Palace Coup: President Ronald Regan and the Surface Transportation Act of 1982

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PALACE COUP:
President Ronald Reagan and the Surface Transportation Assistance Act of 1982

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Introduction

Joe Rhodes had a problem. As assistant to Executive Director Hank Stafseth of the American Association of State Highway Officials (AASHO), Rhodes had helped organize AASHO's annual meeting in Los Angeles, California. On the Opening General Session, Monday, November 12, 1973, the planned speakers were Mayor Tom Bradley and Secretary of Transportation Claude S. Brinegar, but Mayor Bradley had just canceled. Rhodes had an hour to fill.

Someone pointed out that Governor Ronald Reagan lived in Los Angeles and might be available to give a brief speech greeting the 1,000 AASHO participants to the city. That would fill at least part of the gap in the program. Rhodes called the Governor, who agreed to stop by. Instead of a quick greeting that would have left a large block of empty time to fill, the Governor filled the hour with a speech on highways and the environment.

Governor Reagan began:

> In recent years, most of us have become a great deal more concerned about the necessity of protecting the environment, and we have been doing something about it . . . . Literally millions of dollars have been and are being spent to fight smog, eliminate water pollution, and to otherwise preserve and protect the environment against unnecessary intrusion by the activities of man.

Although any "reasonable person would say that we have been moving vigorously" on the environmental front, Governor Reagan said that "no matter how much we do, there is still a very active fringe element in the environmental movement that never seems to be satisfied." The "voices of reason are being drowned out by the prophets of calamity" who wanted to take the old expression "stop the world, I want to get off," and change it to "stop the world and put us off." He continued:

> A strange sort of no-growth, no-development syndrome is proposed without regard for the consequences this might have on the lives of our people or the vitality of our economy.

Most daily traffic "is for a very necessary and practical purpose," such as commuting to jobs. "We must have the fuel and electric power to drive those vehicles, along with the rapid transit systems we are trying to develop to ease the burden on the private automobile and the roads." He suggested:

> It is high time we strike a more realistic and reasonable balance between the need to protect the environment and the equally urgent need to have an efficient, functioning transportation system, including highways, with sufficient fuel to meet the needs of a modern industrial economy . . . .

A month earlier, 11 Middle East nations, all members of the Organization of Arab Petroleum Exporting Countries, proclaimed a progressively increasing monthly cut in oil exports to the United States and other nations perceived as unfriendly to Arab goals, particularly regarding the existence of Israel. Their action set off the first energy shortage the United States had faced:

> Right now, America is caught between two whirlwinds forcing potentially massive disruptions in our society, the effort to protect the environment and the world wide energy shortage.

He discussed the need for nuclear power plants that were opposed by "the self-appointed guardians of the environment." Other alternatives, such as tapping oil resources in Alaska and offshore, were being fought by "the philosophy of no-growth" that was imposing "an environmental straight-jacket on our economy." He was concerned about proposals to drastically curtail automobile traffic:

> There have been suggestions that a surcharge be imposed for downtown parking, for higher taxes on automobiles, for steps that would mean higher gasoline prices to limit driving, even for gasoline rationing itself.

These might be temporary solutions, but they "hit the average citizen where it hurts most, in the pocket book." The solution would not be found by forcing people out of their cars "because government makes it too expensive for the average citizen to operate his own car." The solution was more likely to come "from the engineers in the factories, not from the economists in Washington."

Governor Reagan considered highways "an essential element" in the Nation's transportation system:

> Perhaps it is time that those of you in this particular area of transportation become less defensive and more aggressive in pointing out the beneficial impact of America's network of highways and roads.
>
> There has been far too much mythology about the so-called adverse impact of highways and not enough of the facts about how vital our highways are to the prosperity, convenience and well-being of our people.
>
> We have the best transportation system in the world. And the main reason for that is because we have the best highways and roads.

He pointed out that the population had doubled since 1916 and the number of vehicles had increased 30 times, "yet highway mileage has increased less than one third. "In some areas, highways require less land area than we used for horses and wagons before the automobile was invented." The Interstate System carries 19 percent of all traffic "and yet uses up only one percent of the land area devoted to highways and roads." Although freeways were "cast as the butt of so many jokes" and portrayed as the "archvillain," they had "made a massive contribution to traffic safety," saving thousands of lives. Further, most of the funding, 93 percent, spent on roads was to improve existing facilities, not build new ones.

Governor Reagan concluded:

> We need a modern system of roads and highways to carry our people to and from work, to haul the products of our industries and farms to market, to help maintain a dynamic and prosperous economy and to make travel safer for our people.
>
> That is a legitimate and valid goal. It is something that government must recognize, just as we recognize the need for legitimate and realistic steps to protect and preserve the environment. [Reagan, Governor Ronald, "The Voices of Reason," *American Highway and Transportation Monthly*, March 1974, p. 5]

Secretary Brinegar, by contrast, urged the road builders to recognize that four big problems—urban congestion, pollution, safety, and the weeks-old energy crisis—had created a turning point for America's dependence on cars and highways. These problems demanded a "rethinking of direction and a shift of emphasis." Abandoning highways was not practical, but the country must shift focus to the broader goal of "transportation." Reflecting the new emphasis, AASHO's executive committee voted to rename the organization the American Association of State Highway and Transportation Officials (AASHTO). [Hebert, Ray, "U.S. Dependence on Autos Must Change, Highway Officials Warned," *The Los Angeles Times*, November 13, 1973]

Nevertheless, Governor Reagan's speech, coming at a time when AASHO was in the forefront of the "two whirlwinds," got the annual meeting off to an excellent start. And solved Joe Rhodes' problem.

A New Team

Governor Reagan served two terms from January 3, 1967, to January 7, 1975. Because of California's constitutional term limit, he could not seek reelection. In 1968, he had sought the Republican nomination for President as the favorite of his party's conservatives, who were still smarting from President Lyndon B. Johnson's landslide defeat of Senator Barry M. Goldwater of Arizona in 1964. Although Governor Reagan won slightly more votes in the primaries than the frontrunner, former Vice President Richard M. Nixon, Nixon went into the convention with more delegates. He secured the nomination and won the election, defeating Vice President Hubert H. Humphrey and third party candidate Governor George C. Wallace, Jr., of Alabama.

President Nixon resigned on August 9, 1974, in the wake of charges referred to collectively as Watergate. His Vice President, Gerald R. Ford, became President for the remainder of Nixon's second term. In 1976, President Ford ran for a full term in the White House. To win, he would have to overcome several obstacles, not the least of which was his pardon of President Nixon on

September 8, 1974. Many people remained angry that a trial of the former President had been averted.

Other problems included lukewarm support within the Republican Party, especially among the more conservative elements. Ford had been Minority Leader in the U.S. House of Representatives (1965-1973) when he was tapped for the Vice Presidency after the resignation of Vice President Spiro Agnew on October 10, 1973. Because Ford had never run for national office, he had not built support within the party around the country. Conservative leaders saw the likeable Ford as too moderate, and they despised his Vice President, former New York Governor Nelson A. Rockefeller, who was considered a liberal. Conservatives also criticized the President's foreign policy, including his work on an agreement that would turn the Panama Canal over to Panama.

In addition, his image had suffered because of a late night comedy show that went on the air in October 1975, "NBC's Saturday Night" (soon renamed "Saturday Night Live"). The popular and influential comedy show featured comedian Chevy Chase's recurring, devastating portrayal of a bumbling, stumbling President Ford—a portrayal that became for many a true portrait of the President. The image was reinforced during the second presidential debate, on October 6, when President Ford stated that "there is no Soviet domination of Eastern Europe and there never will be under a Ford administration" and asserted that he did not believe the Polish, Romanians, or Yugoslavians considered themselves "dominated by the Soviet Union." By sticking to these inaccurate statements before retracting them a week later, the President compounded the blunder.

Frustrated by the moderate leadership of Presidents Eisenhower and Ford, as well Nixon's approval of liberal legislation, conservatives urged former Governor Reagan to take on President Ford in the Republican primaries. His decision to do so led to a bitter primary fight that was too close to call when the Republican Party held its nominating convention. Trying to demonstrate his appeal to northern moderates, Reagan chose as his running mate the liberal Senator Richard Schweiker of Pennsylvania. The choice outraged conservatives while not gaining support from moderates. Ford won the nomination with Senator Bob Dole of Kansas as the Vice Presidential nominee.

Governor Jimmy Carter of Georgia would win the election in November with over 50 percent of the popular vote. Historian James MacGregor Burns discussed Carter's appeal:

> By inauguration day Carter had acquired a lustrous media image. After years of drift and deadlock in government, a leader of proved competence—competence at running a business and a state, a submarine and a tractor, and those tough primary campaigns, a demand, clearheaded man—seemed to have stepped forward. Even his appearance—his bluff, open face creased by a wide smile, his hair style that looked both stylish and rustic, his quick, buoyant ways—set him off from the gray, sedate men in high office. [Burns, James MacGregor, *The Crosswinds of Freedom: From Roosevelt to Reagan – America in the Last Half Century*, Vintage Books, 1990, p. 521]

Four years later, going into the 1980 presidential election, President Carter's image was almost reversed. He faced crises on multiple fronts. In early 1979 a revolution in Iran replaced the U.S.-backed Shah of Iran with Ayatollah Ruhollah Khomeini, who transformed the country into an Islamic Republic. With the Iranian oil industry in transition, other countries increased production, but panic in the United States drove up the price of gasoline dramatically and brought on a second energy crisis.

As confidence in the President sank, he went to Camp David, the presidential retreat in Maryland, for 10 days to consider his presidency. After receiving advice from over 130 people invited to Camp David, he emerged on July 15, 1979, to address the Nation. "It is a crisis of confidence," he explained:

> It is a crisis that strikes at the very heart and soul and spirit of our national will. We can see this crisis in the growing doubt about the meaning of our own lives and in the loss of a unity of purpose for our nation . . . .

Regarding America's energy problem, he proposed to commit $10 billion to mass transportation over the next 10 years and asked people "to take no unnecessary trips, to use carpools or public transportation whenever you can, to park your car one extra day per week, to obey the speed limit, and to set your thermostats to save fuel." (On January 2, 1974, President Nixon had signed the Emergency Highway Energy Conservation Act, prohibiting approval of Federal-aid highway projects in any State having a maximum speed limit over 55 mph on any highway.) He also directed Secretary of Transportation Brock Adams to develop proposals for reducing oil consumption through conservation measures as well as increased transit use. Further, he embraced a synthetic fuels plan.

Although initial reaction to the speech was favorable, it soon became known as the "malaise" speech, a word he had not used but that reflected a widespread view of his downbeat message and presidency. A few days later, in a move intended to show decisive action to revitalize his presidency, Carter fired five Cabinet Secretaries, including Adams. Instead of restoring confidence in the Carter Administration, the move reinforced the public perception of disarray and uncertainty.

Whatever confidence the American people still had in Carter would be further undermined on November 4, 1979, when Iranian students took over the American embassy in Tehran and held 52 U.S. diplomats hostage. The crisis would last 444 days, with President Carter's efforts to secure release of the hostages failing until long after the election. (The hostages were released on Inauguration Day, January 20, 1981.) In addition, Carter was undermined by steep inflation, high interest rates, and his ineffective response to the Soviet Union's 1978 intervention in Afghanistan.

His Republican opponent, former Governor Reagan, exuded confidence and offered an optimistic view of what would happen to the Nation if he became President. Governor Reagan, with primary campaign rival George H. W. Bush as the Vice Presidential candidate, defeated President Carter by a landslide. Reagan won the popular vote by almost 10 percentage points (43.9 million to 35.4 million) and received 489 electoral college votes (representing 44 States) to 49 for Carter. In addition, the Republicans took control of the Senate.

Carter's unpopularity was a significant factor in his defeat, but credit also must be given to the new President, as Burns pointed out:

> In fact, Reagan won the election by persuasive appeals to the right-wing vote and to

> disaffected independents, full exploitation of the remarkable direct-mail and fund-raising apparatus of the Republican national party, and his skillful coalition building between GOP regulars and movement conservatives, as reflected in the choice of George Bush for running mate. [*Crosswinds*, p. 638]

The incoming President established transition task forces to evaluate government agencies. Former Secretary Brinegar, an oil company executive who had been Secretary of Transportation under Presidents Nixon and Ford (1973-1975), headed the 16-member transportation task force. It included Andrew L. Lewis, Jr., who would serve as Secretary of Transportation under President Reagan; former Nebraska Governor and Federal Highway Administrator Norbert T. Tiemann (1973-1977); Frank C. Herringer, a former Urban Mass Transportation Administrator (1973-1975); and John W. Snow, who had served in several capacities in the Office of the Secretary of Transportation (1972-1975) and would go on to head the railroad giant CSX before serving as Secretary of the Treasury under President George W. Bush (2003-2006).

The task force, which released its report on December 27, 1980, recognized the importance of the Interstate System, but recommended that construction be brought to an end. Less than 4 percent of the mileage remained to be built (1,547 miles of 42,500 miles), with much of it facing substantial environmental and cost obstacles. One unidentified committee member told reporters, "There needs to be a process to bring all this to a close, and that would probably cause a lot of these things not to be built." The Federal Government should ensure the System is maintained.

The report spelled out principles to guide the incoming Secretary of Transportation. Transportation should be provided by the private sector as much as possible, with the Federal Government involved only when a clear need is evident that cannot be provided otherwise. Federal transportation programs should be based on user fees so outlays can be recovered from the beneficiaries of the expenditures. The task force endorsed the Highway Trust Fund, initiated in 1956, to support the highway system and recommended increasing the gas tax by 4 cents a gallon to ensure its solvency. Each class of beneficiaries should pay into the fund based on their use of the network. The Federal-aid highway program should be simplified by consolidating more than 20 funding categories.

The task force also concluded that the Federal Government had exhausted its ability to increase automobile safety at reasonable social cost. The report expressed reservations about airbags and other "passive" restraints as well as automobile recalls. The task force also was skeptical of the nationally mandated 55 mph speed limit enacted in January 1974 amidst the initial energy crisis, but did not call for eliminating the restriction.

Major revisions in Federal mass transit programs were needed according to the task force. New rail starts should be discouraged while Federal operating subsidies should be eliminated. Modest support for upgrading established rail systems should continue, but the bus purchase program should be continued. Formula Federal-aid transit funds should be distributed based on transit ridership.

Better Roads magazine described the task force's report as "containing recommendations generally considered 'reassuring' to the money-plagued highway industry." If the recommendations were followed, “the highway departments, at all levels, should find the allocation reductions and budget balancing threats of the Carter program no longer a continuing worry.” [“Reagan Task Force Report Called Reassuring to Hiway Departments,” *Better Roads*, February 1981, p. 8; “Reagan Team Urges New Highway Policy,” *The New York Times*, December 28, 1980]

The Burden of Stagflation

When former Governor Reagan took office as President of the United States on January 20, 1981, the Nation faced one of the worst recessions since the 1930’s. It was the inevitable result of a change in direction by the Federal Reserve Board under Chairman Paul Volcker. He was trying to get the country out of the grip of "stagflation," a term coined in the 1960’s to describe a period of stagnation and inflation characterized by slow growth and high unemployment. After being appointed by President Carter in 1979, Volcker began reining in the money supply that had been growing too quickly and was fueling inflation.

The immediate impact included high unemployment and declines in stock prices, but as financial historian John Steele Gordon states, “Benefits were not long in coming.” He said:

> Inflation began to break. Inflation had raged at 13.5 percent in 1980. The next year it was at 10 percent. In 1982 it was 6.2 percent, the lowest since the early 1970s. In 1983 it was 4.1 percent. It averaged less than that for the rest of the decade. [Gordon, John Steele, *An Empire of Wealth: The Epic History of American Economic Power*, Harper Collins Publishers, 2004, p. 396]

As a result, the stagflation that had been undermining the Nation’s economy since the 1960’s would finally be out of the way by 1983. However, the first 2 years of the Reagan Administration were clouded by the economic downturn that was the consequence of Volcker’s bitter cure.

To address these problems, the President embraced “supply-side economics,” as described to him in a January 1980 meeting, early in his presidential campaign. Several younger conservatives– Representative Jack Kemp (R-NY), economist Arthur Laffer, and journalist and commentator Jude Wanniski—explained that putting money in taxpayers’ pockets by tax cuts would jumpstart the economy and lift it to new heights while increasing Federal revenues, as demonstrated via a graph known as the “Laffer Curve.”

According to David Stockman, the President’s first Director of the Office of Management and Budget, when Kemp, Laffer, and Wanniski explained their theories to Reagan, they “set off a symphony in his ears. He knew instantly that it was true and would never doubt it a moment thereafter.” [Stockman, David A., *The Triumph of Politics: The Inside Story of the Reagan Revolution*, Avon, January 1987, p. 10]

Supply-side economics fit perfectly with the President’s agenda, which embodied conservative movement ideas that had taken shape in the 1950’s and been filtered through the polarizing era of President Nixon’s years in office (1969-1974). The new President said he would cut taxes and regulations, balance the budget, dismantle the New Deal/Great Society bureaucracy and shift power to the States, reduce expenditures for domestic programs while increasing defense spending, empower the private sector, and save billions by cutting waste, fraud, and mismanagement.

One of Reagan's Republican rivals for the nomination, George H. W. Bush, had referred to the supply-side theory as "voodoo economics." He was now the Vice President. Stockman's former mentor, Representative John B. Anderson (R-Il.), running as a moderate independent candidate for President, claimed that the only way to cut taxes, raise defense, and balance the budget was with "smoke and mirrors." Anderson ran third in the general election with 6.6 percent of the popular vote and zero electoral votes. [*Triumph*, p. 55]

After the election, the President-elect's team combed through the budget for Fiscal Year (FY) 1982 to identify savings. The President-elect wanted to propose $40 billion in cuts shortly after taking office, but he limited the percentage of the budget that Stockman could review. Stockman met with the President-elect the first of January 1981 to discuss budget cuts beyond the President-elect's mantra of "waste, fraud, and mismanagement." In an interview with *Washington Post* reporter William Greider, Stockman said he described the "dire shape" of the Federal budget. Greider reported:

> "Do you have any idea what $40 billion means?" he asked. "It means I've got to cut the highway program. It means I've got to cut milk-price supports. And Social Security student benefits. And education and student loans. And manpower training and housing. It means I've got to shut down the synfuels program and a lot of other programs. The idea is to show the magnitude of the budget deficit and some suggestion of the political problems.

Forty-eight percent of the budget was for Social Security, pension checks, welfare checks for the dependent, and others–the President put the "social safety net" off limits. Another 25 percent was for the Pentagon; the President had pledged to increase the defense budget. Ten percent went to interest payments on the national debt—payments that had to be made. Stockman would have to find $40 billion in cuts from the remaining 17 percent. During the campaign, the President had assured the public that eliminating "waste, fraud, and mismanagement" would be sufficient to balance the budget, but Stockman knew that would not be the case. [Greider, William, "The Education of David Stockman," *The Atlantic*, December 1981]

Stockman, the Cabinet Secretaries, and their staffs had worked to find the desired cuts until February 18, 1981, when the President addressed a joint session of Congress to discuss his economic recovery plan. Speaking at about 9 p.m. in the House Chamber, the President laid out the problem facing the country:

> All of us are aware of the punishing inflation which has for the first time in 60 years held to double-digit figures for 2 years in a row. Interest rates have reached absurd levels of more than 20 percent and over 15 percent for those who would borrow to buy a home. All across this land one can see newly built homes standing vacant, unsold because of mortgage interest rates.
>
> Almost 8 million Americans are out of work. These are people who want to be productive. But as the months go by, despair dominates their lives. The threats of layoff and unemployment hang over other millions, and all who work are frustrated by their inability

> to keep up with inflation . . . .
>
> Can we, who man the ship of state, deny it is somewhat out of control? Our [total] national debt is approaching $1 trillion . . . . The interest on the public debt this year we know will be over $90 billion, and unless we change the proposed spending for the fiscal year beginning October 1st, we'll add another almost $80 billion to the debt.
>
> Adding to our troubles is a mass of regulations imposed on the shopkeeper, the farmer, the craftsman, professionals, and major industry that is estimated to add $100 billion to the price of the things we buy, and it reduces our ability to produce. The rate of increase in American productivity, once one of the highest in the world, is among the lowest of all major industrial nations. Indeed, it has actually declined in the last 3 years.

To counter this economic situation, the President proposed a comprehensive four-point program "aimed at reducing the growth in government spending and taxing, reforming and eliminating regulations which are unnecessary and unproductive or counterproductive, and encouraging a consistent monetary policy aimed at maintaining the value of the currency." Lou Cannon, who covered Governor and President Reagan as a reporter and biographer, summarized the four-point proposal:

- A budget reform plan to cut the rate of growth in federal spending.
- A series of proposals to reduce personal income tax rates by 10 percent over three years and to create jobs by accelerating depreciation for business investment in plant and equipment.
- A far-reaching program of regulatory relief.
- And, in cooperation with the Federal Reserve Board, a new commitment to a monetary policy that will restore a stable currency and healthy financial markets. [Cannon, Lou, *President Reagan: The Role of a Lifetime*, PublicAffairs, 2000, p. 199]

President Reagan told Congress that the full plan, if enacted, would create 13 million jobs, "nearly 3 million more than we would have without these measures," and help the country gain control of inflation.

Based on the urgent review directed by Stockman, the President proposed to reduce Federal spending by $41.4 billion in FY 1982. For example, he would terminate the Economic Development Administration, convert some programs to block grants to reduce wasteful administrative overhead and give State and local officials greater flexibility, and refocus, reduce, or reorganize such programs as Food Stamps, school breakfasts and lunches, Trade Adjustment Assistance, Medicaid, the space program, the Postal Service, and others. He also planned to target waste and fraud. He said:

> Politically, the plan is not that radical. We're just repealing about 10 or 12 years of accretion in terms of government's share of national income, marginal tax rates and loosely conceived programs that have cropped up all over.

The President submitted his plan to Congress the same day in a 281-page message titled *America's New Beginning: A Program for Economic Recovery*. Although economists, editorialists, columnists, and others debated the plan in the press polls, indicated the public generally liked what they heard.

While the White House worked with the House and Senate to craft legislation implementing tax cuts and budget reductions, Stockman launched a second more detailed round of budget discussions in March. The goal this time was $13 billion in FY 1984 cuts and $62 billion over 5 years. He quickly "discovered the glory days of the Cutting Room were over." He found that, "Resistance began to crop up everywhere, both within the Cabinet and on the Hill." In his memoir of the Reagan Revolution, Stockman said:

> In its totality, it amounted to a counter-revolution—a broad range of political signals that the free market and anti-welfare state premises of the Reagan Revolution were not going to take root . . . . But almost before we had gotten started on these new cuts, political reality blew a large hole in the side of the cuts we'd already sent to Capitol Hill—and I barely knew it happened.

His struggles over the Federal-aid highway and transit programs were illustrative:

> One of my basic fiscal principles was that the federal government had no business repairing or building local city streets, country roads, bridges, or mass transit systems. They served the local populace and benefited only local economies; the local taxpayers should therefore pay for them. Money that came from Washington on a skyhook had an invitation to indulge in waste and excess written all over it. It was the pork barrel at its grandest and most wasteful.

He considered transit operating subsidies "a special abomination" that had the effect of raising "the already monopoly level wages of local transit workers—or to reduce arbitrarily the transit fares paid by rich and poor alike." Transit capital grants, he said, encouraged "the construction of new subway systems all over the country, when there was no hope that these economic white elephants could ever pay for even their operating costs, let alone the billions it cost to build them." City officials and chambers of commerce "were tripping over each other to get in line at Uncle Sam's money kitchen."

When Stockman laid out his plans to scrap local highway and transit subsidies, Secretary Lewis "turned completely white." Stockman summarized the Secretary's view:

> I was proposing to touch off a political firestorm by disrupting the flow of $14 billion per year of federal gravy to governors, mayors, contractors, and unions . . . .
>
> Lewis finally said, Okay, why not raise the federal gasoline tax modestly and let the states preempt a share of it? He felt this compromise would make it politically feasible to eliminate $20 billion—nearly 30 percent of the built-in spending on these programs—over the next five years.

The idea of preemption had been suggested many times before—the Federal Government would yield gas tax revenue to States that increased their gas tax by an equivalent amount to gain full control of the money, without the strings that came with Federal dollars. The problem with preemption was that many Governors and State legislatures were opposed to raising taxes, whatever the reason.

When the gas tax idea was leaked to the press, the White House made clear that, "No one was authorized to talk about tax increases on Ronald Reagan's watch, no matter *what* kind of tax, no matter *how* justified it was."

The dispute with Lewis was a harbinger of things to come for Stockman. "It was a dramatic case of everything staying the same, but it would be one of many." [*Triumph*, p. 148-150, emphasis in original]

On March 17, 1981, Secretary Lewis submitted a proposal to Congress for extending the Federal-aid highway program, then authorized only through FY 1982, through FY 1986. The proposal reflected the conservative goals Stockman had expressed and that Reagan espoused about restoring the proper balance between the Federal and State governments. It placed a high priority on activities of national interest, such as completing and preserving the Interstate System, while eliminating programs of primarily State or local interest.

To accelerate Interstate completion, construction funds would be limited to building highways to a minimum level of acceptable service (20-year pavement design, full control of access, not less than four lanes in rural areas and urban areas under 400,000 population, and up to six in larger urban areas). The 3R program ("resurfacing, restoring, and rehabilitating"), initiated by the Federal-Aid Highway Act of 1976, would be expanded to 4R, with the fourth R being "reconstruction." States could use I-4R funds for the excluded items or continue to use the funds only for projects covered by the 3R program.

The proposal also recommended retaining the Federal-aid primary system and the Highway Bridge Replacement and Rehabilitation Program, both deemed high national priorities. However, funds were eliminated for the Federal-aid secondary and urban systems as well as other categorical or special interest programs, including economic growth center development highways, the Great River Road, bicycle transportation and pedestrian walkways, and several safety programs.

Secretary Lewis, in transmitting the proposal to Congress, explained the philosophy behind it:

> Completion of the Interstate System and the preservation of this system is the highest Federal priority. The Primary system is also of national significance and will continue to receive high levels of Federal funding. State and local governments should have the principal responsibility for highways systems which are not of national significance.

He added that the proposal would produce budget savings of approximately $11.2 billion through 1986, compared with the Carter Administration's proposal. (The Reagan proposal did not include a transit element.)

The new Federal Highway Administrator, Ray A. Barnhart, emphasized these points in a communication to employees. Barnhart, a former Texas Highway Commissioner (1979 until taking his Federal position) who had been Co-chairman of Texas for Reagan in the 1976 president primary, said that the election had created "a new sense of purpose and hope in Washington and throughout the nation." It gave President Reagan a mandate that "caring citizens will no longer tolerate the expansion of powers of the Federal government and the accompanying diminishment of personal freedoms." To restore the economy, the President had sent Congress a "comprehensive legislative program" that included an across-the-board series of budget and tax cuts, plus regulatory reform. Special interests would "put up a staunch fight to resist this departure from business-as-usual government and thereby cripple our last best change to get out of the mess we're in."

The proposal for reauthorizing the Federal-aid highway program was based on an analysis of "the extent and necessity of Federal involvement in all of the highway programs." After summarizing the details of the proposal, he concluded:

> The budget we have recommended to Congress is one I'm proud to advocate. It is one which, in the total picture, will well serve our country and our highway constituency. It is consistent with the November mandate to reorder our priorities and restore the balance of power between the various levels of government. [Barnhart, Ray A., "Where We Are Going: How We Will Get There," *FHWA News*, May 1981, p. 1, 3]

As with similar proposals from Presidents Nixon, Ford, and Carter, President Reagan's proposal was contrary to the interests affected by any highway bill. The highway interests could find little to support after working for decades to build a Federal funding role. A constituency for less or no funding did not materialize.

Although the proposal would not receive serious consideration, Congress was developing new multi-year surface transportation legislation. With the House in Democratic hands and the Senate controlled by pro-Administration Republicans, the measure faced challenges that did not usually affect Federal-aid legislation. Moreover, the newly Republican Senate was moving slowly on many issues, making the fate of the proposal harder to predict.

The rumor about the gas tax increase floated by Secretary Lewis, though not part of the Administration's proposal, resonated within the highway community.

Leading the Nation Out of the Economic Swamp

The economy entered a severe recession in July 1981, largely as a result of the Federal Reserve Board's attempt to wring inflation out of the system. Unemployment rose, banks and savings and loan institutions experienced hardships and failures, and questions were raised about the direction the country was headed.

Through the summer, the White House and Congress had conducted tedious negotiations on the shape of the legislation implementing the President's February proposals on tax and budget cuts. The work had been completed in June when a Conference Committee of the House and Senate put the finishing touches on the companion bills. The legislation cleared Congress in June, and was ready for the President's signature on August 13. With the downturn fresh in everyone's mind, the President would sign the Economic Recovery Tax Act of 1981 and the Omnibus Budget

Reconciliation Act of 1981 at his ranch in the Santa Ynez Mountains of California.

Rancho del Cielo ("Sky" or "Heaven's Ranch) would have been a scenic spot for a signing ceremony if fog had not rolled in on the morning of August 13. After joking that the weather had been perfect until the reporters showed up, the President made brief comments about the bills he was about to approve:

> These bills that I'm about to sign—not every page—this is the budget bill, and this is the tax program—but I think they represent a turnaround of almost a half a century of a course this country's been on and mark an end to the excessive growth in government bureaucracy, government spending, government taxing.
>
> And we're indebted for all of this—I can't speak too highly of the leadership, Republican leadership in the Congress and of those Democrats who so courageously joined in and made both of these truly bipartisan programs. But I think in reality, the real credit goes to the people of the United States who finally made it plain that they wanted a change and made it clear in Congress and spoke with a more authoritative voice than some of the special interest groups that they wanted these changes in government.
>
> This represents $130 billion in savings over the next 3 years. This represents $750 billion in tax cuts over the next 5 years. And this is only the beginning, because from here on now we are going to have to implement all of these, and it's going to be a job to make this whole turnaround work. It's going to be the number one priority—or continue to be the number one priority of our administration.

After signing the bills into law, the President then asked if the reporters had any questions about the legislation:

> Q. Mr. President, the Wall Street Journal carried a story yesterday that the revenue projections which you will be getting are going to be lower than your administration previously thought, and that means we're headed for a more severe economic downturn with higher interest rates. Are you ready to revise your own projections about the economy downward? Are we headed for a recession?
> The President. I don't know whether you'd call it a recession or not, but they're not saying anything that we haven't said over and over again. Our own projections have been that for the next several months this soft and soggy economy is going to continue and that we shouldn't be fooled by these last couple of months of seeming upturn, that this means a continued climb . . . . This is the budget that begins for the year in October. The tax programs, of course, won't be into effect until then either. And what we're counting on is when these . . . begin to take effect, that we will see the results when people begin to have the more money in their pockets from their earnings and when the lowered expenditures of government begin taking effect.

Most of the remaining questions were on other topics, but one reporter observed that the Governors were concerned that without Federal help on the "safety net" programs, the States would not be able to take up the slack on other programs being cut. The President was disappointed that he had not been able “to get all that we wanted in the line of real block grants and autonomy for local and State governments.” The proposed block grants were intended to give the States the flexibility to use the funds as they saw fit, especially with the Federal red tape eliminated. He would continue to work with Congress and the States “to give them the autonomy they can have to make these programs work.”

In response to a question about projected deficits being larger than expected, the President said he expected additional budget cuts in coming years, plus the stimulus of the tax cuts, “to balance the budget in ’84.”

By this time, Stockman had become disillusioned by the Reagan Revolution. He had seen the supply-side theory and Laffer Curve and the President’s confidence in them, but also how Cabinet officials and Members of Congress, as well as their staff, acted to protect their turf. He saw the two bills as a reflection of the dominance of practical politics over theory:

> The conference produced valid budget savings lower than both the Senate and the House bills. The resulting 1,000 page document was replete with every loophole, every cut corner, every perversion of fine print in the considerable repertoire of the professional staff that dominated the conference . . . .
>
> The Reagan coalition had come eyeball to eyeball with the Reagan Revolution. In the political white heat of the hour it had wavered, complained, rebelled, then broken into a chaotic and disorderly retreat . . . . So June 26, 1981 [when Congress completed work on the bills], marked a historical moment, but not the one which has been ascribed to it. It was the day on which the United States Congress reached the limits of its ability—and willingness—to reduce spending.

As he pointed out, the bills had been put together so hastily in the end that the new omnibus law included a provision that was simply the telephone number of a House staff aide who helped put that page together. [*Triumph*, p. 246-247]

With the economy continuing to deteriorate and pressure mounting for additional presidential action, Stockman emphasized in budget meetings that the deficit projections were worsening. He became frustrated that he could not shake the President’s faith in the Laffer Curve, with its prediction of increased revenue thanks to the stimulus of tax cuts. The President also put his faith in additional cuts, such as reducing the bureaucracy. “The federal government’s lathered in fat when it comes to employment. We should tell all the agencies to the rear march.” [*Triumph*, p. 298]

On September 24, 1981, the President addressed the Nation on his plan to respond to the downturn that had begun in July. He began:

> Shortly after taking office, I came before you to map out a four-part plan for national economy recovery: tax cuts to stimulate more growth and more jobs, spending cuts to put an end to continuing deficits and high inflation, regulatory relief to lift the heavy burden of government rules and paperwork, and, finally, a steady, consistent, monetary policy.

Considerable progress had been made, but the Nation was "just starting down a road that I believe will lead us out of the economic swamp we've been in for so long." What was important was "to hold a firm, steady course." Noting that in August he had signed a budget bill that cut $35 billion from the 1982 budget and slowed the growth of spending by $130 billion over the next 3 years, he said, "we must move on to a second round of budget savings to keep us on the road to a balanced budget." He proposed that Congress reduce the 1982 appropriation for most government agencies by 12 percent. No one, he said, would be "exempt from belt-tightening."

He proposed to shrink the size of the non-defense payroll by 75,000 employees, dismantle the Departments of Energy and Education, reduce Federal loan guarantees, move forward with a new package of entitlement and welfare reform measures, and urge Congress to eliminate abuses and obsolete incentives in the tax code. (Regarding the Department of Energy, he said, "we don't need an Energy Department to solve our basic energy problem. As long as we let the forces of the marketplace work without undue interference, the ingenuity of consumers, business, producers, and inventors will do that for us.")

He also discussed the value of user fees:

> I'm renewing my plea to Congress to approve my proposals for user fees—proposals first suggested last spring but which have been neglected since.
>
> When the Federal Government provides a service directly to a particular industry or to a group of citizens, I believe that those who receive benefits should bear the cost. For example, this next year the Federal Government will spend $525 million to maintain river harbors, channels, locks and dams for the barge and maritime industries. Yacht owners, commercial vessels, and the airlines will receive services worth $2.8 billion from Uncle Sam. My spring budget proposals included legislation that would authorize the Federal Government to recover a total of $980 million from the users of these services through fees. Now, that's only a third of the $3.3 billion it'll cost the government to provide those same services.

He asked the public to join "in this crusade to save our economy" by letting Congress know that "you will support them in making the hard decisions to further reduce the cost and size of government." He concluded:

> We're launching a nationwide effort to encourage our citizens to join with us in finding where need exists, and then to organize volunteer programs to meet that need. We've already set the wheels of such volunteer effort in motion. As Tom Paine said 200 years ago, "We have it within our power to begin the world over again." What are we waiting for?

Biographer Richard Reeves said of the President who was known as the Great Communicator: "Words did fail Reagan this time." It was, Reeves said, a "speech of small things" and "wrong or misleading or missing statistics." He quoted editorials in *The New York Times* ("Tinkering") and *The Baltimore Sun* ("Reagan in Retreat"). Wall Street "wanted actions not words on reducing the deficit"; the Dow Jones Industrial Avenue dropped 11 points the next day to 824, "just about 200 points below where it was shortly after Reagan took office." [Reeves, Richard, *President Reagan: The Triumph of Imagination*, Simon and Schuster Paperbacks, 2006, p. 92-93]

Stockman characterized the reaction in similar tones:

> In the days after the President's September Offensive speech, the political and economic facts of life pounded away at what remained of the Reagan Revolution. Congress and the White House became stalemated. "With his speech last night," wrote David Broder [of *The Washington Post*], "President Reagan came down from the stratosphere of last spring's euphoric first round of budget cutting and into the trench warfare most of his predecessors have faced when they challenged deeply embedded Congressional attitudes and interest-group pressures."

Stockman quoted Senator Mark O. Hatfield (R-Or.), Chairman of the Committee on Appropriations, as saying, "Compared to last summer, there are no rubber stamps in this Congress." The goal had been to reduce the 1984 deficit by $75 billion, but now "the deficit estimate had increased by an order of magnitude—to $150 billion."

Stockman briefed the President and senior staff "on this radical transformation," projecting "nearly $400 billion in red ink for 1982 to 1984." Officials from the Administration and Congress met with the President to express their views on the budget, but with out changing his mind. [*Triumph*, p. 360-361, 369] Historian James MacGregor Burns summarized the President's reaction to the attempts by Stockman and his staff to explain the need to increase revenue:

> Time and again emergency budget meetings in the Oval Office were trivialized as the President retreated into anecdotage about timeserving bureaucrats or wasteful projects. Stockman noted that when Pete Domenici, a Republican Senator [from New Mexico] friendly to the White House, confronted Reagan with the need to raise taxes [on November 6, 1981], the President jotted down notes during the presentation but only in order to rebut it. . . . . "I'm just not going to accept this. This is just more of the same talk we've heard for forty years." [*Crosswinds*, p. 640, *Triumph*, p. 380-381]

A Chance to Rethink Priorities

The proposed 12-percent budget cut, coming as Congress was trying to complete action on the multi-year Federal-aid highway reauthorization package, created uncertainty about the size of the highway and transit programs. Moreover, the House and Senate were moving in different directions.

On September 24, before the President's address, the House had approved a 1-year reauthorization intended to give Congress time to decide in 1982 on a multi-year bill. The House adopted the Administration's proposals regarding the Interstate System, including I-4R funding. Chairman Glenn Anderson (D-Ca.) of the House Transportation Subcommittee said the committee would undertake a thorough study of transportation needs prior to developing multi-year legislation in 1982.

The Senate, however, was developing a multi-year bill to fund the program through FY 1990, largely along standard lines, but including the Interstate completion changes and expanded Interstate 4R program. ["Budget Cuts Slow Highway Legislation; More State Initiative in New 3R Rules," *Better Roads*, November 1981, p. 6] The Senate passed its bill in November.

With little time left to resolve differences between the two bills before adjournment on December 16, 1981, Congress decided to postpone consideration of a multi-year reauthorization. Another reason for the decision was that FHWA had been able to apportion 1982 non-Interstate funds at the start of the fiscal year (October 1, 1981), but not Interstate construction funds in the absence of legislation adopting the 1981 Interstate Cost Estimate (or ICE—compiled from State data, the ICE was used to establish apportionment factors based on Interstate completion needs per State compared with overall needs).

With nearly 20 States running out of Interstate construction funds, Congress passed the Federal-Aid Highway Act of 1981. President Reagan approved it on December 29, 1981, without ceremony or statement. It approved the 1981 ICE and authorized apportionment of FY 1983 Interstate construction funds. (Interstate construction funds were apportioned one year in advance of the fiscal year for which they were authorized.)

In addition, the 5-page law adopted the Administration's proposals for Interstate System. It redefined "completion" to focus Interstate construction funds on getting the remaining mileage open. The legislation added the fourth R to Interstate 3R and made Interstate 4R funds available by formula, with each State transportation department deciding which projects to develop within Interstate 4R funding limits. The 1981 Act also increased the Federal share of Interstate 4R projects from 75 percent to 90 percent, the same percentage applied to Interstate construction projects.

By adopting the Administration proposal, Congress took the potentially controversial Interstate 4R concept off the table in 1982, eliminating an issue that could have delayed action on the multi-year bill. T. Randolph Russell, Public Affairs Director for the American Road and Transportation Builders Association, pointed out:

> The Interstate 4R program has great appeal and almost universal support . . . . Although the concept has had general support for several years, strong differences of opinion have emerged as the precise statutory provisions were developed.

One area of dispute, he said, had been over which categories of work would be shifted to Interstate 4R. Another involved the matching ratio. "The House bill provided 90-10 matching, while the Senate, firmly committed to the principle that the states have a responsibility to maintain their Federal-aid roads, felt that 70-30 matching was generous enough." Disagreements also arose over the apportionment formula for Interstate 4R funds. The formula in the 1981 Act (apportionment based 55 percent on Interstate lane miles and 45 percent on vehicles miles of traffic) was for 1 year only, with debate likely to continue as each member of the House and Senate calculated how changes in the formula would benefit or harm his or her State. [Russell, T. Randolph, "Congressional Bipartisan Cooperation Feature of Federal-Aid Highway Act," *Better Roads*, February 1982, p. 37]

Summarizing the bill, *FHWA News* said in the February 1982 issue, "The combined features of the Interstate 4R Program will provide for an effective transition into the post-Interstate construction era." The bill was a compromise that gave all parties a chance to rethink their positions. President Reagan would take advantage of the opportunity.

Untangling the Jungle of Grants-in-Aid

In his first State of the Union Address (delivered early in his second year in office, January 26, 1982), the President promised:

> I will seek no tax increases this year, and I have no intention of retreating from our basic program of tax relief. I promise to bring the American people—to bring their tax rates down and to keep them down, to provide them incentives to rebuild our economy, to save, to invest in America's future. I will stand by my word.

For the highway community, this statement seemed to end the possibility, however slim, of an increase in the gas tax.

President Reagan also discussed "the jungle of grants-in-aid" and favorably quoted an unnamed Democratic Governor who "put it recently: The National Government should be worrying about 'arms control, not potholes.'" He said:

> Our citizens feel they've lost control of even the most basic decisions made about the essential services of government, such as schools, welfare, roads, and even garbage collection. And they're right. A maze of interlocking jurisdictions and levels of government confronts average citizens in trying to solve even the simplest of problems. They don't know where to turn for answers, who to hold accountable, who to praise, who to blame, who to vote for or against. The main reason for this is the overpowering growth of Federal grants-in-aid programs during the past few decades.

He proposed to solve the problem in "a single, bold stroke" by returning "some $47 billion in Federal programs to State and local government, together with the means to finance them" over a 10-year period. Excise taxes would go into a grass roots trust fund "that will belong in fair shares to the 50 States." He described how the States would use the fund:

> If they want to continue receiving Federal grants in such areas as transportation, education, and social services, they can use their trust fund money to pay for the grants. Or to the extent they choose to forgo the Federal grant programs, they can use their trust fund money on their own for those or other purposes.
>
> The States would be in complete control of over 40 grant programs by 1988.

William Nickel, eastern editor of *Better Roads* magazine, described how the New Federalism proposal would affect the highway program:

> As defined, the administration's federalism program is essentially a revised federal/state partnership under which the states acquire more initiative and authority, and a corresponding increase in responsibility including the financial burden of the programs turned back.

More than 40 categorical and block grant programs would be turned back, including non-Interstate highways, airports, and local mass transit:

> To soften the financial impact on the states, a $28 billion annual federalism trust fund will provide nearly dollar-for-dollar financing through FY 1987. In FY 1988, federal grant programs will begin to terminate, and trust fund payments and excise taxes will decline by 25% each year.

The fund would be financed "from existing federal alcohol, tobacco, telephone, motor fuel (2 cents only), and part of the oil windfall taxes." The transportation portion of the $28-billion fund was $6.4 billion earmarked for local transportation. [Nickel, William, "Prospects for Increased Road Revenues Dimmed by Reagan Program, No Tax Increase," *Better Roads*, March 1982, p. 9]

In a 1990 article about presidential proposals to restructure the Federal-aid highway program in the era of Nixon, Ford, Carter, and Reagan, Elizabeth Parker, a Senior Policy Analyst in the U.S. Department of Transportation (DOT), wrote about the reaction to the highway portion of the proposal:

> In his 1982 State of the Union address, President Reagan proposed that highway and transit programs, except the Interstate, be "turned back" to the states. Half of the federal gas tax receipts would be made available to the states "to pick up." Generally, there was little support on Capitol Hill or among interest groups. The Governors' Association calculated that the proposal would turn over highway programs costing about $5.2 billion in FY 1982 and transit programs amounting to $3.1 billion, while providing only $2.2 billion in revenues. Thus . . . the administration proposed a package that allowed flexibility, but in exchange, required states to enact taxes and take on more programs than the turned back taxes would pay for. It received no serious attention.
>
> Richard Williamson, assistant to the President for Intergovernmental Affairs, later said "I think now it was a strategic error to put the federalism initiative on the table at the same time we were trying to get cuts out of a budget that had already suffered. . . . It poisoned the well for the federalism discussion because the mayors and governors were so concerned they were going to be left holding the bag with a recession coming on." William Hudnut, the Republican mayor of Indianapolis, and head of the National League of Cities during some of the bargaining with the White House, said the federalism initiative was not going anywhere and was tantamount to saying "Here, the ship is sinking, you take over." [Parker, Elizabeth, "Major Proposals to Restructure the Highway Program," *Transportation Quarterly*, January 1991]

While the Administration was promoting New Federalism, the "crumbling infrastructure" crisis that had begun in the wake of the 1970's oil shocks continued to receive media attention. With gas tax revenue and high inflation in the construction industry, many States has been unable to keep up with maintenance needs on aging highways and bridges. Some headlines illustrate how the media was covering the growing concern:

- "As the Interstates Near Completion, U.S. Faces Huge Road-Repair Bill," *The Wall Street Journal*, January 31, 1978.
- "America's Highways: Going to Pot," *U.S. News and World Report*, July 24, 1978.
- "Cures for America's Dying Highways," *Reader's Digest*, April 1982.
- "The Decaying of America," *Newsweek*, August 2, 1982.

The *Newsweek* cover story included a sampling of the nation's worst infrastructure problems, spanning highways, city streets, bridges, transit, railroads, water and sewage systems, dams, and public buildings. For highways, the article stated that the Interstate System would need $33 billion worth of repairs in the next decade, but the Highway Trust Fund "has been sorely depleted with the advent of smaller, more fuel efficient cars" that reduced the amount of gas consumed and gas tax paid. Conditions were even worse, the article added, "on the larger network of primary and secondary roads." As for city streets, "the record-cold winter of 1982 left a plague of [potholes]—1 million, by some counts, in Chicago alone." Deficient bridges totaled 45 percent of the total, with needed repairs estimated to cost $47.6 billion. The article quoted Secretary Lewis as saying, "We're living on our laurels of the 1950s and 1960s," and concluded:

> In past decades public works made America a nation of highways, of automobiles, of vital cities and water systems that are the envy of the world. Today's hard choices will determine the shape of America in the decades to come. ["The Decaying of America," *Newsweek*, August 2, 1982, p. 12]

Inflation was part of the problem, as transportation historian Mark H. Rose pointed out:

> During the period 1973-1981, the costs of highway construction and maintenance had more than doubled, consuming part of the nation's highway budget; and the additional expenses made necessary by environmental requirements such as noise walls further reduced the ability of engineers to construct new roads. But in the face of rapid price increases through 1980 for such basic items as housing and gasoline, political leaders in many states refused to increase gasoline and other highway-related taxes . . . . [Rose, Mark H., *Interstate Express Highway Politics: 1939-1989* (Revised edition), The University of Tennessee Press, 1979, p. 113]

As reflected in Stockman's account of early budget fights, Secretary Lewis had concluded early on that an increase in the 4-cents a gallon gas tax, which had not been increased since 1961, was needed to restore highways and bridges. President Reagan, who was promoting tax and budget cuts, rejected the pleas by Secretary Lewis in fall 1981 and early 1982, but did authorize Lewis to reach out to transportation interests and Congress to explore support for an increase. Lewis and Barnhart took advantage of this clearance to do just that.

One opportunity to make the case for the increase came on January 12, 1982, when President Reagan visited the DOT headquarters at 400 Seventh Street, SW., to meet with members of the

Department's Senior Executive Service. He told them, "The theme of our administration is a new beginning, a national renewal that will make America great again; and for that, we need a spirit of renewal and excellence in all of government." In just his first year in office, he said, "We've cut waste, eliminated redtape, and provided better services to the American taxpayers."

He also told the executives that, "good tax policy is one in which, as much as possible, the tax that funds a service is levied on those who benefit from the service." He thanked the executives for their "leadership in developing the transportation user-fee concept [which] will more equitably distribute the cost of transportation among those who actually benefit."

While in the building, the President met with Secretary Lewis, his top assistants, and the heads of the agencies within DOT, including Administrator Barnhart. During the meeting, Barnhart made the case for a user tax increase to address the deteriorating condition of the Nation's highways and bridges.

As permitted by the President and Secretary, Barnhart had been making a similar case before groups involved in highway development, always emphasizing that thus far, the gas tax increase was a DOT proposal not cleared by the White House. He summarized the argument in his "Comments" column in the May 1982 issue of *FHWA News*. Although a formal proposal for "a possible 4-cents increase" in the gas tax had not gone forward, "serious discussion along these lines has been taking place at various levels behind the scenes" within the Administration and members of Congress. The Nation, he said, was at a critical stage "where increased expenditures are going to be necessary to prevent further deterioration of one of our Nation's most vital economic and structural assets." The cost of postponement will cause the cost of later repairs to escalate. Moreover, inflation had quadrupled since the last increase in the gas tax, approved on a temporary basis in 1959 and made permanent in 1961:

> Since 1959, the price of a postage stamp has risen from 4 cents to 20 cents; the average daily newspaper from 5 cents to 25 cents; and the purchasing power of the 4-cents Federal gasoline tax has dropped to the equivalent value of 1 cent.

He explained that the current proposal was a $5-billion a year increase in revenues, "with $1 billion being earmarked for mass transit." (The 4-cent increase he referred to would be the highway portion.) He knew that some people might think the diversion to transit inappropriate, but said, "I believe the time has come for us to recognize that highways and transit are inseparable—the two modes are interdependent and complementary."

Further, Barnhart said, the proposal was consistent, "philosophically and practically," with President Reagan's economic recovery program. He said, "the Reagan economic program has attempted to reduce demands on the general fund, insisting that wherever possible, users should pay for the support and services they receive from the Federal Government." The Highway Trust Fund met the test—"we are being consistent with the overall goal of revitalizing the private sector of our economy and not adding one penny to the Federal deficit." [Barnhart, Ray A., "Comments from the Administrator," *FHWA News*, May 1982, p. 2]

The argument for the tax increase would be based in part on a report that Secretary Lewis submitted to Congress on May 13, 1982. This was the latest in a series of Highway Cost Allocation Studies the FHWA had conducted since the first one had been requested by Section 210 of the Federal-Aid Highway Act of 1956. The report included "an allocation of costs among the various highway vehicle classes and an assessment of the current Federal user charges along with recommendations on how to make them more equitable." Based on the current system of user fees (which would generate about $7.2 billion in 1985) heavy combination trucks would pay substantially less than their share of the cost of rehabilitation and reconstruction, while automobiles would pay their fair share.

As a result, the report recommended that user charges should be graduated more according to truck weight. This recommendation would become a controversial part of the Administration's proposal. ["Cost Allocation Report Goes to the Congress," *FHWA News*, July 1982, p. 3]

The report kept alive hopes for the nickel-a-gallon tax increase, but Congress was awaiting a signal from the White House. *The Journal of Commerce* reported on May 14 that Republicans on the House Ways and Means Committee, which must initiate tax changes, "are expected to determine the fate of Secretary of Transportation Drew Lewis' proposal for an increase in gasoline and diesel fuel taxes." The issue was complicated because the proposal included an increase in taxes on truckers and diversion of a penny to mass transit:

> It is understood that a majority of Ways and Means Republicans must support or show interest in the plan if there is any hope for it to be proposed by the White House.

The article was written before release of the Highway Cost Allocation Study, but indicated that DOT officials confirmed that the Secretary had been holding the report "because it could create problems for the tax hike." Truckers had mixed feelings, according to the article, since the current bill would have given them some relief from State weight restrictions they had sought for years. At the same time, they had traditionally opposed diversion of highway user tax revenue to transit but would reserve judgment until further details came out.

Chairman James J. Howard (D-NJ.) of the House Committee on Public Works and Transportation, "made it perfectly clear to reporters that it is time for a decision to be made and that the White House should support the plan." The article continued:

> In any event, Rep. Howard made no bones about the fact that legislation increasing truck size and weight limits that cleared his committee Wednesday [May 12, based on the proposed tax increase] must be accompanied by an increase for highway projects.
>
> Sometimes administrations must take unpopular stands to be sure things are done, he told reporters after the highway funding bill cleared the committee Wednesday evening.

Expectations were that President Reagan would make a decision soon. The article concluded:

> In any event Secretary Lewis is spending today with President Reagan campaigning for Republican candidates in Pennsylvania.

> It would be logical to assume, observers commented, that the future of the highway proposal might be discussed at some point. [Cawthorne, David M., "Highway Tax Fate in Hands of Republicans," *The Journal of Commerce*, May 14, 1982]

President Reagan made his decision on May 18. Secretary Lewis presented the proposal to the Cabinet Council on Economic Affairs. According to news reports, he received support from most Cabinet members, but not the President's economic team: Treasury Secretary Donald T. Regan, Economic Advisor Murray Weidenbaum, and Budget Director Stockman. They were concerned that introducing the proposal would confuse negotiations with Congress over the pending FY 1983 budget.

Fred Barnes of *The Baltimore Sun* reported some of the discussion:

> The president was said to have acknowledged "the need" for the tax during a meeting of the cabinet council on economic affairs. But Mr. Reagan expressed the view that the new gas tax would "fuzz" the budget issue.
>
> "Why put in mass transit?" the president asked at one point in the meeting. Mr. Lewis was said to have told Mr. Reagan that earmarking one cent of the tax for this would make the proposal more politically appealing and might obviate the need for new highways in urban areas.

Secretary of the Interior James G. Watt suggested postponing the issue under after the November congressional election "if only to keep it from being overly politicized," according to Barnes.

The President rejected the tax increase for now, but left open the possibility he might support it at some later date. Secretary Lewis was confident:

> Mr. Lewis was undeterred by the Reagan rejection, insisting that the president will approve the proposal later. "This ultimately has to happen," he said. "It's a question of when, not whether . . . . The bottom line is we just don't have enough revenues now to maintain a good highway system," the transportation secretary said in an interview [with Barnes].
>
> Mr. Lewis said the gas tax increase is salable to the public because it is linked to highway repairs. "If we can relate it that way, it's a salable package," he said. "This is a program the public should buy because it's something we have to do."

Despite the Secretary's optimism, interest groups were disappointed. Edward V. Kiley of the American Trucking Associations (ATA) said, "It looks like Drew Lewis had the rug pulled from under him for the third time," while Jack R. Gilstrap of the American Public Transit Association said, "It's a dark day for the users of mass transit." [Barnes, Fred, "Reagan Lays Aside 5 Cent Gasoline Tax Boost for Consideration as Part of 1984 Budget," *The Baltimore Sun*, May 19, 1982; Cawthorne, David M. "White House Delays Hike in Truck Tax," *The Journal of Commerce*, May 19, 1982; Holsendolph, Ernest, "Tax on Transport Killed in Cabinet," *The New York Times*, May 19, 1982]

The Palace Coup

Despite this setback, Lewis would convince the President in late 1982. A key factor was that the Nation still was in the severe recession. Through the year leading up to off-year congressional elections in November, the economy deteriorated, as did Reagan's popularity. Reagan's approval ratings dropped as deficits increased, interest rates rose as high as 20 percent, unemployment reached 10 percent, even higher for minorities, and the Rust Belt of declining industrial States suffered near-Depression conditions.

Critics compared him to his Republican predecessor, Herbert Hoover (1929-1933), whose actions in the early years of the Depression only worsened conditions. Cannon summarized the situation as it deteriorated in 1982:

> Reagan, whose jaunty optimism rekindled memories of Franklin Roosevelt, was compared in these hard times to Herbert Hoover instead. Arriving at a Minneapolis political fund-raiser in February 1982, Reagan was greeted by a banner proclaiming "Welcome President Hoover." In June, organizers for the homeless pitched a ramshackle "tent city" in the shadow of the White House and conducted similar encampments in fourteen other cities. The tent cities were called "Reagan ranches" and were intended to evoke memories of the Depression shantytowns known as "Hoovervilles." The White House dismissed the protest as a publicity stunt, but disillusionment with Reagan's leadership was evident in the public opinion polls. Reagan's approval ratings, stratospheric after the assassination attempt [on March 30, 1981, as the President emerged from a luncheon address to the AFL-CIO at the Washington Hilton Hotel] and high throughout the spring and early summer of 1981, tumbled with the economy. When the nation edged into recession in midsummer, Reagan's approval rating stood at 60 percent. It fell to 49 percent by year's end and continued dropping. By the end of 1982, only 41 percent of Americans said they approved of Reagan's governance, a substantially lower rating than his four elected predecessors had received after two years in the White House. [Cannon, p. 196-197]

By fall 1982, the off-year election season was underway, with the entire House and one-third of the Senate up for reelection. On September 25, 1982, President Reagan had discussed the election in his weekly radio address. He described the dire situation he inherited when he took office in January 1981, proclaiming that his Administration was "winning the war the experts said was hopeless." Inflation had been cut in half, down to 5.1 percent. As for jobs, unemployment had been "averaging 7 percent since 1976." He explained:

> Rising inflation pushed up interest rates in the late 1970's, and together they hit us like a one-two punch, sending shock waves through the economy . . . . To make matters worse, as high inflation and interest rates were crippling the economy's ability to provide jobs, they were forcing more families to seek a second income. Well, this all came home to roost in 1980, when inflation reached double digits for the second straight year and interest rates soared to 21½ percent—their highest peak in more than a century.

Pointing out that he inherited the economic situation he had just described, he continued:

> I don't believe that it follows that those who took us to the edge of economic Armageddon are automatically best qualified to lecture us now on the most fair, effective way to end the crisis. And when those same individuals charge our administration fights inflation by putting people out of work, I say they're exploiting helpless people for their own political gain. It's the most cynical form of demagoguery.

Creating jobs, he said, "can only come from continued progress against inflation." Interest rates were down to 13½ percent, but he would continue to fight to lower them because "if the public senses we're giving up the fight against inflation, those who lend money will demand higher interest rates, and we'll be right back in the soup with even higher unemployment." One point he wanted to make clear:

> There's only one major cause of our economic problems: government spending more than it takes in and sending you the bill. There's only one permanent cure: bringing government spending in line with government revenues.

He opposed efforts by liberals who wanted to eliminate the third year of the tax cuts he had approved the previous year:

> This will only give government more money to spend, weaken savings, and hurt those who need help most—lower- and middle-income taxpayers, the backbone of this country. We're not going to let them do it. We need less spending.

He endorsed "an historic measure" that had been approved by the Senate and "supported by 80 percent of the public," namely a constitutional amendment requiring a balanced budget. The measure was stalled in the House. "It's tragic at this late date that those who controlled the Congress for so long and spent us to the brink of bankruptcy are still playing politics with these problems and the suffering they caused." He hoped they would realize that "much more than an off-year election is at stake."

President Reagan took a strong position on taxes during a press conference on September 28, 1982, in response to a question from Helen Thomas, White House Correspondent for United Press International:

> Q. Mr. President, your aides are currently at work on a new budget that you'll present to Congress next year. Knowing of your great distaste for taxes and tax increases, can you assure the American people now that you'll flatly rule out any tax increases, revenue enhancers, or specifically an increase in the gasoline tax?
> The President. Unless there's a palace coup and I'm overtaken— [laughter] —or overthrown, no, I don't see the necessity for that. I see the necessity for more economies, more reductions in government spending. And I can't say anything about the 1984 budget, because in 3 days we come to the beginning of the fiscal 1983 year, and we still don't have a budget. I haven't had a single appropriation bill to sign as yet, and they're all going to go home in a few days.

On November 2, 1982, voters left the Senate in Republican hands, with no change in the balance between Republicans (54) and Democrats (46). However, the Democrats retained control of the House of Representatives, gaining 26 seats to increase their numbers to 267 members compared with 168 Republicans.

The following day, the President held a news conference in the Rose Garden to express his satisfaction that Republicans had retained control of the Senate, while the losses in the House were less than the average for the first off-year election following a change in President. When a reporter asked if the President was "going to stay the course with high deficits," the President replied:

> Are we going to stay the course with high deficits? We're going to stay the course, because the best way to reduce the high deficits is to continue the reduction of unnecessary Federal spending and the necessity of restoring the economic base, because the high deficits have come about through several factors. But one of the most important is the high unemployment, which has taken people off the tax rolls and at the same time has increased the output for subsistence for those people who are penalized by unemployment. So, when we can get the economy back working again, that will take care of the revenues that are necessary to help us reduce those deficits.

That month, the Administration was finalizing details of its budget proposal for FY 1984. Stockman was trying to convince the President that under the proposal as drafted, "the already frightening deficit would soar to $2777 billion by 1986." The President resisted tax increases to reduce the deficit because he was convinced budget cuts would suffice. Stockman had an idea to break through the President's optimism about budget cuts:

> By the end of 1982, the fiscal situation was an utter, mind-numbing catastrophe.
>
> To convince the President it really was as bad as I was saying, I invented a multiple-choice budget quiz . . . . The quiz divided the entire budget up into about fifty spending components and gave him three spending-cut choices on each, ranging from a nick to a heavy whack . . . .
>
> The President enjoyed the quiz immensely. He sat there day after day with his pencil. He listened to his senior staff and the economic team discuss the relevant policy and political ramifications, then announced his choice and marked the appropriate box.
>
> And rarely chose to make a whack. They were mostly nicks. "Yes," he would say, "we can't go that far." Or, "No, we better go for the moderate option or there will be a drumbeat from the opposition."

When the exercise ended, President Reagan was surprised by the grade Stockman gave him. "After making all his cuts, the five-year deficit remained at a staggering $800 billion." Moreover, "the total national debt would reach *two trillion dollars* by 1988." When discussion turned to taxes, Stockman recounted, the President banged his fist on the table. He said, "I don't want to hear any more talk about taxes. The problem is *deficit spending*!"

They continued developing the budget in December, finally convincing the President in early January to include a "trigger" tax increase of $50 billion in the FY 1984 budget. The increase would go into effect in 3 years if Congress made all the spending cuts he wanted, the economy was not still in recession, and recovery had not lowered the deficit to 2.5 percent of gross national product or less. Stockman described the scene when the budget was placed before the President for approval with the trigger tax in January 1983,

> "You're telling me this trigger tax is actually going to happen, aren't you?" The President sounded crushed.
>
> "Yes," I answered, "I don't see how it can be avoided."
>
> "Oh darn, oh darn. It just can't be. I never thought it would come to this." Slowly he took out his pen and scratched "RR" on the paper. [*Triumph*, p. 385-395, italics in the original]

While the President was enjoying his budget quiz, Secretary Lewis briefed the President and the Cabinet Council on Economic Affairs on November 10, 1982, regarding the proposal to increase the gas tax by a nickel to raise $5.5 billion a year for highways, bridges, and mass transportation. Senator Dole, the former Vice Presidential candidate who was Chairman of the Senate Finance Committee, favored such a plan, while Representative Dan Rostenkowski (D-Il.), Chairman of the House Ways and Means Committee, considered the increase a near certainty. In addition, Democrats were developing a public works jobs bill involving roads, bridges, mass transit, and public buildings that they hoped to enact during the lame-duck special session of Congress that would convene on November 29.

Following the Cabinet session, White House Deputy Press Secretary Larry Speakes told reporters that the President had not decided whether to support the gas tax proposal. He wanted to make clear, though, that the President was not reversing his opposition to a tax increase for a public works program. Speakes explained that the gasoline tax was not a tax but a "user fee." Moreover, the program was needed to improve roads, bridges, and mass transit, and was not the 1930's style "make-work" public works program that the President opposed.

Secretary Lewis confirmed this explanation when he told reporters, "We have highways and bridges that are falling down around our ears—that's really the thrust of the program." News reports indicated that Budget Director Stockman, who "has previously argued that the administration should get out of the road-building business entirely," still opposed the proposal. [Hoffman, David, "President Hints Gas Tax Rise," *The Washington Post*, November 11, 1982]

With the meeting in the news, Helen Thomas again raised the topic during a November 11 press conference:

> Q. Mr. President, at your last news conference you said it would take a palace coup for you to approve a five-cent-a-gallon increase in gasoline—build highways and create jobs. Have you changed your mind? And I'd like to follow up, if I may.
> The President. Well, Helen, I don't think that I said it with reference to that. I said that on a general subject of tax increases, as such, it would take a palace coup.

> Q. It was specifically—[inaudible].
> The President. But on the thing that we're talking about, this particular subject is under discussion. But it was under discussion a year ago, and at that time I asked the Department of Transportation, Drew Lewis, the Secretary, to hold off certainly for another year because of the economic problems that we face.
> I don't view this proposal as, let's say, a job-creating program, although, obviously, there would be jobs created by going forward with that effort. But what we're talking about here is, also—and we have used the term to try and make people understand what it would be—that if we do it, it would be a user fee. It would be dedicated to the rebuilding of our highways and bridges. This is a problem that must be met sooner or later. I wish the economy were such that we didn't have to worry about it at all.
> But it is still under discussion. No decision has been made. And if it is put into effect, it isn't anything that would in any way reduce the incentive features of our tax cuts, because the average individual's tax would only—for that purpose—would only go up about $30 a year.
> Q. It sounds like you're leaning toward it . . . .
> The President. Well, Helen, we're doing a number of things to help the people that are out of work . . . .

Later in the news conference, Kathy Lewis of *The Houston Post* tried to pin the President down:

> Q. Mr. President, back on the gasoline tax. Secretary Lewis briefed you yesterday. Can you at least tell us what you see as some of the pros and cons of that proposal-particularly the mass transit aspect? And can you make it equitable for all States, or will some States bear an unfair burden of that tax?
> The President. Well, again, as I indicated earlier, you'll have to wait on that one, because that one was just presented yesterday.
> No decision has been made. It is under consultation and deep thought by all of us, and we are faced with the need, both at the local and State level and for our own interstate—the Federal highway system. And the program that has been proposed deals with both those problems. But you'll just have to wait and see if we make a—what decision we make.

On November 22, House Speaker Thomas P. (Tip) O'Neill, Jr. (D-Ma.) and Senate Majority Leader Howard H. Baker, Jr. (R-Tn.) announced that they would seek approval of a 5-cent a gallon gas tax increase during the lame-duck session of Congress. Their proposal was similar to Secretary Lewis' plan to use the revenue for highway and mass transportation projects. Although some pressure was being placed on them to hold the proposal until 1983, many Members of Congress felt pressure to enact a bill that would generate jobs in a tough economic period.

The Administration and Congress were still debating the concept, as well as how to describe it. In an article bylined November 22, *The New York Times* explained:

> While the President has described the proposal as a highway repair program, the majority leader, Howard H. Baker Jr., Republican of Tennessee, called it a "highway jobs" program, and the Speaker, Thomas P. O'Neill Jr., said, "Our first priority must be to put the millions of unemployed back to work."

> . . . Similarly, Mr. Reagan has termed the proposed method of financing a "user fee," while both Congressional leaders flatly called it a "gasoline tax."
>
> Both Congressional leaders have said that they viewed the elections earlier this month as a mandate for Government action to reduce unemployment, now at 10.4 percent. White House aides have contended that such an interpretation implied the failure of the President's economic program, and they disputed that implication. [Tolchin, Martin, "O'Neill and Baker to Seek Tax to Aid Road Repair Plan," *The New York Times*, November 23, 1982]

The trucking industry was the main opponent of the proposal, which included higher taxes on heavy trucks. Lewis tried to secure support from trucking interests by supporting higher, uniform weight limits. The *Times* explained Lewis' message to the industry:

> Get behind the program or he will not support Federal uniform size and weight limits, long a goal of the industry. Currently, states have varying weight limits, so interstate truckers must generally conform to the restrictions requiring the lowest weight. The industry favors raising the limits in states where they are now low.

The industry did not accept the tradeoff. In the view of the ATA's Kiley, the "relief" would be more than offset by the higher taxes on truck use. He said, "We will not accept the taxes he is proposing. They are confiscatory, and we will fight them in Congress." Kiley recognized that highway officials, the construction industry, and AAA supported the tax increase, "but we're the ones paying it." [Holsendolph, Ernest, "U.S. and Trucking Industry Fight on Tax Plan," *The New York Times*, November 23, 1982]

In Orlando, Florida, Lewis responded to the industry's views during a Keynote Address to the annual meeting of AASHTO on November 22. He outlined the basis for the proposed tax increase, noting that the increase was timely for three reasons. First, "There is a large and ever-growing need for the rehabilitation of our highways, bridges and transit systems." The second reason was that under current law, the Highway Trust Fund would expire at the end of FY 1983. "Third, the five cent increase we are proposing would generate 170,000 direct and indirect jobs in the construction industries, which currently have a 23 percent unemployment rate, and stimulate an estimated 150,000 jobs in other sectors of the economy."

Based on the cost allocation study, he said that proposals to increase taxes on the heaviest combination trucks addressed cost equity. Trucks as a whole would pay their fair share in 1985 under the current tax structure, but the heaviest combination trucks would pay only about 60 percent of their fair share. "The heaviest trucks, in other words, would be subsidized by the light and medium weight trucks," which is "contrary to the basic user fee principle."

In return for the increase, trucker efficiency would grow with elimination of "a patchwork system of differing size and weight standards" among the States. If the trucking industry was not willing to pay its fair share, the Administration would not support the shifts in size and weight standards. "We see no reason to allow trucks to rip up our highways and not pay their fair share," he told the transportation officials, a sentiment they applauded, according to news accounts. [Lewis, Drew, “Keynote Address,” *AASHTO Quarterly*, January 1983, p. 5]

Protecting and Preserving the System

After the presentation, Secretary Lewis returned to Washington for a Cabinet meeting on November 23. Following the meeting, the President addressed reporters in the Briefing Room at the White House, at about 12:20 p.m. He announced that “we should move forward now with a program to repair the nation’s major highways and bridges.” He would support, he said, “the proposal that Secretary Drew Lewis has spent so many months developing,” namely a nickel a gallon increase in the tax on gasoline, with one cent for transit. Secretary Lewis estimated that the proposal would create 170,000 direct jobs and 150,000 jobs in related industries—at an average cost of some $30 a year for the average motorist.

The President explained the need for the tax increase:

> An estimated 10 percent of our Interstate Highway System—portions of which are more than 20 years old—need immediate resurfacing. We have 23,000 bridges in need of replacement or rehabilitation; 40 percent of our bridges are over 40 years old. Moreover, our cities face capital transit costs of some $50 billion as many buses and urban railcars need to be replaced or upgraded.

He concluded his prepared remarks by saying:

> Our country's outstanding highway system was built on the user fee principle—that those who benefit from a use should share in its cost. It is appropriate that we rely on this same concept now. America has been blessed over the years with excellent transportation, and this program would provide us with a means of protecting and preserving this system.

Reporters (not identified in the transcript) had several questions for the President:

> Q. Sir, is this a jobs bill, a highway bill, or a tax? Which do you prefer to call it?
> The President. No. When this was first presented by Secretary Lewis over a year ago, he presented it with the idea and the real need of the highway system. But at that time, because of the economic situation we were faced with, I asked him to hold off for a while. In fact, I think I even mentioned, hold off a year. And he did and came back this year with it. In the meantime, we have gathered much more information about the real need for this, and this, if—
> Q. You don't mind if it creates jobs.
> The President. What?
> Q. You don't mind if it creates jobs.
> The President. No, there's no question but obviously there will be some employment with it, but it is not a jobs bill as such. It is a necessity. It's a problem that we have to meet, and we'd be doing this if there were no recession at all.

When a reporter mentioned the comment about a palace coup, the President again put his earlier comment in a broader context:

> Q. Has there been a palace coup? You said something about not raising taxes.
> The President. That was in the context, that whole discussion, of our tax bill. And it's true that a tax on gas was one of those that had been proposed as an excise tax to help with that tax package that we presented in the midcourse correction of our program. And that's what I meant that, I'd-no—would not use that as a source, as there were several other excise taxes that we wouldn't use as a source just for general revenue. And that's what I meant at that time . . . .
> Q. But isn't concrete breaking around your feet?
> The President. What?
> Q. But isn't concrete breaking around your feet?
> The President. No, not at all. I knew the need a year ago and asked him to wait for a year. As a matter of fact, I specified '84, and that's what we're talking about.

Consistent with the theme of the earlier proposal, the Administration proposed to focus the added revenue on the programs of highest national interest, especially Interstate completion and 4R as well as the bridge program, while still funding other programs with revenue from the existing highway user taxes.

The President used his weekly radio address on November 27, during the Thanksgiving holiday weekend, to discuss the proposal. He began:

> One of our great material blessings is the outstanding network of roads and highways that spreads across this vast continent. Freedom of travel and the romance of the road are vital parts of our heritage, and they helped to make America great . . . . But let's face it: Lately, driving isn't as much fun as it used to be. Time and wear have taken their toll on America's roads and highways. In some places the bad condition of the pavement does more to control speed than the speed limits.

He explained the need for his proposal:

> We simply cannot allow this magnificent system to deteriorate beyond repair . . . . America can't afford throwaway roads or disposable transit systems. The bridges and highways we fail to repair today will have to be rebuilt tomorrow at many times the cost.

He would ask Congress to approve the new program to complete construction of the Interstate System and "get on with the job of renovating existing highways." He assured listeners the plan would not increase the Federal deficit or the income taxes they paid on April 15:

> It'll be paid for by those of us who use the system, and it will cost the average car owner only about $30 a year. That's less than the cost of a couple of shock absorbers. Most important of all, it'll cost far less to act now than it would to delay until further damage is done.

After describing examples of bad roads justifying the program ("There's already a section of interstate highway in Illinois that's so far gone the truckers call it the only all-gravel interstate in the country"), he said:

> Good tax policy decrees that wherever possible a fee for a service should be assessed against those who directly benefit from that service. Our highways were built largely with such a user fee—the gasoline tax. I think it makes sense to follow that principle in restoring them to the condition we all want them to be in.

Although the tax increase was needed to improve the Nation's roads and transit, it would have another benefit:

> The program will also stimulate 170,000 jobs, not in make-work projects but in real, worthwhile work in the hard-hit construction industries, and an additional 150,000 jobs in related industries. It will improve safety on our highways and will make truck transportation more efficient and productive for years to come.

He concluded:

> Perhaps most important, we will be preserving for future generations of Americans a highway system that has long been the envy of the world and that has truly made the average American driver king of the road.

On to Congress

In transmitting the proposal to Congress on November 30, 1982, President Reagan pointed out that it did not contain a Federalism turnback as in his earlier recommendation. He added:

> However, the Administration remains committed to Federalism and will strive to return to State and local governments programs that are primarily of local interest and responsibility. The Administration is consulting with the Governors, affected State and local officials, and the Congress on a bill which will implement the appropriate turnback of highway programs and accompanying revenues.

He explained:

> The primary objective of this legislation is to provide renewed investment to help rebuild our nation's deteriorating infrastructure. In addition to supporting the economic recovery by providing an effective transportation network that is crucial to commerce, this bill sets the framework for several other beneficial effects on the economy. For example, this legislation would create an estimated 320,000 jobs, 170,000 direct and indirect in construction industries and 150,000 more jobs "induced" by the construction.

The proposal, he said, called for "a reallocation of existing user charges to make the current user fee structure more equitable," in part by eliminating "the existing cross-subsidy from lighter to heavier trucks." It also included "changes to truck size and weight laws to help bring about uniformity and provide significant productivity benefits for the trucking industry." In addition to allowing heavier and longer trucks, the measure would end varying State weight limits. The trucking productivity measures were a payback for the tax increase.

(Barnhart had been adamant on this point, having seen trucks reach a State border only to unload enough cargo to meet weight restrictions in that State. The excess cargo had to be carried on a second truck. The cost to efficiency imposed by the barrier States was borne by shippers and, ultimately, consumers.)

Much of the new revenue, including 4 cents of the 5-cent increase in the gasoline "user fee" would go to roads, particularly rehabilitation of Interstate highways that would be subjected to new poundings from the heavier trucks. One penny of the increase would go to a new transit infrastructure program, while the bill proposed to phase out transit operating assistance by the end of FY 1984, consistent with the view of Stockman and other conservatives that such assistance was inconsistent with Federal responsibilities. The bill would also create a transit capital formula program of $8.914 billion for urbanized areas over 50,000 population. It would fund planning, acquisition, construction, deployment of innovative demonstration results, and improvement of facilities and equipment.

Although the Administration deferred some of its controversial proposals, including the Federalism turnback, the bill included several ideological measures. For example, the bill proposed to amend Section 4(f), a provision of the Department of Transportation Act of 1966 (codified as 23 U.S.C. 138) that required all projects funded by the Department to avoid "publicly owned land from a public park, recreation area, or wildlife and waterfowl refuge of national, State, or local significance . . . or any land from an historic site of national, State or local significance . . ." unless "no feasible and prudent alternative" was available and the program included all possible planning to minimize harm to the resource. The Administration proposed to restrict Section 4(f) protection for "historic sites" to "National Historic Landmarks." The section-by-section analysis transmitted with the bill explained the rationale for this change:

> This minor change has been made to reduce paperwork burdens on State and local governments, and reduce a portion of the "redtape" [sic] involved in the current process.
>
> Historic sites other than National Historic Landmarks have been eliminated from this section in order to simplify requirements and eliminate unnecessary duplication of effort which presently occurs when the official in charge of preparing the environmental impact statement prepares separate documents to meet the requirements of this section and section 106 of the National Historic Preservation Act.

The change would not "reduce the protection afforded historic sites," which would still be covered by the Preservation Act.

Another provision required the Secretary to consolidate environmental compliance procedures under NEPA and related policies and regulations into a single project development process to be coordinated by the Department. The section-by-section analysis explained:

> The Secretary would establish procedures to ensure that adequate information is developed from a public hearing, if one is held, so that the record available to Federal decisionmaking

> agencies provides an adequate basis for them to make the necessary determination. As an example, if a public hearing is held, information on the needs of navigation interest would be developed so the Coast Guard could issue a bridge permit.

The goal of this change was "to minimize, to the maximum extent possible, duplication, needless paperwork, and delays in action" on highway projects.

Although the proposed gas tax increase had broad support, truckers opposed the President's bill, as expected. They continued to object to the tax increases, particularly the increase in the Heavy Vehicle Use Tax. The ATA argued that truckers would pay an additional $1.3 billion under the bill, with taxes increasing 200 percent on a typical truck. A spokesman said:

> It will do no good to create jobs in the construction industry with one hand while eliminating jobs in trucking and related industries with the other.

Similarly, tire retreaders feared the cost of their product would increase by $2.50 a tire, costing them sales.

Environmentalists were upset by the change in Section 4(f). Alan Boyd, Chairman of the National Trust for Historic Preservation (not the first Secretary of Transportation, also named Alan Boyd), said, "It is disturbing that the administration has chosen this bill as the vehicle to accomplish their goal of gutting environmental protections." He called it a "blatant attempt . . . to weaken laws and regulations protecting historic properties." The Environmental Policy Center accused the Administration of having "hidden agendas" because the increased funding for roads would be used to finance some of the most expensive and controversial Interstate highway projects in the country.

While AAA objected to diversion of the highway tax revenue to transit, others objected to the proposal to phase out subsidies for transit. The Administration argued that transit-system wages and other day-to-day expenses should be paid by local governments. Because transit systems typically take in less via fares than the cost of operation, additional revenue is needed to keep the buses and trains moving.

Another problem for the bill was that Martin S. Feldstein, Chairman of the President's Council of Economic Advisors, claimed that the proposal could raise inflation and cost more jobs than it would create, or at best would generate only a minor net increase in employment. Alice Rivlin, Director of the Congressional Budget Office, also challenged the jobs claims. [Brandt, Thomas D., "Gas Tax Bandwagon Hits Potholes," *The Washington Times*, December 2, 1982, and Edsall, Thomas B., and Feaver, Douglas B., "Highway Proposal Runs Into Opposition," *The Washington Post*, December 2, 1982]

Despite these objections, the House Ways and Means Committee approved the tax increase, with some modifications, on December 2. Representative Bud Shuster (R-Pa.) created controversy by proposing a "domestic content" amendment that would require half of all foreign buses bought with Federal funds to be made with U.S. parts, and would require 40 percent of all foreign-bought buses to come from countries without a U.S. trade deficit. Secretary Lewis objected to the proposal, which failed because of a jurisdictional dispute with the House Committee on Public Works.

On December 7, the House passed the bill by a vote of 262 to 143, but only after tense debates that threatened to derail the proposal. Opposition rose from those who questioned the projected jobs benefits, backed the trucking industry, feared the tax increase would impact the poor, and were unhappy with the amount of funds their State would receive. Some House liberals favored deleting the tax measures, while substituting revenue from the tax cuts approved in 1981 to pay for the bill.

During the difficult debate, Secretary Lewis made two concessions to secure support for the bill. One would allow States to defer their matching share for a year if they could not provide the funds. In addition, the Secretary worked out a deal during negotiations with Governors from States that contributed more to the Highway Trust Fund than they received under the Federal-aid highway program. Those States (California, Indiana, Michigan, New Jersey, North Carolina, Oklahoma, Texas, and Wisconsin) would be guaranteed a minimum return of 85 percent (85 cents for each dollar). [Barnes, Fred, "It's No Smooth Ride for Gas-Tax Boost," *The Baltimore Sun*, December 7, 1982, and "Concessions Offered to Enhance Gas-Tax Bill," *The Philadelphia Inquirer*, December 7, 1982]

Roadblock

As the bill moved to the Senate, new problems arose. Aside from the issues that had threatened the bill in the House, some Senators wanted to add a public works jobs bill to the measure, despite presidential opposition, while others wanted to replace the gas tax hike with increased income taxes on the well-to-do. The Senate also faced the threat of a filibuster from conservatives led by Senator Gordon J. Humphrey (R-NH) with support from Senators Don Nickles (R-Ok.), Jesse Helms (R-NC), and John East (R-NC). Humphrey, a first term Senator who would vote against every budget during his two terms (1979-1990) because they included deficits, said of the House action, "Last night the lame-duck Congress laid its first rotten egg." He called the bill "New Deal nonsense" and "Keynesian claptrap." He also accused Congress of panicking and succumbing to the temptation to "do something even if it's the wrong thing."

After the Senate Finance Committee and the Committee on Environment and Public Works approved their portions of the bill, debate began on the Senate floor on December 10. Senator Humphrey launched his filibuster. His proposal to defer consideration of the measure until the new Congress convened in 1983 was defeated (79 to 10), but the filibuster continued while Senator Baker warned that he would keep the Congress in session through Christmas week if necessary. Humphrey acknowledged that some Senators thought that he and his colleagues were being unreasonable:

> But I would suggest that those who are trying to ramrod through this legislation are being unreasonable. If raising gasoline taxes by a nickel is a way to produce jobs and prosperity, why limit it to a nickel? True, the measure will create jobs in the construction industry, but it also will destroy jobs in other industries. [Tolchin, Martin, "Conservative Senators Begin Filibuster on Rise in Gas Tax," *The New York Times*, December 11, 1982]

Under Senate rules, a filibuster can be ended by a "cloture" vote of 60 Senators. Cloture was achieved on December 13 by a vote of 75 to 13. Technically, the vote limited debate on a parliamentary motion relating to the bill. A filibuster on the bill itself, according to opponents, was likely.

On December 14, the Senate resumed debate on the bill on a round-the-clock basis, in hope of adjourning on Friday, December 17. However, the four conservatives opened a new filibuster. They had added leverage because their actions were delaying approval of a must-pass omnibus stopgap bill containing 6 of the 13 regular appropriations bills funding eight Cabinet Departments, the others having been approved earlier. Unless the omnibus bill was approved, the President had threatened to shut down a large part of the government and furlough about 350,000 employees when spending authority expired after midnight on Friday.

In contacts with Senate leaders, President Reagan had insisted they keep the surface transportation bill on the floor. Some critical progress was made when the Senate approved an amendment setting a $1,200 ceiling on taxes for heavy trucks, compared with a ceiling of $2,000 in the House bill. However, a cloture vote to end the filibuster had failed by a vote of 50 to 48. Democrats who opposed the filibuster voted to continue it after Republicans tried to block a vote on amending the surface transportation bill to include 55 weeks of benefits for States with the highest jobless rates. After the benefits were approved by voice vote as an amendment to the surface transportation bill, Senator Carl Levin (D-Mi.) explained that, "Many of us had to vote against cloture in order to be heard; it's the only reason we got the extra benefits passed."

Late in the evening of December 16, the President agreed to pull the bill in the face of the stubborn resistance. Baked pulled the surface transportation bill at 10 p.m. to allow consideration of the spending bill. *The Baltimore Sun*'s Nancy J. Schwerzler described efforts to convince the four conservatives to end their filibuster:

> "We are not able this evening to work out further agreement," Mr. Baker said in taking the bill off the floor. Only moments earlier, he had met with leaders of the conservative filibuster revolt . . . in an unsuccessful effort to persuade them to give up their effort.
>
> During that session, at least one of the conservatives indicated a willingness to stay in the Senate on Christmas Day and, even if it meant shutting down the government, to continue the fight against the tax increase, according to a Republican source.
>
> Earlier, the conservatives resisted more than an hour of intense pressure by Republican colleagues in a closed-door meeting. They also refused to yield to a gambit by Mr. Baker to make them appear personally responsible for a government shutdown along with a possible delay in paying federal employees, Social Security recipients and members of the military.
>
> But Mr. Humphrey, a freshman Republican who assumed the leadership of the conservative fight on the Senate floor, refused to budge, saying he would not shoulder the blame. "I'm not holding up consideration of that important piece of business [the stopgap spending bill] or any other," he said, suggesting that the Senate abandon the gas tax bill and move on to the spending measure.

> Mr. Baker, at the president's request, refused to put the gas tax measure aside for several hours last night. But he finally yielded to the wishes of a majority of Senate Republicans, who voted in a closed-door caucus to move on to the spending bill if no gas tax agreement had been reached by last night.

With the surface transportation bill pulled from consideration, observers feared that Baker's action was a death blow for the measure. He insisted, however, that he was pulling the bill from the Senate floor only temporarily. News accounts reporting the action generally put the word in quotes ("temporarily") to emphasize the prospect that the move was likely permanent. The cloture vote having failed, Senate rules allowed leaders of the filibuster 3 more days to stall a final vote on the bill if they wished. They did intend to do so, because as Senator Nickles put it:

> [It's] a bad bill for my state and a bad bill for the country. Lots of roads and highways need work in my state and throughout the country, but the problem is the states do not do enough under this program. It flies in the face of New Federalism.

[Schwerzler, Nancy J., "Senate Shelves Gas Tax, Turns to Spending," *The Baltimore Sun*, December 17, 1982; Cawthorne, David M., "Senate Accepts Truck Gasoline Tax Ceiling," *The Journal of Commerce*, December 17, 1982; and Hunt, Albert R., and Apcar, Leonard, "Senate Suddenly Drops Gasoline-Tax Bill as Snags Develop in Rush to Adjourn Soon," *The Wall Street Journal*, December 17, 1982]

According to *The New York Times*, Republican leaders in the Senate were enraged and frustrated by the success of the four conservatives in blocking a bill that the President, the House, and the overwhelming number of Senators supported. When the 54 Republicans met to "discuss strategy and berate the filibusterers in voices loud enough to be heard in an adjacent corridor," one lawmaker could be heard asking, "Are the egos in this place bigger than the institution of the U.S. Senate?" The article quoted Senator William S. Cohen (R-Me.) as saying:

> I have never seen the kind of anger that is being expressed behind closed doors. People are perceived as having abused the procedures and failing to support the leadership. Normally, there is great deference around here toward people who seek to use the rules, but today tempers are very short. [Tolchin, Martin, "How to Stall Gas Tax Rise," *The New York Times*, December 18, 1982]

In pulling the bill, Republican leaders had said unanimous consent would be required to bring the measure back to the floor—an unlikely occurrence given the continued opposition of the four conservatives. On December 18, reported *The New York Times*, the leaders indicated they "had discovered the bill would return automatically for floor consideration." In addition, "there were parliamentary devices that could expedite the matter." Nevertheless, "the fate of the bill was in the hands of those conducting the filibuster because members of Congress are eager to adjourn for a Christmas vacation and a new Congress will convene in two weeks." [Tolchin, Martin, "Gasoline Tax Measure May Die, Leaders Concede," The New York Times, December 19, 1982]

For government agencies covered by the omnibus appropriations act, spending authority would expire at 12:01 a.m. on December 18, a Saturday. Because the expiration would occur during a weekend, it would not cause major disruptions initially. If the stopgap bill could be approved over the weekend or be reasonably assured of approval early in the week, disruptions could be kept to a minimum.

Helen Dewar of *The Washington Post* described the efforts to pass the two bills despite the continuing filibuster on the surface transportation bill. After speaking with President Reagan and the Republican caucus, Senator Baker launched "extraordinarily tough tactics" in a "last-ditch effort" to pass the surface transportation bill. The tactics included "brushing aside some of the niceties of normal Senate procedure to avoid time-consuming roll calls on as many as 400 amendments proposed by the filibusterers."

In a radio interview around noon the same day, President Reagan said that it was "ridiculous for a minority to stand in the way of this bill," while Senator Paul E. Tsongas (D-Ma.) reported that the wife of a colleague had said "this is not a lame-duck session but a lame-brain session." [Dewar, Helen, "Senate Republicans Renew Fight for Gas Tax Increase," *The Washington Post*. December 19, 1982]

Just when the spending bill appeared on the verge of passage, Senator East "started what appeared to be a lengthy discourse touching on both the spending bill and the gas tax, prompting Senator Baker and other leaders to leave the floor for consultations." It was the start of a filibuster of the stopgap spending bill as a tactic to prevent further consideration of the surface transportation bill.

For 4 hours, Senator Baker periodically asked Senator East if he would yield the floor. Senator East repeatedly responded, "Is the Senator willing to guarantee me that the gas tax will not be resurrected?" When Senator Baker replied "No," Senator East held the floor. While the filibuster continued, Senator Baker let most Senators go home after midnight.

Around 1 a.m., Senator East made a tactical error after looking around the nearly empty chamber by saying, "Mr. President, I would like to raise a point of order that a quorum is not present, and ask for a ruling of the Chair." (In a parliamentary system, a point of order challenges rulings by the presiding officer, with the Senate voting on each point.) Senator Frank H. Murkowski (R-Ak.), the presiding officer, ruled that the Senator had requested a quorum call, meaning he had to relinquish the floor. Senator East's protests that he had not asked for a quorum call were denied on grounds that debate was not in order while a quorum call was underway. [Tolchin, Martin, "Senate Ends Filibuster; Gas Tax Bill Alive Again," *The New York Times* December 20, 1982]

On December 19, the Senate voted to end the filibuster of the surface transportation bill, 89 to 5, with the lopsided margin reflecting widespread frustration over the delay. Secretary Lewis, watching from the VIP gallery, gave a double thumbs-up signal when the vote reached 60. (The fifth vote against cloture was cast by Senator William Proxmire (D-Wi.), who opposed the surface transportation bill.) Dewar explained the end of the filibuster:

> Finally, by inadvertence or necessity, East appeared to utter the magic words that, under Senate rules, trigger a quorum call, after which the leadership could reclaim the floor . . . . When East slipped, the leadership, now fully awake, pounced, took back the floor, and mapped strategy for last night's vote to stop the filibuster. [Dewar, Helen, "Senate Ends

> 'Trial by Ordeal' on Gas Tax," *The Washington Post*, December 20, 1982; Timberg, Robert, "Senate Vote Breathes New Life into Gas Tax-Road Repair Bill," *The Baltimore Sun*, December 20, 1982]]

Columnists Rowland Evans and Robert Novak illustrated the ill feelings by reporting on an incident that occurred in the Senate Republican cloakroom during East's filibuster:

> While freshman Sen. John East of North Carolina was droning on through a filibuster blocking Reagan's nickel-a-gallon gasoline tax, one of East's aides seated in the cloakroom was subjected to a tongue-lashing from two esteemed senators—Utah's Jake Garn and Missouri's John Danforth. The shouting and (on Garn's part) profanity produced a scene seldom matched in that venerable political cockpit.
>
> Bystanders heard Garn, chairman of the Senate Banking Committee, tell the aide that East had broken his pick opposing Reagan's policy and that there was no way he could be reelected in 1986. The absence of fraternity among Republican senators was reflected when an overwrought Garn directed particularly harsh words at East.

The columnists added that the filibustering Senators "were subject to browbeating from the leadership in an extraordinarily plain-spoken Senate Republican caucus." They said:

> The highly esteemed Sen. Paul Laxalt, the president's friend and the new general chairman of the Republican Party, joined Baker in reading the riot act. The recalcitrants were painted as betrayers of the party for obstructing higher gasoline taxes. If any doubt were left, 35-year-old Don Nickles was summoned to the White House, where counselor Edwin Meese instructed him to support his leader.

Helms, for one, was not intimidated:

> Sen. Jesse Helms took the floor in a caucus, asking Baker how it was that he used such pressure to shut down conservative filibusters against higher taxes but not liberal filibusters against Helms's school prayer and anti-abortion measures. [Evans, Rowland, and Novak, Robert, "Season of Ill Will for Senate Republicans," *The Washington Post*, December 22, 1982]

(Cannon discussed the first months of the Reagan Administration, during which he and Administration officials focused on approval of his tax and budget cuts:

> Social conservatives who had backed Reagan soon became restless. On March 26, [1981] the Senate Majority leader, Howard Baker, said that he had agreed to keep social issues like abortion off the floor for a year so that senators could concentrate on Reagan's economic program. Baker was promptly assailed by the favorite son of the right, Senator Jesse Helms. Asked about this deal in an interview with The Washington Post, Reagan sided with Baker. It was the last interview that Reagan would give for months, for he was shot by a would-be assassin on March 30, the bullet narrowly missing his heart. [Cannon, Lou, "Obama's Reagan Transformation," *The New York Times* online "100 Days" blog, January

28, 2009]

(With the economy in recession since July 1981, Baker continued to keep divisive social issues out of the way, including during the lame-duck session when the Senate had a limited time to achieve important goals before the new Congress began in January.)

Before turning to the surface transportation bill, the Senate approved the stopgap spending bill on December 20. With the bill on its way to the President, the four conservatives believed they had the advantage in blocking the surface transportation bill because many Senators wanted to go home now that the lame-duck session had completed work on the most important bill. Senator Robert C. Byrd (D-WV) acknowledged as much, saying, "I'd like to see us get out of here. We shouldn't have even had this lame-duck session."

With the surface transportation bill once again on the floor on December 20, the opponents began a new filibuster. Late that evening, the Senate approved cloture by an 87-to 8 vote, but the conservatives continued to use every other parliamentary maneuver they could devise to delay action, including points of order as each amendment came up for consideration. In the end, the Senate approved the bill, 71 to 24, and sent it to a Conference Committee to resolve differences between the House and Senate versions, with the four conservatives vowing to block final passage. [Maraniss, David, "Highway Repair Bill Raising Gasoline Tax Endorsed by Senate," *The Washington Post*, December 21, 1982]

On December 21, President Reagan approved the Continuing Appropriations for Fiscal Year 1983 (Public Law 97-377), which kept all remaining government agencies in operation. To avoid a veto, Congress had backed down on its proposal to include a jobs program in the bill. He said, "While I continue to be deeply troubled by the budget-making processes in our government, I am pleased that the appropriations for the current fiscal year have finally been passed." He thanked the congressional leadership "for completing a challenging task under difficult circumstances."

Conferees completed their work quickly; they had begun reconciling the two bills before the Senate approved its version of the bill. An article in *The Philadelphia Inquirer* described the negotiations:

> Negotiators began talks on the gas-tax measure . . . only hours before the House planned to adjourn . . . . [The] gas tax was the major business of the day that House Speaker Thomas P. O'Neill Jr. (D., Mass.) and Senate GOP leader Howard H. Baker Jr. said they hoped would end the two-year Congress. And there was no objection when Rep. Charles B. Rangel (D., N.Y.) pushed for a fast compromise so "somehow we can get back to our families."
>
> The negotiations had dragged into yesterday evening, with Transportation Secretary Dew Lewis shuttling between groups of House and Senate members. At one point, Rangel had declared: "I think this bill is dead"
>
> Sources who asked not to be identified said that one sticking point was over the amount that excise taxes should be increased for large trucks. Whether to exempt gasohol [a blend of

gasoline and ethanol made from grain] was another. Those were finally resolved by a decision to allow the use tax to rise gradually on heavy trucks to $1,900 a year in July 1988 for rigs weighing more than 80,000 pounds. Gasohol would receive a one-penny increase in its current 4-cent tax exemption. The gas tax itself would go from 4 cents to 9 cents.

> "If we are fortunate, the lame-duck session will end today [December 21]," said O'Neill. ["Spending Bill Signed; Gas-Tax Debate Goes On," The Philadelphia Inquirer, December 22, 1982]

The House approved the revised bill on December 21 by a vote of 180 to 87, with many Representatives having departed for the holiday. Following the vote, the House adjourned for the year.

When the bill reached the Senate, Senators Helms and East began another filibuster. The increasingly bitter session reached a turning point shortly before midnight on December 21 when Helms vowed to keep the Senate in session over Christmas if necessary. In response, the Democrats, all angry, some opposed to the bill, held a caucus in which they agreed to stay for one final vote to end the filibuster. Senator Byrd said, "We ought to have a showdown or we ought to go home."

Seeing that the Democrats would stay for one last try, Senator Baker said, "That allowed us to show Sen. Helms we would take him to the nth degree, just as he had done to us." Baker filed a cloture petition. Senator Baker gave President Reagan a list of Senators to call, not including Helms, to lobby for the bill. The President had called Senator Helms the previous week without success, as Helms recalled:

> I reminded the president that he once said it would take a palace coup for him to support a tax bill like this. "Mr. President," I said, "when did the palace coup occur?" Then I went down the provisions in the bill with him. "Do you like this?" I asked. And he said, "No." Do you like that?" I asked. And he said, "No."

He was not apologetic about delaying the Senators' Christmas holiday:

> I really should not be the one making the apologies. The president should apologize, the people who pushed this measure on us during a lame-duck session should make the apologies . . . . This is a bad bill coming at a bad time." [Maraniss, David, "Sen. Helms: An Outcast in Senate," *The Washington Post*, December 23, 1982]

The Washington Post explained the extraordinary steps taken by Republican leaders to secure a vote:

> President Reagan telephoned senators yesterday [December 22], offering Air Force transportation to some in an effort to keep them here long enough to win approval of his nickel-a-gallon gasoline tax increase, while the heavy-truck lobby fought to kill the package because of the high fees it would impose on 18-wheelers . . . . [Senator] Baker's office, the White House and the Department of Transportation were checking yesterday to see which

> senators have not left Washington and to make sure they will get votes considered "soft."
>
> . . . The question facing the Senate "has become much larger than the gasoline tax," an administration official said in referring to Helms' filibuster. "It goes to the ability of the leadership to control the Senate and of the administration to pass legislation."
>
> That realization, the source said, led to a substantially increased White House effort on behalf of the bill after Transportation Secretary Drew Lewis had carried much of the load in the early days of the lame-duck session before the measure passed the House.
>
> Baker went to the White House yesterday with other congressional leaders and staff members to give Reagan a list of senators to be called by Reagan. "We're not going through a charade," a Baker aide said. "It will be a close vote, and there are enough uncertainties floating around out there to compel us to take it seriously."

The article also described efforts by the trucking interests to block the bill:

> Bennett C. Whitlock, Jr., president of the American Trucking Associations, spent the day in meetings on strategy, counting votes and making phone calls. "We've talked to quite a few senators," he said. "We're asking them to vote against the conference report and to start over again in the next session of Congress in establishing new truck-use fees.
>
> In a news release, Whitlock said the trucking industry "is appalled" at the increases in fees under the bill. The ATA figures that a typical 18-wheeler will pay an increase in total highway taxes on fuel, use and tires of $2,203 in the second year. [Feaver, Douglas B., and Maraniss, David, "Reagan Lobbies for Senate Votes on Gasoline Tax, *The Washington Post*, December 23, 1982]

The following day, December 23, the vote on cloture was overwhelming, 81 to 5. Senators Helms, East, and Nickles were joined by Senators Proxmire and James Exon (D-Ne.) in voting to continue the filibuster. Senator Humphrey, a member of the Armed Services Committee, was on a troop-inspection tour of South Korea and could not return for the vote.

Five Senators had been flown back to Washington on government planes for the vote. One of them, Senator Goldwater, had been recovering at home during the lame-duck session from triple-bypass surgery. Voting to end the filibuster, he said, "When you know you're whipped, you should quit." The airlift prompted Senator Helms to say, "The sky was dark with Air Force planes. Nobody knows what that will cost. It's another case where the poor taxpayer is required to finance his own misery."

In the final moments, many Senators had unkind words for Senator Helms. Senator Wendell H. Ford (D-Ky.) said that the tactics employed by the two Senators from North Carolina had placed all future bills involving tobacco in "the greatest jeopardy." Senator Dennis DeConcini (D-Az.) said the Senate had been "tyrannized and immobilized by a handful of men." Senator Edward M. Kennedy (D-Ma.) said:

> We are not debating war and peace, or a new world order, or whether all people are created equal. We are talking about the width and weight of trucks, the potholes in our country roads, and the failing subways in our ailing cities. That is the poor stuff of which this ridiculous debate is made, and we deserve all the ridicule we are receiving, because all our wounds are self-inflicted . . . . We have too easily permitted this historic chamber to become the laughing stock of the nation.

Senator Helms replied to the liberal Senator, long a target of conservatives, saying he appreciated Kennedy's words. "His statement may have increased my popularity in North Carolina by 10 to 12 points."

Senator George J. Mitchell (D-Me.) delivered the final speech before the cloture vote, quoting Oliver Cromwell's words to the British Parliament in 1653:

> You have sat too long for any good you have done. Depart, I say, and let us be done with you. In the name of God—go!" [Maraniss, David, "Senate Stops Debate, Votes Gas-Tax Bill," *The Washington Post*, December 24, 1982]

President Reagan met briefly with reporters after the Senate approved the bill, 54 to 33. United Press International reported:

> Smiling and at ease, Reagan, who suffered some major setbacks during the post-election season, said Congress "dealt with some very difficult issues and put in some very long hours."

He declined to criticize the Senators who had delayed action on the bill. "They have their own rules, they abide by them and I respect the separation of powers," he said. Passage of the bill was "a credit to leaders of both parties and congressmen and senators on both sides of the aisle."

The President also indicated he was not frustrated by the lack of change in the unemployment rate, voicing confidence that his policies would lead to a broad recovery. "I am convinced that this coming year, 1983, is going to see a definite upturn." ["Reagan, Happy With Gas-Tax Bill, Predicts Upturn," *The Philadelphia Inquirer*, December 24, 1982]

Writing in *The Washington Times*, Thomas D. Brandt described the arc of the 1982 STAA. Although congressional committees had been considering the legislation for nearly 2 years, it "came to life" in the aftermath of the November 2 election "when the nation's 10.4 percent unemployment rate (now 10.8) was a major issue and most candidates had pledged to go back to Washington to do something about it." The bill, with its promise of 320,000 jobs and vitally needed road improvements, "was never more popular than the day it was introduced." Then reality set in:

> Born in haste, the bill quickly began losing support as its complexities were examined, and the winners and losers that inevitably are created by bills of such magnitude were identified.

He pointed out, for example, that Oklahoma's Senator Nickles "has fought the funding formula under which his state's motorists would pay tens of millions of dollars more than they would get back in road repair and transit money over a several-year period." (This was the issue addressed when Secretary Lewis agreed to equity adjustments.)

The House held only a day of hearings on the bill after the election, with objections to the gas tax bill "drowned out by the sound of the legislative steamroller." However, the number of "no" votes in the House on December 7 (a 262-143 vote) "revealed a sizable pool of opposition that grew as the gas tax measure moved to the Senate":

> The measure was beginning to teeter, showing clear signs that it lacked the foundation of support that is built through the congressional review process. The committee hearing process and the time it takes allow for questions to be raised, problems corrected and compromises struck. Fast tracking a $5.5 billion bill through a three-week session of Congress allowed little time for conflict resolution in the committees and cloakrooms, which left objectors with no choice but to take their problems to the floor of the Senate.

Objectors always had an advantage in a post-election lame-duck session because of time constraints. "Without building a majority to defeat a bill, they can in effect kill it or put it off until next year by the use of such delaying tactics as filibusters." [Brandt, Thomas D., "Senate Conservatives Press Filibuster on Gas Tax Rise," *The Washington Times*, December 21, 1982]

Schism in the Republican Party

At the same time, the efforts to block the surface transportation bill demonstrated a schism in the Republican Party that went beyond disagreement over the gas tax. Like any national movement, the modern conservative movement, emerging from the 1950's, that brought Reagan to the presidency was not a monolith, but a collection of philosophies pulling together. Although the failures of Democratic Administrations contributed to the rise of Reagan and the conservative movement, the movement deserved much of the credit, as John MacGregor Burns observed:

> The conservative triumph stemmed to a marked degree from a considered and collective effort of rightists of various schools to build their intellectual case and to use invigorated and broadened conservative ideas as vehicles to political power.

He added, "The more conservatism prospered as a creed and cause, the more the various right-wing factions advanced their competing doctrines." He catalogued the main factions:

- Traditionalist conservatives who "preached the virtues of order, reverence, stability, moderation, gradual change . . ."
- Libertarian conservatives who "demanded optimal individual freedom of choice in cultural, sexual, and social matters, protected especially against governmental intrusion."
- Free-market conservatives "called for an open, competitive economy, which to them meant reductions in government, in regulation, in union power, and a drastic cutback on the environmental, affirmative-action, and other controls loaded on private enterprise from the FDR through the Carter years."
- Populist conservatives, especially from southern and western "Sunbelt" regions, "echoed

> the demands of the free-marketers but focused their attacks especially on the 'new elites,' nonelected and self-promoted—network news producers, liberal journalists, radical professors, federal bureaucrats, education administrators, left-wing writers, literary critics, and others of related breeds entrenched especially in northeastern and West Coast cities."

Another faction was gaining strength in the 1980's:

> The evangelical and fundamentalist right, embracing such groupings as the Moral Majority and Christian Voices, overlapped the libertarians in its view of freedom and individualism as pro-market and anti-government. But the central commitment of the "new Christian right" was to family, religion, community, and old-fashioned morality, and its chief targets were moral relativism, sexual permissiveness, abortion, ERA [the Equal Rights Amendment to the Constitution for women], prohibitions on school prayer, the secular curriculum in public schools.

The Born Again movement had been growing as a Christian religious experience, a new Great Awakening, since the 1960's. In the 1970's and 1980's, adherents began reaching out beyond their personal "walk with Christ" to reshape political and cultural institutions in accordance with their faith. Instead of praying for change, the new Christian right sought and often won positions on city councils, school boards, and other institutions where they could try to implement public policy consistent with their views:

> The capacity of the Christian right to build networks, operate through local congregations, and mobilize its strength in the Republican party had been a decisive element in Reagan's 1980 victory.

As Burns pointed out, the conservative subgroups "intertwined, overlapped, and conflicted" in an "unstable equilibrium" that was undergoing adjustments in the 1980's. [*Crosswinds*, p. 626-628] Participants in the December 1982 struggle to pass the 1982 STAA realized they were on the faultlines of the shifting alliances in reaction to the "moderate" conservative Republicans who controlled the levers of power.

Helen Dewar, in an article about the end of the debate in the Senate, quoted Senator Paul E. Tsongas [D-Ma.] as saying the question "was whether the political center is being so 'crowded out' by extremes that the legislative process in the Senate has turned into a 'trial by ordeal.'"

She reported that in "weary post-mortems," some Republicans hoped the "embarrassing and humbling" episode would "bring Republicans back together in renewed strength and discipline." She added that "others were not as certain." They suggested "the glory days for the Senate's two-year-old Republican majority probably have ended as President Reagan's once-tight grip on Congress has loosened."

The recent election had an "unsettling effect" on the Republican-controlled Senate:

> Not only have arch-conservatives like East felt free to leave the reservation, bristling because they believe Reagan and Senate Republican leaders have become soft about

> conservative social issues like abortion, busing and school prayer. But more liberal GOP senators have read the election returns as requiring a more progressive posture for the party . . . . [Dewar, Helen, "Senate Ends 'Trial by Ordeal' on Gas Tax," *The Washington Post*, December 20, 1982]

Leonard M. Apcar, writing in *The Wall Street Journal*, agreed:

> The lines are being drawn by conservatives, led by Sen. Jesse Helms (R., N.C.), who was determined to cut the budget and block any further tax increase, and by more moderate Republicans, who are casting about for other ways to solve the nation's complex economic problems.
>
> Republicans' "doctrinal convictions have been shattered," declared Sen. Daniel Patrick Moynihan (D., N.Y.), a supporter of the gasoline-tax bill. He adds that what has been played out in the Senate "was the passion and anguish (that result) when peoples' deepest convictions have been falsified by events." And even Sen. Helms concedes that the GOP "has to circle the wagons and decide what it stands for." [Apcar, Leonard M., "Senate's Haggling Reflects GOP Schism and is Expected to Affect Next Session," *The Wall Street Journal*, December 23, 1982]

The Baltimore Sun's Schwerzler described how the schism developed during the first 2 years of the Reagan Administration. With the Republicans in control of the Senate, she said, President Reagan scored budget and tax cutting victories:

> But as the economy plunged into recession, the flush of those 1981 successes turned to 1982 skepticism toward the president's policies among members of the political middle ground of his own party.
>
> And conservatives in Congress who had claimed Ronald Reagan as one of their own became rebellious when the avowed budget-cutter and budget-balancer in the White House advocated a $98.5 billion tax increase and a record budget deficit.

This was a reference to the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA, Public Law 97-248, approved September 3, 1982) which included rollbacks of some of the corporate and income tax cuts approved in 1981. President Reagan, who favored budget cuts to reduce the deficit, had approved the projected $100 billion in tax increases, largely the work of Senator Dole, as a deficit reduction measure only after receiving assurances from congressional leaders that they would approve $3 in cuts for every dollar of tax increase. At the time, however, observers referred to TEFRA as the largest tax increase in history. Schwerzler said of TEFRA:

> The president's sway over Congress seemed unstoppable in the first half of the 97th Congress [in January 1981], but this year, the Congress itself took the lead. The president was nonetheless adept at claiming victories from passage of legislation that he had been dragged into accepting after his own initiatives were rejected or ignored by Congress.

The budget resolution approved in the spring and a 3-year tax increase bill appalled conservatives.

They were further upset when moderate Republicans had joined with Democrats to override President Reagan's veto of a $14 billion supplemental appropriations bill. [Schwerzler, Nancy J., "Senate Vote on Gas Tax-Road Bill to End Lame Duck Session Today," *The Baltimore Sun*, December 23, 1982]

Julia Malone discussed the schism in *The Christian Science Monitor*. Pointing out that the Senate's lame-duck session had been called a "laughing stock" and an "ordeal," she said:

> Much maligned on virtually all sides, the post-election session nonetheless leaves the nation an important legacy. It pushed through a major transportation bill in a little less than four weeks, raising some $27.5 billion over the next five years.

Nevertheless, she explained, the conservatives' ability to tie up the Senate "poses problems for the Republican leadership." Senator Cohen, speaking at a press breakfast during the past week, had referred to the "ideological split" within the Republican Party. She said:

> The problem will increase in the coming year as 19 Republican senators prepare for reelection bids. If "moderates see no discipline in the conservatives of the party," said Senator Cohen, then they cannot be expected to follow behind the President either. [Malone, Julia, "Congress's Finale—Reagan vs. The Conservatives," *The Christian Science Monitor*, December 24, 1982]

The schism within the Republican Party between moderates, such as Baker and Dole, and the "New Right," including social conservatives such as Helms and East, would continue to play out long after the battle over the surface transportation bill in December 1982 was forgotten.

A Change at the Top

Following congressional approval of the Surface Transportation Assistance Act (STAA) of 1982, the White House announced that on December 12, Secretary Lewis had submitted his resignation to the President, effective February 1, 1983. Lewis explained that the time to leave was appropriate because the Administration had "accomplished many of the objectives we discussed at the time you first asked me to join the Cabinet." He thanked the President for his support ("even the most difficult problems can be handled when you have the solid backing of the President") and listed some of their accomplishments. He did not include the surface transportation bill, which had not yet been approved at the time of his letter.

The President accepted the resignation on December 27 so Lewis could "take on a major challenge in the private sector." He said he appreciated the Secretary's advice and assistance on transportation issues, including:

> Most recently, your determination to focus public attention on the need to repair and maintain our nation's interstate highway and mass transportation systems resulted in the passage of the Surface Transportation Assistance Act by the Congress. The passage of this Act is a fitting capstone to your long record of achievement as Secretary.

Lewis would become chairman and chief executive officer of Warner Amex Cable Communications, Inc., a partnership of Warner Communications and American Express. The company (known today as Time Warner Cable) was the Nation's fifth largest cable operator, with 1.1 million subscribers in 27 States. It also operated program services such as Nickelodeon and The Movie Channel. (Lewis would leave the company in 1986 to become chairman and chief executive officer of the Union Pacific Railroad, a post he held until 1997.)

At the start of a news conference on January 5, President Reagan announced that he would nominate Elizabeth Hanford Dole to serve as Secretary of Transportation. Dole, who had married Senator Dole in December 1976, was a graduate of Duke University and Harvard Law School, having also earned a master's degree in education at Harvard. She had served in the Nixon Administration (assistant to Nixon's advisor on consumer affairs, 1971-1973) and as a member of the Federal Trade Commission under Nixon and Ford (1973-1979). At the time of her nomination, she was serving as the President's Assistant for Public Liaison in the White House.

The United States Senate confirmed Dole as the eighth Secretary of Transportation by a unanimous vote on February 1, 1983. On February 7, Supreme Court Justice Sandra Day O'Connor, the first woman to serve on the Supreme Court, administered the oath of office to Secretary of Transportation Elizabeth Hanford Dole, the first woman to hold that post. Mrs. Dole's mother, Mary Hanford, held the Bible while President Reagan and Senator Dole looked on. Secretary Dole thanked the President for the opportunity and promised that "I will give you my very best effort, with the help of God, and that I will strive to uphold the traditions of excellence which have been established at the Department of Transportation by my predecessors."

(Secretary Dole served through September 30, 1987, earning a reputation as the "Safety Secretary," in part because of her crusade against drunk driving, in cooperation with citizen groups such as Mothers Against Drunk Driving, and advocacy of safety belts and airbags. She resigned to help Senator Dole in his unsuccessful run for the Republican presidential nomination in 1988. She served as Secretary of Labor under President George H. W. Bush (January 25, 1989 – November 23, 1990), before leaving to become president of the American Red Cross. In 1999, she left that post to seek the Republican Party's nomination for President but ended her campaign in October 1999 largely because of fundraising difficulties. When Senator Helms announced that he would not seek reelection in 2002, Mrs. Dole won the election to replace him. She took office in January 2003, serving one term before being defeated by her Democratic opponent, Kay Hagan, on November 4, 2008.)

Surface Transportation Assistance Act of 1982

During the January 5 news conference announcing Dole's appointment, the President was asked about the tax increases in the surface transportation bill:

> Q. Mr. President, perhaps the question of higher taxes fits into the category of decisions which haven't been made, but we all hear, of course, that you are adamantly opposed to it. I was wondering how ironclad is that opposition and your commitment not to raise taxes, particularly in view of the fact that a year ago you voiced such a commitment and then again in September you did and we did have two different sorts of tax increases last year?

> The President. Well, the one tax that I know many of you have portrayed as in keeping with my saying it would take a palace coup, when I said that, the gasoline tax was being proposed as just a part of general revenues. But for more than a year—it was a year ago that Secretary Drew Lewis presented the plan and the necessity for rebuilding our roads and our highways and our bridges, because we're faced with the possibility of tragedy in some instances. And I asked him more than a year ago if he would wait a year and bring that back again, and he did. And the proposal was, as we called it, a "users fee" to differentiate [that] this is not a tax for general revenues. This is a tax to do this particular task, which will now very shortly come under the direction of Elizabeth Dole.

He added that increasing taxes was not, in his view, the way out of a recession. His tax cuts were intended to restore the economy, which would help reduce the deficit, half of which was due to the recession, he said. As for the other half of the deficit, he was working to reduce government costs:

> But the real answer to the deficit is recovery of the economy, and therefore whatever we do, we must not be tempted into some temporary treatment of a deficit before us. We want them reduced, but what we must do is get the economy restored on a long-time, permanent basis, and everything we do must be directed toward that.

The following day, January 6, 1983, President Reagan signed the 1982 STAA (Public Law 97-424) in the State Dining Room at the White House. Surrounded by Vice President George H. W. Bush, Secretary Lewis, Secretary-designate Dole, and a bipartisan array of congressional leaders, the President said:

> Today . . . America ends a period of decline in her vast and world-famous transportation system . . . . [We] can now ensure for our children a special part of their heritage—a network of highways and mass transit that has enabled our commerce to thrive, our country to grow, and our people to roam freely and easily to every corner of our land.

He cited the job creation statistics, as well as a provision that extended unemployment benefits through March 31, 1983, for people who had exhausted their unemployment insurance. The new law would bring relief to those seeking work, but "its principal benefit will be to ensure that our roads and transit systems are safe, efficient, and in good repair." This was important because "our transportation system affects our commerce, our economy, and our future."

The 1982 STAA retained the basic structure of the Federal-aid highway program during a 4-year authorization period, through FY 1886, while increasing overall revenue. In addition to increased funding for Interstate Construction and 4R, the legislation increased funding for the Highway Bridge Replacement and Rehabilitation Program (HBRRP), addressing the other part of the "crumbling infrastructure" crisis.

In accordance with the compromise reached with Secretary Lewis, the STAA temporarily waived the State matching requirement for FY's 1983 and 1984, at a State's request. The waiver applied only to obligations in excess of the FY 1982 obligation ceiling where matching funds are unavailable, with a requirement for repayment. The Act also ensured a minimum allocation to ensure each State's percentage share of apportionments would be at least 85 percent of estimated Highway Trust Fund contributions. After apportionments were made in the core program categories, the FHWA was to allocate additional funds to States that had not yet received their minimum allocation. The additional funds could be used at the State's discretion for any project eligible under the core categories.

The STAA also created a Mass Transit Account in the Highway Trust Fund for capital mass transit projects. One penny of the 5-cent gas tax increase would be credited to the new account. The 4-year authorizations covered a discretionary capital grant program for transit capital projects to be funded from the 1-cent account, and a block grant formula program, with funds available for capital and operating assistance.

All other revenue from highway user taxes would be credited to what became known as the Highway Account in the Highway Trust Fund. The tax increases would go into effect on April 1, 1983, except for the Heavy Vehicle Use Tax, which was phased in beginning July 1, 1984, at $1,600, gradually increasing to $1,900 on July 1, 1988, and the graduated tax on tires over 40 pounds beginning January 1, 1984. Changes in truck taxes included a 12-percent sales tax on new trucks applicable only to vehicles greater than 33,000 pounds gross vehicle weight and trailers over 26,000 pounds.

To the relief of historic preservation interests, Section 4(f) was left in tact. The proposal to limit coverage of historic properties to National Historic Landmarks was not included in the House or Senate versions of the bill. The interagency review of environmental impacts was included in the Senate version, but the Conference Committee dropped it from the final bill.

During the evolution of the legislation, the 1982 STAA had incorporated Subtitle E for "Miscellaneous Provisions" unrelated to surface transportation. The extension of Federal unemployment benefits, was included as demanded by Democrats who made their point by helping four conservative Republicans continue their filibuster. Subtitle E also allowed a tax deduction of as much as $2,000 for expenses incurred attending conventions or business meetings on U.S.-flag cruise ships destined for U.S. ports or possessions; reduced the burden of back taxes on three California public utilities; and authorized fuel-assistance payments by public utilities or suppliers of home heating fuel to be excluded as income when the Federal Government computes benefits from welfare programs.

Addressing Trucking Issues

The 1982 STAA included major changes for the trucking industry. Aside from the tax changes, it allowed twin-trailer combination trucks on any segment of the Interstate System and set a minimum trailer length of 28 feet for doubles and 48 feet for single trailer combinations with no length restrictions permitted on the tractor or overall configuration. The Act also made mandatory the previously permissive maximum weight limits of 80,000 pounds gross, 20,000 pounds single axle, and 34,000 pounds tandem axle on the Interstate System.

The law addressed the barrier States by requiring all States to allow trucks meeting STAA requirements to operate on what became known as the "National Network for Trucks." The

National Network, which FHWA selected in cooperation with the States and designated by regulation in June 1984, included the Interstate System and other designated highways (a total of about 200,000 miles today). In addition, the law required the States to allow "STAA vehicles" to have reasonable access between the National Network and terminals and facilities for food, fuel, repairs, and rest. Terminals are defined as any location where freight originates, terminates, or is handled in the transportation process. (See 23 CFR 658, and *Federal Size Regulations for Commercial Motor Vehicles*, FHWA, 2004, http://ops.fhwa.dot.gov/freight/publications/size%5Fregs%5Ffinal%5Frpt/.)

On January 8, 1983, an article in *The Washington Post* discussed the ATA's efforts to block the 1982 STAA. Staff Writer Douglas B. Feaver called the ATA "one of the best-financed and strongest interest groups on Capitol Hill." The group's political action committee had contributed $285,565 to 398 congressional candidates during the 1982 campaign, with more than one-fifth going to members of the tax-writing House Ways and Means Committee and Senate Finance Committee. "I'm not so naïve," the ATA's Whitlock told Feaver, as "to believe that political contributions do any more than give you an opportunity to sit down with the congressman or his staff members and explain your position." In fact, according to Feaver, most recipients of the ATA contributions had voted for the bill.

What had surprised the ATA was that the bill had been approved during the lame-duck session when, as Feaver put it, the "long-dormant highway legislation took on the aura of a jobs program." Chairman Howard of the House Committee on Public Works told Feaver:

> I just think this [loss by the ATA] is an aberration due to [the] fact there was a tremendous push for a jobs bill and a huge highway and transit bill. It all got wound up in its own momentum.

Nevertheless, Whitlock was pleased with what the ATA had accomplished. Although the ATA had not been able to sidetrack the tax increases on trucks, the organization had negotiated with Secretary Lewis to secure expanded measures to compensate trucking companies and truckers for the increases. [Feaver, Douglas B., "Revved-Up Truckers Riding Hill to Ease Increase in User Fees," *The Washington Post*, January 8, 1983]

A companion article by Feaver the same day indicated that the Independent Truckers Association (ITA) had called for a nationwide truck strike beginning January 31. Although the fuel and heavy vehicle taxes were the primary target, ITA president Mike Parkhurst also wanted the 55 mph speed limit repealed and a ban on State trucking taxes. Parkhurst claimed that his organization represented 30,000 of the estimated 100,000 independent truckers, in contrast with the ATA, which represented 10,000 to 15,000 truck firms. The ATA opposed the call for a strike. [Feaver, Douglas B., "Independent Association Urges Nationwide Strike," *The Washington Post*, January 8, 1983].

Parkhurst told *The New York Times* that the 1982 STAA should be called "the trucking industry bankruptcy law." It "contains more taxes than the entire trucking industry has been able to make in profits in the last four years." He had led independent trucker strikes in 1974 and 1979 to protest the high cost of fuel, although the strikes had mixed results because many truckers could not afford to stop driving.

The truckers saw the 1982 STAA as the immediate symbol of their difficulties. However, their real problem was that the economics of the trucking industry had been affected profoundly by deregulation. The Motor Carrier Act of 1980 had increased opportunity for independent owner-operators by reducing barriers to their entry in the market and allowing truckers to set their own shipping rates, but the environment for all truckers was now more hostile. As transportation historians Mark Rose, Bruce Seely, and Paul Barrett stated in their study of transportation deregulation:

> In the trucking industry, falling rates and rising levels of unemployment comprised the two most visible consequences of deregulation (and a depressed economy). Between 1980 and 1983, reported two academic economists, "competitive pressures and cost-cutting efforts . . . lead to rates . . . nearly 22% lower" . . . . In mid-1983, truck operators in the Pennsylvania area reported that deregulation had brought dramatic declines in rates and increased layoffs . . . .
>
> Nor did a restoration of economic growth in 1983 foster profitability and the end of price-cutting tactics among trucking executives. The basic factor limiting profitability was the presence of additional competitors. After 1980, commissioners of the [Interstate Commerce Commission] no longer controlled entry into the trucking business. [Rose, Mark, Seely, Bruce E., and Barrett, Paul, *The Best Transportation System in the World*, Ohio State University Press, 2006, p. 214]

On January 24, 1983, 42 truckers affiliated with the Owner-Operators Independent Drivers Association of America parked at Robert F. Kennedy Stadium in Washington and headed to Capitol Hill by taxi to protest the higher tax on heavy vehicles. The president of the association, Jim Johnston, said, "We're here to get the message across that if something isn't done about the high road taxes, a lot of us independent truckers are going to be out of business." A Pennsylvania trucker, Chauncey Boyd, said, "This is the greatest tax increase that's ever been put on any individual, any group, any industry in this country's history."

The independent truckers were suspicious that large firms affiliated with ATA had allowed the increase in hopes of squeezing independent truckers off the road. One trucker said, "The big companies sold us little guys down the road."

In addition to meeting with Members of Congress, Johnston had met with DOT officials earlier in the week. He said of the DOT officials, "They were unwilling to reconsider their position on these huge truck taxes." He predicted a walk out within a week. [Whitaker, Joseph D., "Truckers Arrive on Capitol Hill to Protest Tax Rise," *The Washington Post*, and Voss, Stephanie, "Truckers Roll Here in Protest on Taxes," *The Washington Times*, both January 25, 1983]

The strike by independent truckers began on January 31. Scattered violence aimed at trucks still operating was reported in seven States. Secretary Lewis estimated that 20 percent of independent owner-operators had heeded ITA's strike call, but Parkhurst estimated 50 to 70 percent. Noting that the ATA and the Teamsters Union were not backing the strike, Parkhurst said, "There are always draft-dodgers and 4-F's who stay clear of the war, while a relatively small number does the actual fighting." [Holsendolph, Ernest, "Scattered Violence Reported in Independent Truck Strike," *The New York Times*, February 1, 1983]

By February 3, violence was increasing and the impact on markets was being felt, according to news accounts. The Associated Press reported:

> Bushwhackers who have attacked more than 500 trucks during a violent truckers strike renewed their assaults yesterday, and food brokers from St. Louis to Boston began feeling the pinch of shortages.
>
> Shipments of fresh fruit and vegetables dwindled, shipping costs went up and officials warned consumers to be prepared to pay more at the checkout counter . . . .

A Teamsters Union driver had been killed in North Carolina, 30 had been injured, and at least 13 people had been arrested in violence in over 30 States. An explosion at the Interstate Motor Freight Systems terminal near Youngstown, Ohio, started a fire that damaged the roof and blew doors off the loading dock. Truckers were protecting themselves by traveling only by day and forming convoys. [Associated Press, "Assaults on Truckers Continue," *The Baltimore Sun*, February 4]

On February 4, President Reagan denounced the violence. Caving in to those "committing murder" would be the "worst thing in the world." He considered the taxes "proportionately fair" and that the truckers could pass the increased taxes on to buyers, just like any other business.

By then, the strike was beginning to diminish, along with reports of violence. On February 8, *The Washington Post* reported that the Departments of Transportation and Agriculture "could find no evidence of major problems for shippers or buyers" in the second week of the strike. Far fewer truckers than claimed by Parkhurst had taken part in the strike, they said, but precise numbers were impossible to gather. More than 578 shootings and 1,715 other violent incidents had occurred, resulting in 89 injuries, 123 arrests, and the one death.

Secretary Dole, shortly after her swearing in ceremony, said "there has been no widespread disruption of commerce nationally," but the Department "will continue to be available to work with responsible representatives of the trucking industry" to resolve issues. She did not, a spokesman added, plan to meet with Parkhurst. [Feaver, Douglas B., "Truckers' Strike Causing No Big Problems, Two U.S. Agencies Say," *The Washington Post*, February 8, 1983]

By February 10th, the strike was coming to an end. The ITA was planning a strategy meeting in Washington while some Members of Congress, including some who had not been in office in December 1982, indicated they might be willing to reconsider the tax on heavy vehicles. However, Senator Dole, as Chairman of the Senate Finance Committee that would have to consider any change, said that he considered the strike over and declined to hold hearings on the truckers' problems. [Belden, Tom, "Kostmayer Leads Way Toward Meeting to End National Truck Strike," *The Philadelphia Inquirer*, February 10, 1983]

Parkhurst soon announced that the strike was officially over. According to an editorial in *The*

Journal of Commerce, Parkhurst considered the strike a success, claiming it accomplished more than the earlier stoppages he had engineered:

> Mr. Parkhurst claims responsibility for the introduction of seven bills in Congress to roll back the new increases in fuel and highway-user taxes that were legislated to fund the rehabilitation of the country's dilapidated highways.
>
> A major coup also was scored, he added, when 35 congressmen signed a statement that expressed concern at the independents' plight and promised to look into the possibility of reducing those new taxes.
>
> But if that's a victory, then the moon really is made of green cheese. As the American Trucking Associations Inc., the lobby for regulated carriers, points out, several of those tax roll-back bills were introduced before the strike even began. And there are a total of 535 U.S. senators and representatives in congress – any 35 of whom would probably sign anything at any given moment. ["No Victory for Truckers," *The Journal of Commerce*, February 14, 1983]

Facing the Guillotine

Although the strike did not force a change in the Heavy Vehicle Use Tax, trucking interests were optimistic in early 1984, the year the increased taxes on heavy vehicles were to go into effect on July 1. An article in *The Charlotte Observer* on January 8, 1984, reported "guarded optimism" among truckers:

> After another year of battling increased competition and lingering recessionary effects, the trucking industry is hurtling toward another major challenge in 1984—an 82% increase in federal highway-use taxes for the typical rig. "We're like the man facing the guillotine," says Ernie Cox of Charlotte, chairman of the American Trucking Associations. [Ellis, Marion A., "'Guarded Optimism' Among Truckers Facing New Taxes," *The Charlotte Observer*, January 8, 1984]

On January 26, DOT acknowledged the possibility of relief by sending a report to Congress listing seven alternatives to substantial increases in heavy-duty truck taxes. The alternatives involved reducing or eliminating the tax while increasing the diesel fuel tax to capture the lost revenue. DOT did not endorse the alternatives, but the industry was encouraged that officials were at least considering changes. As *The Journal of Commerce* put it, DOT had "opened the bidding" in the debate. [Cawthorne, David M., "DOT Opens Bidding in Truck Use Tax Fight," *The Journal of Commerce*, January 27, 1984]

Several congressional committees considered the issue, including the House Ways and Means Committee and the Senate Finance Committee. On February 9, Secretary Dole testified before the Senate Finance Committee, headed by her husband, Senator Dole. (This was believed to be the first time a Cabinet member testified before a committee headed by a spouse.) The Secretary opposed industry proposals to reduce taxes on heavy trucks and increase the diesel tax by 5 cents a gallon. In the Secretary's view, the industry proposal would result in heavy trucks still being subsidized by other classes of vehicles, while the revenue raised would not be sufficient to offset pavement and bridge damage by the heavy trucks.

Secretary Dole favored what was dubbed D.O.T. Option No. 4, which would cut the use tax for the heaviest trucks (55,000 to 80,000 pounds) to a maximum of $650, exempt all other trucks from the tax, and increase the diesel tax by 6 cents a gallon for all vehicles. "What sets it apart from the others," Secretary Dole told the committee, "is that it transfers the maximum tax burden to a pay-as-you-go tax instrument without compromising our equity objective." She added, "While I believe that D.O.T. 4 is a workable and desirable option, it also represents the limit on the reduction in the heavy-vehicle use tax that we could accept."

While considering the truck issue, Congress was developing legislation in an election year attempt to reduce the deficit. According to a report in *The New York Times*, Chairman Dole indicated that he "hoped to attach a truck-tax proposal to whatever package might emerge from negotiations to make a 'down payment' this year to reduce the Federal deficit." [Hershey, Robert D., Jr., "Mrs. Dole Proposes Cutback in Truck Tax," *The New York Times*, February 10, 1984]

Although the newspaper reported "broad Senate support" for the Administration's D.O.T. Option No. 4, the change could "meet resistance in the House, aides said." Chairman Rostenkowski of the House Ways and Means Committee working out a different approach with House leadership. On March 2, the committee approved an increase of 5½ cents a gallon in the diesel fuel tax and a tax ranging up to $500 on vehicles heavier than 55,000 pounds. The tax was structured so that all trucks weighing 72,000 pounds or more would pay the full $500 fee. Although committee members claimed the plan was "revenue neutral," as required by DOT (i.e., would raise the same amount as the taxes in the 1982 STAA), the committee and DOT did not agree on how to calculate neutrality. Nevertheless, the House approved the bill.

Chairman Dole attached his committee's truck tax bill to the Senate's version of the Deficit Reduction Act. On May 21, *Transport Topics* reported that "the Senate is still slogging through the budget deficit reduction bill." It added:

> Several weeks ago, Senators failed to agree on a time limit for discussing and amending the budget deficit bill, a failure which has left the legislation open to an onslaught of changes and additions. Senators are having "a field day," according to one observer from the trucking industry.
>
> Moreover, a main source of delay in moving the legislation ahead has been controversy over administration-sponsored defense spending versus spending for domestic programs favored on Capitol Hill.

The delay in the Senate was holding up a conference with the House to resolve differences in the truck tax legislation, including the truck taxes. Senator Dole considered moving a separate truck tax bill or a bill delaying the start of the new taxes 120 days beyond July 1, 1984, to allow time to resolve issues with the deficit bill:

> However, [a spokesman] pointed out that the budget measure "is the driving force" on truck

> tax legislation, and is one way to get administration support for the industry-supported diesel differential concept. ["Truck Tax Issue May Be Delayed Until Month's End," *Transport Topics*, May 21, 1984]

After the Senate approved the Deficit Reduction Act, conferees reconciled the House and Senate bills and Congress completed work on the measure on June 27. The Deficit Reduction Act of 1984, according to contemporary accounts, was expected to raise taxes by about $50 billion while reducing $13 billion in spending through 1987. The tax increases spanned a wide spectrum, including an extra 42 cents a gallon on 100-proof liquor, extension of the 3-percent telephone excise tax through 1987 (originally enacted to fund the Spanish-American War in 1898), and a reduction in the advantage of income averaging. *The New York Times* stated, "The new law also changes many corporate, accounting and tax shelter practices to stop abuses, and it delays several scheduled tax cuts, including the decline in the top estate tax rate." The article added:

> Most of the spending cuts will mean savings in Medicare, the health care program for the elderly, including an increase in premiums and a 150-month freeze on physicians' fees.

Depending on congressional decisions on slowing the growth of the Defense budget, "deficit reduction through 1987 is expected to total between $140 billion and $180 billion." [Fuerbringer, Jonathan, "Reagan Signs Bill to Cut Spending, Raise Taxes," *The New York Times*, July 19, 1984]

Shortly after the bill passed Congress, Paul W. McCracken, Professor of Business Administration at the University of Michigan and chairman of the Council of Economic Advisors during President Nixon's first term, wrote that it deserved to be approved, although it lacked "some great, sharply focused theme, which might set some sort of new philosophy of taxation for years ahead." He added, "For one thing, the bill seems to hold to a minimum the usual collection of special provisions – of interest to committee members' constituencies – that so often creep into tax legislation. These are not, of course, absent." [McCracken, Paul W., "Business Forum; It's a Marvel the Congress Did Anything," *The New York Times*, July 1, 1984]

One of those special provisions concerned the Heavy Vehicle Use Tax approved in the 1982 STAA. Title IX of the Deficit Reduction Act of 1984 eliminated the tax on vehicles under 55,000 pounds and provided a maximum tax rate of $550, effective July 1, 1984. It increased the diesel fuel from 9 cents to 15 cents per gallon. Because the rates established by the 1982 STAA for the Heavy Vehicle Use Tax had been deferred until July 1, 1984, they never went into effect.

Although the deficit bill included most of the tax increases the Reagan Administration had proposed, the President signed the bill at 10 a.m. on July 18, 1984, in the Oval Office without ceremony and with only staff present. The White House did not explain why the President had chosen not to have a signing ceremony for Public Law 98-369, but *The New York Times* speculated:

> Although President Reagan is philosophically opposed to raising taxes, he supported this deficit reduction package, which includes most of the particular tax increases his Administration proposed this year.
>
> But apparently Mr. Reagan chose not to highlight the signing of the bill in this election

> year. In 1982 he was criticized by many people in his own party for signing a tax increase. [Fuerbringer, Jonathan, "Reagan Signs Bill to Cut Spending, Raise Taxes," *The New York Times*, July 19, 1984]

(This was a reference to TEFRA.)

In a brief statement on July 14, 1984, the President indicated he was signing "this important legislation," but "vigorously" objected to provisions that "would unconstitutionally attempt to delegate to the Comptroller General of the United States, an officer of Congress, the power to perform duties and responsibilities that in our constitutional system may be performed only by officials of the executive branch." He also may have wanted to play down the tax increases, and the Medicare cut, in a year when he was seeking a second term as President.

Beyond the Gas Tax Increase

The 1982 STAA was, in many respects, a typical surface transportation bill. In addition to the usual reauthorizations for core programs and the increased funding from the tax increase, it contained a mix of special provisions.

Demonstration Projects

The 1982 STAA continued a trend of earmarking funds for specific projects, with four pages of "Demonstration Projects" in Section 131. Congress had begun calling earmarks "Demonstration Projects" to suggest that home district projects were justified because they would demonstrate important transportation ideas.

The STAA included other generic and specified earmarks under a variety of names and guises. Section 139 ("Change in Location of Interstate Segments") was an example of an earmark written in generic terms that applied only to a specific project. It allowed the Secretary to approve a change in location of "any Interstate route or segment" if construction on the new location met certain requirements, including that the cost would not exceed the cost of eligible improvements on the original location. This provision was in the bill approved by the House on December 7. As usual when bills are sent to the opposite chamber, the Senate substituted its own version of the bill when debate began. On December 15, Senator Helms, with Senator East as cosponsor, introduced an amendment during floor debate to incorporate a slightly different version of the provision into the Senate bill. Senator Helms explained that although the amendment was "written in general terms," it affected only I-40 in Winston-Salem. [*Congressional Record*, December 15, 1982, p. S14855]

The roadway designated as I-40 did not meet Interstate standards, but upgrading it would have caused social, environmental, and financial problems that made the transformation impractical. The amendment allowed FHWA to help pay for a southern bypass of Winston-Salem to carry I-40 through the area. Senator Robert T. Stafford (R-Vt.), Chairman of the Committee on Environment and Public Works, said he had discussed the amendment with the Senator and that "I am prepared, for the majority, to accept it." Senator Randolph, now the Ranking Member on the committee, said that the Democratic minority did not object. Despite the animosity directed at the filibusterers, the

Senate agreed to the provision. The Conference Committee included the House language; unlike the Helms/East amendment, it allowed for an increase or decrease in the cost of construction on the new location based on changes in construction costs. (The I-40 bypass opened in 1993. The former I-40 through Winston-Salem is signed with off-Interstate "Business Route 40" markers.)

Other generic and specific earmarks, totaling at least 20, applied to special purposes such as:

- Energy impacted roads (Sections 109 and 120)—Allowed an increased Federal share of 85 percent to encourage States to give priority to improving roads incurring heavy use to meet national energy needs. Senator Jennings Randolph (D-WV) and Representative Nick J. Rahall II (D-WV) introduced the measure in generic form, but they were concerned about the condition of coal haul roads in their State;
- Vending machines (Section 111)—Reversed a long-standing Federal law prohibiting commercial activities on the Interstate right-of-way by allowing installation of vending machines in safety rest areas;
- Parking ramps and frontage roads (Section 127)—Introduced by Senator David Durenberger (R-Mn.) in generic form but intended to include construction of fringe parking facilities in the 1981 ICE for projects in Minnesota (I-394), Florida (I-95 in Dade County), the District of Columbia (I-295 in Southeast), and Maryland (I-795 in Baltimore), all of which FHWA had excluded under the eligibility restrictions of the 1981 Act.
- Project eligibility (Section 128)—Allowed the use of Interstate funds for safety improvements on a primary highway in the vicinity of an interchange—a generic earmark with qualifiers intended to apply only to depressing a road in Charlestown, Massachusetts;
- Martin Luther King Bridge between St. Louis Missouri, and East St. Louis, Illinois (Section 134)—Established criteria that would allow this private toll bridge to be eligible for HBRRP funds;
- Ferryboat study (Section 136)—Authorized funds to study the feasibility of high-speed ferryboat operation between St. Croix and St. Thomas in the U.S. Virgin Islands.
- Revision of project agreement (Section 141)—Introduced by Representative Robert A. Roe (D-NJ), the measure authorized up to $1 million to compensate businesses that he indicated had been harmed by a temporary bypass for a New Jersey project. Compensation for lost business during construction is normally not eligible for Federal-aid funds;
- Innovative technologies (Section 142)—Senator Ron Wyden (D-Or.) introduced an amendment to encourage States to use rubber recycled from discarded tires as an additive in asphalt mixes for pavement rehabilitation projects. The final provision was generic in providing an additional 5 percent Federal share when the States used "materials which are produced from recycled materials or which contain asphalt additives to strengthen the materials";
- Study of methane conversion for highway fuel use (Section 152)—The study, requested by Representative Judd Gregg (R-NH), would determine the potential for recovering methane released during offshore oil drilling and converting it into methanol on floating conversion plants for use as fuel in highway vehicles;
- Withdrawal and designation of certain Interstate routes (Section 162)—Required the Secretary to approve withdrawal of a portion of I-95 and I-695 that New Jersey had decided not to build and substitute a portion of the New Jersey and Pennsylvania Turnpikes (Section

162).

The point is not that these provisions and other generic and specific earmarks included in the 1982 STAA were "bad." Rather, these examples illustrate how Members of Congress directed funds to benefit favored constituencies instead of allowing State and local officials to determine how the funds could best be used to meet surface transportation needs. The trend would accelerate with each multi-year authorization bill.

Disadvantaged Business Enterprises

Another important provision of the 1982 STAA established a goal for participation by disadvantaged business enterprises (DBE). Representative Parren J. Mitchell (D-Md.), the first African-American to represent Maryland in the U.S. House of Representatives (January 3, 1971, to January 3, 1987), introduced the amendment on the House floor during debate on the STAA on December 6, 1982:

> Notwithstanding any other provision of the law not less than 10 percent of the amounts authorized to be appropriated under this Act shall be expended directly with small business concerns owned and controlled by socially and economically disadvantaged individuals as defined by section 8(d)(3) of the Small Business Act (15 U.S.C. Section 637(d)(3)) and relevant regulations promulgated pursuant thereto.

Mitchell explained that a similar measure had been added to the Public Works Act of 1977. The Supreme Court had found the measure constitutional in a 1980 case and "the amendment met with enormous success." He said that "the November unemployment figures [show] 10.8 percent of Americans are out of work," but for black Americans unemployment was "an atrocious level of 20 percent." That figure did not include the "millions of individuals who have given up total hope and thus are no longer seeking employment."

While the 1982 STAA was estimated to create nearly 300,000 jobs, Representative Mitchell was concerned that "the twin forces of racism and economic discrimination will once again raise their ugly heads." He told his colleagues, "Yes we have the power within our grasp today to provide blacks and other minorities with a hope for the future." He continued:

> In light of the disproportionate unemployment enjoyed by minorities as of this time, and in light of the success of the public works amendment in mixing together county, State, and local governments with minority business provisions [sic], I would urge the passage of my amendment.

Small businesses owned and controlled by socially and economically disadvantaged individuals, he said, had made major contributions in the past. "The small minority business community can play a major role in assisting this Nation to reduce the 20-percent black unemployment figure."

Representative Mitchell spoke within an allotted 5 minutes. According to the *Congressional Record* for December 6, 1982 [p. H8954], the House agreed to the Mitchell amendment without discussion or debate.

The Senate did not include a comparable provision in its version of the bill. Mitchell's language was modified in conference with the Senate and incorporated into Section 105 ("Authorizations") as subsection (f):

> Except to the extent that the Secretary determines otherwise, not less than 10 per centum of the amounts authorized to be appropriated under this Act shall be expended with small business concerns owned and controlled by socially and economically disadvantaged individuals as defined by section 8(d) of the Small Business Act (15 U.S.C. section 637(d)) and relevant subcontracting regulations promulgated pursuant thereto.

While the House provision specified that not less than 10 percent shall be expended with disadvantaged business enterprises, the final version gave the Secretary statutory authority to alter the percent or eliminate it.

Implementing this provision was a challenge for the Reagan Administration, which opposed affirmative action quotas. Given the introductory clause, "Except to the extent that the Secretary determines otherwise," the Department treated the provision as requiring each State transportation department to establish a goal that it would try to attain – as long as accumulated national contracting equaled 10 percent. States with small numbers of minorities set low DBE goals, while others set goals far exceeding 10 percent, allowing FHWA to comply with the statutory requirement. Because the firms involved were small and often inexperienced, they would be used mostly as subcontractors to nonminority, nondisadvantaged prime contractors.

Although opponents of affirmative action would attempt to end the DBE program in later legislation, the four subsequent reauthorizations since then retained it, with some modifications. Section 106 of the Surface Transportation and Uniform Relocation Assistance Act of 1987 (Public Law 100-17, approved April 2, 1987) modified the definition of the term "socially and economically disadvantaged individuals" by stating that "women shall be presumed to be socially and economically disadvantaged individuals for purposes of this subsection." (Because women constitute over 50 percent of the population, they are not a "minority.") The Act also required the Secretary to establish minimum uniform criteria for the States to use in certifying companies to participate in the program while requiring each State to publish an annual list of certified DBE's. The most recent reauthorization as of this writing, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, approved August 10, 2005, continued the requirements. The general rule, originally drafted by Congressman Mitchell, now reads:

> Except to the extent that the Secretary determines otherwise, not less than 10 percent of the amounts made available for any program under titles I, III, and V of this Act and section 403 of title 23, United States Code, shall be expended through small business concerns owned and controlled by socially and economically disadvantaged individuals.

(Title I was the Federal-aid highway program while Title III was the Federal-aid transit program. Title V authorized research funding; Section 403 covers highway safety research and development.)

Buy America

The 1982 STAA also strengthened the "Buy America" requirements of the Federal-aid highway program. By the 1970's, the steel industry's struggles prompted Members of Congress representing steel districts to form a Steel Caucus to seek legislative measures to increase the market for American steel. Imported steel from companies subsidized by their national government was a primary target. For the Federal-aid highway program, the first measure was Section 401 of the Surface Transportation Assistance Act of 1978. It prohibited the Secretary from obligating funds for any project exceeding $500,000 in total cost unless "such unmanufactured articles, materials, and supplies as have been mined or produced in the United States" will be used. Exceptions were allowed in the public interest, if supplies in the United States were insufficient or unsatisfactory, or inclusion of domestic material would increase overall project contract cost by more than 10 percent.

In 1982, the Steel Caucus wanted a stronger, more explicit protective measure. Representative Douglas Applegate (D-OH), who represented his Steubenville district from 1974 to 1994, had introduced the provision. Steubenville's economy was slumping as steel corporations such as Weirton Steel struggled in the marketplace. With unemployment in his district at 10.8 percent partly, he believed, as a result of steel imports, he said that "it is imperative that strong action be taken to correct what has been a blatant inequity of trade laws." He said that over 160,000 steelworkers were on layoff status while another 50,000 were working short weeks. In addition to subsidizing steel exports to the United States, many countries, he said, had erected trade barriers to import of American steel.

Representative Barbara K. Mikulski (D-Md., now Senator Mikulski), whose home town of Baltimore included the Bethlehem Steel plant at Sparrows Point, agreed:

> As the secretary of the Steel Caucus, I know the terrible problem being faced by our steelworkers. Forty-eight percent of the unemployed steelworkers in my district will have their benefits run out in the next 2 weeks. I feel that instead of the Christmas present of a pink slip to the American steel industry and to the suppliers of our transportation network, we ought to give them a Buy American amendment and make a real Christmas present.

Section 165 ("Buy America") of the 1982 STAA prohibited FHWA from obligating funds for any Federal-aid project "unless steel, cement, and manufactured products used in such project are produced in the United States." (Restrictions also applied to transit projects.) The only exceptions were that a State could apply for a waiver if application of the Buy America requirement "would be inconsistent with the public interest" or if the foreign products to be incorporated are not "produced in the United States in sufficient or reasonably available quantities and of a satisfactory quality." Further, a minimal use of foreign material was permitted if the cost of the material was less than one-tenth of 1 percent of the total contract cost or $2,500, whichever is greater.

(The complexities of such legislation became clear once FHWA implemented the requirement. For example, some States complained that the Buy America requirement increased project costs, while others claimed that some materials were in short supply in certain regions. American companies representing foreign suppliers pointed out the advantages of their products. Congress reacted by amending Section 165 to apply only to permanently incorporated steel and iron. Section 165 of the 1982 STAA, as amended, remains the Buy America provision for the Federal-aid highway program. The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, approved August 10, 2005, codified the Buy America provision as Section 313 of Title 23, United States Code.)

Federal Lands Highway Program

For decades, FHWA and its predecessor agencies provided engineering and contracting assistance to other Federal landowning agencies, such as the National Park Service and U.S. Forest Service, in their roadbuilding endeavors. Because these agencies did not have a roadbuilding unit, FHWA administered design and construction contracts for the Going-to-the-Sun Road in Glacier National Park in Montana, the Blue Ridge Parkway, the Natchez Trace Parkway, and countless other projects around the country. FHWA also administered funds for work on Indian Reservations and projects to improve access to public lands. These activities developed independently in the context of the landowning agency, with construction dependent on general funds authorized by congressional acts from year to year.

Just days before leaving office, the Carter Administration submitted a proposal on January 16, 1981, to consolidate two categories of assistance into a Federal Lands Highway Program (FLHP). The draft language began:

> It is the sense of Congress that Federal roads which are public roads receive the same uniform policies as roads on the Federal-aid systems or part of the Federal-aid programs. The Congress therefore finds that in order to accomplish this objective there shall be a coordinated Federal Lands Highway Program which shall consist of the forest highways and public lands highways. Appropriations for the construction and improvement of such Federal roads shall be administered by the Secretary in conformity with regulations jointly approved by him and the Secretary of the appropriate Federal land managing agency.

The Reagan Administration did not include this concept in its initial consolidation proposal for reauthorization on March 17, 1981. However, the concept was revived in the proposal President Reagan submitted to Congress on November 30, 1982. The proposed legislation would eliminate the separate provisions for forest highways, park roads, parkways, Indian reservation roads, and public lands highways and establish a coordinated FLHP that would continue funding for each on a multi-year basis, while allowing for long-range planning and coordination of resources. In placing oversight in DOT, the goal was to apply uniform standards to all projects.

Because projects had previously been administered under the rules applicable to the landowning agency, they were not subject to Section 4(f) of the DOT Act, which applies only to projects funded under DOT programs. The proposed bill exempted FLHP projects from Section 4(f).

The House and Senate included versions of the Administration proposal. Section 126 of the 1982 STAA authorized the FLHP, with funds from the Highway Trust Fund, rather than the general treasury. (The Federal-Aid Highway Act of 1970 had changed the funding source for public lands highways from the general treasury to the Highway Trust Fund.) Congress did not exempt FLHP projects, now funded from the Highway Trust Fund under a DOT program, from Section 4(f).

Through the FLHP, FHWA works with Federal land owning agencies to manage transportation needs. Funds are used for such activities as planning, design, construction, and rehabilitation of the highways and bridges that provide access to and within federally owned lands. The core programs consolidated under the FLHP by the 1982 STAA were forest highways, park roads, parkways, Indian Reservation roads, and public lands highways. The current FLHP program categories are:

- *Indian Reservation Roads Program* provides funding for public roads that grant access to or within Indian or Native Alaskan reservations, lands, or communities.
- *Park Roads and Parkways Program* provides funding for public roads that make access available to or within national parks, recreational areas, historic areas, or other units of the National Park System.
- *Refuge Roads Program* maintains and improves public roads that provide access to or within units of the National Wildlife Refuge System.
- *Public Lands Highway Program* has two components — the Public Lands Highway Discretionary Program and the Forest Highway Program — both of which provide funding for public roads serving Federal and Indian lands.

In addition, FHWA administers the Emergency Relief for Federally Owned Roads Program, which repairs and restores roads damaged by natural disasters or catastrophic failures.

To celebrate the 25th anniversary of the FLHP, *Public Roads* magazine published Marili Green Reilly's "Accessing America's Treasures" in the July/August 2008. The article is available online at http://www.tfhrc.gov/pubrds/08july/01.htm.

Transit Authorizations

Professor of Transportation George M. Smerk discussed the impact of the 1982 STAA on transit in *The Federal Role in Urban Mass Transportation*. Noting that the 1970's had been "heady days for the federal transit programs," he said that the 2 years leading to the 1982 STAA "were really a down-to-the-wire effort to preserve at least some of the gains of the past, including the retention of operating-aid provisions in the face of an administration hostile to the program." While funding would be "essentially flat" for the 4-year span of the Act, "the amount of federal transit funds was at least $1 billion higher each year of the four-year authorization . . . than under the administration's original proposals."

He acknowledged the dramatic change in setting aside 1 cent of the gas tax for transit:

> The Mass Transit Account of the Highway Trust Fund finally established the long-coveted guaranteed source of money for transit, going all the way back to efforts of Secretary of Transportation John Volpe in the late 1960s and early 1970s. The guaranteed source of funding was a major victory for the transit industry.

At the same time, the funding for capital purposes was "woefully small when recollecting the transit industry's estimate of capital needs of about $5 billion per year."

Smerk summarized the results:

> The federal mass transit program was actually no closer to attaining solid, workable, long-term goals and objectives with the passage of the 1982 Act than it had been before. As with all past legislation, the new Act was nothing more than a compromise—only this time the compromise was more complex than usual. Because the federal transit programs lacked discernible purpose, a real measure of success remained elusive.
>
> The 1982 transit legislation was far better than any observer of transit or anyone in the transit industry had a right to expect, given the opposition of the president and of the Office of Management and Budget to providing aid to transit. Transit may not have reached the heavenly gates, but it did not fall from grace, a fall that had seemed in the cards at the start of 1982.

Given the Administration's opinion of transit, Smerk attributed this success, however limited, to "the lobbying effort for the transit bill and the breadth of that lobbying effort." He also credited Secretary Lewis for "awakening the public interest to the issue of America's decaying infrastructure, of which highways and transit played a large part." [Smerk, George M., *The Federal Role in Urban Mass Transportation*, Indiana University Press, 1991, p. 213-217. See Smerk's chapter 11, "Federal Mass Transit Policy in the Age of Reagan, 1981-1982," p. 189, for a detailed discussion of the fight to preserve transit funding.]

Summary

In looking back at the 1982 STAA, Stockman recalled Secretary Lewis' reaction in March 1981 to the proposed spending cuts:

> Lewis's initial reaction to my attack on the transportation pork barrel accurately reflected the consensus of the politicians. The Republicans on Capitol Hill, led by conservatives like Senator Alfonse D'Amato [of New York] and liberals like Senator Arlen Specter [of Pennsylvania], fought and prevailed on every effort to cut mass transit. And all of the congressional politicians wanted to keep fixing local potholes, roads, and bridges. We finished up saving hardly a dime of the $20 billion.
>
> In the end, the transportation sector of the pork barrel never even knew the Reagan Revolution had tilted at it. It was a dramatic case of everything staying the same . . . . [*Triumph*, p. 150]

Our Economic Arteries

As requested by the President, Congress significantly increased funding in the 1982 STAA for the programs to repair aging Interstates and deficient bridges. Compared with $275 million for Interstate 3R in FY 1982, the 1982 STAA authorized $1.95 billion in FY 1983 for Interstate 4R, with the amount increasing to $3.15 billion in FY 1986, the final year of authorization. Funding for the HBRRP went from $900 million in FY 1982 to $1.6 billion in FY 1983, gradually increasing to

$2.05 billion in FY 1986.

As President Reagan, Secretary Lewis, and Administrator Barnhart had predicted, the increased revenue for Interstate 4R and bridges had the desired effect. By the mid-1980's, Interstate pavement conditions had begun to show overall improvement (i.e., the pavements that were improved exceeded the aging pavements that deteriorated to poor condition). The improvement was documented in *The Status of the Nation's Highways: Conditions and Performance*," released on May 29, 1985, the eighth in a series of biennial DOT reports to Congress. The report covered conditions as of FY 1983. In an accompanying news release, Barnhart said:

> One of the major findings of this report is that the steady decline in pavement quality which had characterized previous status reports has been halted. While it is still too early to see significant changes in highway conditions on a broad national scale, data received from state highway agencies indicate that during 1983 pavement improvements on major highways—including the Interstate system—were sufficient to bring us into at least a neutral position with regard to pavement deterioration.

According to the DOT's Sixth Annual Report to Congress on the Nation's 574,045 bridges on public roads, released May 22, 1985, at least 10,605 structurally deficient bridges (defined as no longer able to accommodate the vehicle weights for which they were originally designed) had been improved and were no longer structurally deficient. In a news release issued May 22, Secretary Dole said, "These bridges, which heretofore had been either closed or restricted to handling only light-weight traffic, can now accommodate the heavier vehicle loads commonly in use on the nation's highways today."

The news release summarized the result:

> Because the condition of other bridges deteriorated during the year, the report noted that the total number of deficient bridges on public roads (structurally deficient and "functionally obsolete") declined by only 131, from 260,306 deficient structures reported in 1983 to 260,175 at the end of the 1984. Even so, this is the first decline in the number of deficient bridges since records have been kept. Functionally obsolete bridges are bridges which were not designed to handle current vehicle sizes and weights and often hinder the efficient flow of crossing traffic.

As reflected in the reports on pavement and bridge conditions, the increased funding under the 1982 STAA translated into projects, as noted in *The New York Times*:

> Nevertheless, the 60 percent increase in Federal highway dollars last year, to $12.8 billion from $8 billion, was turned into building contracts with surprising speed. In the first 11 months of 1983, the states awarded about $7.6 million in highway construction contracts, a third more than in the comparable period in 1982.
>
> The Federal Highway Administration approved $8.9 billion worth of projects for contract bidding, 60 percent higher than a year earlier . . . .

> Some of the work made possible so far by the gasoline tax boost involves tens of millions of dollars in projects that won't be completed until the end of the decade. Others, like repairs to a two-lane bridge on a rural Illinois highway, are more modest.
>
> "In most cases they emptied the shelves of projects that had been backlogged and had been ready to go," said Francis Francois, executive director of the Association [sic] of State Highway and Transportation Officials. [Associated Press, "Nickel Rise in Gas Tax Swells Road Projects," *The New York Times*, January 16, 1984]

In agreeing to the gas tax increase sought by Secretary Lewis, President Reagan had insisted that the additional revenue was needed to improve roads and bridges. Members of Congress had referred to the 1982 STAA as a jobs bill. However, the issue of jobs would prove to be secondary to the road and bridge improvements.

The economic statistics continued to decline through December 1982 and January 1983, as Cannon explained:

> By November 1982 more than 9 million Americans were officially unemployed, a statistic that would rise to 11,534,000 by January. Grim as they were, these statistics understated actual unemployment. Between 2 and 3 million Americans had been out of work so long they were not actively seeking jobs and therefore were not officially counted in the army of the unemployed. Many other Americans, perhaps as many as 10 million, had been forced by factory shutdowns or relocations to take service or pickup jobs at lower pay. With the job losses came business failures—17,000 of them in 1981 alone, the second-highest figure since the Depression year of 1933. [The total in 1982 was even higher, over 25,000.] By the end of 1982, the nation's steelmakers were operating at only 35 percent capacity. In January 1983, 20,000 people lined up in 20-degree weather to apply for 200 jobs at an auto-frame factory in Milwaukee. [Cannon, p. 196]

The data took a toll on Reagan's popularity:

> Reagan's own popularity would reach its first-term low point of 35 percent in January 1983, a time when confidence in the administration's (and Volcker's) policies was even lower. Less than 20 percent of Americans thought the economy was improving. [Cannon, p.234]

As Cannon and many others observed, Reagan was an optimist by nature. On February 9, 1983, during a question-and-answer session with editorial-page writers, he assured them that "all the signs we're now seeing point toward an economic recovery." He had been making optimistic statements throughout the recessions, so the editorial-page writers were skeptical. One asked about the prospects for the type of jobs program the President had long opposed:

> Q. Mr. President, there have been some reports in the news recently that you may be leaning toward recommending or endorsing some kind of jobs program. Could you tell us exactly how you feel about this?
> The President. The thing that we have talked about and that is, again, provided for already in the budget, is that where there are legitimate—and we got this idea from the gas tax

> program. And incidentally, for all this talk that I had once said that it would take a palace coup to make me accept the 5-cent gas tax, that was when they were talking about it as just general revenue, a tax increase.
> But Drew Lewis, Secretary of Transportation, had come to us over a year ago with a complete report on the state of our highways and bridges in the country and the desperate need and the almost emergency situation then. At that time, I asked him if he could hang on for a year and come back a year later, which he did. So, that really was a users fee. The gas tax was passed to get this necessary work that needs to be done, get it in work.
> Now, what we have said to all of our agencies and departments is that—in the budgets for all of them there are maintenance work, construction, things of that kind that are called for—and what we've said, "Expedite it. Accelerate it. Don't wait if you've got it on schedule some place down the line. It's already in the budget. It won't add anything to the deficit to do it. Go to work on it and start doing it to help in the recovery.

Within days, the Administration advised congressional leaders that a jobs and recession relief bill in the $4.3 billion range would be acceptable to the President. The Emergency Jobs Appropriations Act (Public Law 98-8), approved March 24, 1983, authorized over $9 billion for 77 Federal programs and activities, including public works such as highways and transit. Although President Reagan signed the bill without ceremony, he discussed it during a press conference the following day. After summarizing the bill, he said:

> Let there be no confusion on one essential point. Even as this bill becomes law, the signs are clear that economic recovery is already underway, a recovery that'll bring far more jobs to unemployed Americans than could ever be created by new Federal jobs programs. Make-work jobs are just temporary at best. And we know that from past experience. More government spending for such jobs will only crowd out private borrowing for private jobs, raise the deficit and reverse our dramatic progress in bringing down inflation and interest rates.

What President Reagan, the editorial-page writers, and those involved in shaping the 1982 STAA and the 1983 Employment Act who spoke of their job-creation potential did not know was that the recession had ended before enactment.

The beginning and end of a recession are never seen when they occur, so they always pass without notice, other than speculation after the fact. The National Bureau of Economic Research (NBER), the private, nonprofit, nonpartisan research organization that determines the start and end points of recessions, announced on July 8, 1983, that its Business Cycle Dating Committee had "identified November 1982 as the trough of the recession that had begun in the United States in July 1981." The announcement explained that, "The trough signifies both the end of a recession and the beginning of a recovery or business expansion."

Unemployment peaked at 10.8 percent in December 1982, but gradually began falling. Inflation also declined from over 10 percent in 1981 to 3.2 percent in 1983 as the stringent measures Volcker had imposed finally ended the cycle of stagflation that had gripped the economy for so many years. Corporate earnings rose, including in industries such as auto manufacturing, that had been hard hit during the recession. The NBER announcement explained:

> Real retail sales, which declined by 4.9 percent during the recession, have already well exceeded their pre-recession peak . . . . Total employment began to recover sharply this spring and is now almost back to its pre-recession peak.
>
> The committee also strongly emphasized that the expansion has been extending throughout the economy in recent months and is now widespread. For example, approximately five-sixths of all manufacturing, mining and utility industries now report higher production levels than they were experiencing six months ago, and three-fourths of all nonfarm industries report higher employment levels than six months ago.

Although the recovery was good for the country, it also proved timely for President Reagan, as James MacGregor Burns explained:

> [One] grand asset Reagan retained—political luck. The recession came early enough for some Reaganites to blame it on the lingering effects of Carter policies, early enough too for the White House to wait it out and hope for recovery by election time. The very spending that Reagan condemned in principle while authorizing in practice, combined with such anti-inflationary developments as an oil price decline over which the White House had little control, brought a strong recovery. Although large pockets of poverty and unemployment persisted, the recovery remained vigorous enough to project Reagan toward his massive reelection triumph of 1984. It was hard enough for Walter Mondale, leading a divided, irresolute party, to take on an incumbent whose personal popularity remained high, who had managed to maintain his electoral coalition despite sporadic complaints from both movement conservatives . . . and liberal and moderate Republicans in the Senate. But former Vice President Mondale, forced to share some of the blame for failed Carter economic policies, also faced a Republican Santa Claus who continued to disperse federal money to thousands of vested interests and welfare projects even while preaching economy and thrift and budget balancing. He faced a chameleon who alternated between attacking government and exploiting *his* government. It was no contest from the start. [*Crosswinds*, p. 641, President Reagan won 525 electoral votes compared with 13 for former Vice President Mondale.]

On December 23, 1983, President Reagan wrote to Tom Riedlinger, managing editor of *Better Roads* magazine, to send greetings "to all governmental road and street officials, engineers and contractors." The President said the 1982 STAA had "initiated one of the largest rehabilitative public works programs in the history of the United States." Funding in FY 1983 was a 45-percent increase over the previous year "to begin rebuilding America's decaying roads and highways." He anticipated that in 1984, "this accelerated level of federally aided highway construction activity will continue at the rate of about $1 billion a month."

The increased levels of construction meant that "hundreds of thousands of new jobs are created as projects get underway." The President cited the FHWA statistics that in FY 1983, "more than 300,000 additional jobs were generated . . . in a wide range of industries." He said:

> The rehabilitation of America's highways is essential if we are to maintain the economic

recovery that is already under way. Without our highways, industry would be unable to bring products to markets throughout the country, and consumers would be unable to continue enjoying the highest living standard in the world. The vast majority of all we eat, wear, and use in our daily lives travels by the highways. We must and will maintain these vital economic arteries. ["A Personal Message from the President of the United States," *Better Roads*, February 1984, p.6]