present de facto inconvertibility of the dollar into gold would continue. Nevertheless, a general increase in the price of gold should not be undertaken because its benefits would be distributed very unevenly and inequitably and because it would tend to fuel international inflationary tendencies.

Continuation of de facto inconvertibility of the dollar into gold need not be a crucial problem so long as visible progress is being made by the United States in pursuing domestic policies that promise reduction of new infusions of dollars into the international economy and so long as flexibility is imparted to the international monetary mechanism. Foreigners recognize that any large-scale attempt to convert dollars into gold would disrupt international trade and payments and would lead to an immediate

American embargo on gold exports. If for any reason this premise proves false and a "gold rush" develops, the United States should suspend gold convertibility before our gold stock declines very much below its present level. Such suspension would not necessarily lead to a radical depreciation of the dollar on international exchanges. Instead, it is likely that many countries would continue the policy of pegging their currencies at the existing parities to the dollar. In a period of transition during which convertibility was suspended, negotiations aimed at introducing new flexibility into the international monetary mechanism could proceed.