

Wall Street Journal informal interview, Harrisburg, pre-re-election November 1982; complete review of first-term issues and accomplishments, October 5, 1982 (55:19)

>> Thornburgh: What gets done, of course, time will tell, but there's certainly been changes in the wind. And for the first time, you're beginning to even get some tangible movement with the block grants that were included in the '83-'83.

>> Interviewer: I want to ask you about some of those things.

>> Thornburgh: Fire away.

>> Interviewer: I wanted to ask you about those. But I guess I want to generally ask you, it looks like, unless something just earthshaking happened, you will be working with them in your second term. Why are -

[Laughs]

-- this is probably a question I should ask near the end of it. Why do you think you're doing so well?

>> Thornburgh: [Laughs]

>> Interviewer: I mean, you look at all the others in Ohio and Illinois -- Illinois is not the cover, but basically, it's my home state. You look at all the other industrial states where there are elections this year, the GOP candidate or incumbent is not doing so well. Why is it different here?

>> Thornburgh: Well, I'm probably the worst person to ask for that kind of an analysis, but I know what I like to think. And that is that we have taken a state that was in fiscal chaos and with a very negative business climate and with more than its share of corruption and mismanagement and turned it around in the right direction with some careful attention to each of those areas that can be appreciated, I think, by Pennsylvania voters. Our people here, I think, are looking, in this gubernatorial election, not at the worldwide, international, cosmic questions that the opposition likes to talk about, but what has this governor done for this state? We have gone four years without any tax increase in our general-fund taxes. We've balanced the budget in each of those years without tax increases. And interestingly enough, it doesn't sound like much of an achievement, but we've been able to get our budgets on time four years in a row. That was something that was a lost art in Pennsylvania during the last decade. We had really

missed deadlines and budget deficits and even fistfights on the legislative floor that just didn't help our image very much. So, I think people look at that. We have restored integrity to government. People don't wake up every morning expecting to see some high official carted off to prison or, worse yet, being kept on the job. And the first look that I got at Pennsylvania government, as you know, is from the dark underside as a prosecutor of a lot of those folks. So, I have a pretty good sense of how to deal with that. We've enacted a pretty tough code of conduct about conflict of interests in financial interests and things like that.

>> Interviewer: How has it been different than perhaps you had expected or when you were thinking about the office?

>> Thornburgh: Well, I'm not sure that we expected that we would be as overwhelmed by national and international economic forces. But at the same time, I think that because we've been careful in our management and have worked with business and labor and the civic leadership in the state to improve our business climate that Pennsylvania, among the major industrial states, is about as well-positioned as possible to take advantage of the upturn when it comes. We've not had to increase taxes, as some other states have. And their problems are different than ours. I don't mean to be critical.

>> Interviewer: Temporary taxes are a lot.

>> Thornburgh: Yeah, we have a 2.2% personal income tax, which was raised the year before I took office from 2.0 and a 10.5 corporate net income tax, which was raised the year before I took office from 9.5%.

>> Interviewer: And those lapse next year?

>> Thornburgh: Yeah, they've been extended on a -- I guess the last one was for two years. We would like to get the corporate net income tax in particular down below 10%, just as a positive signal. But whether that's gonna be possible or not, I don't have a crystal ball, so I don't really know where we're gonna be going in that respect. But I would like to have that as a positive signal. But our -- It's been tough enough to avoid tax increases during the last four years. And I think that -- What'd the boys figure out? First governor since the one elected in 1946 to go a full term without any increase or sales or income or business taxes. And people recognize that. Taxes are always top-of-the-mind concerns.

>> Interviewer: I can't remember. When you were running, did you make a pledge you weren't going to -- You didn't make a pledge.

>> Thornburgh: No. No, indeed. No, I carefully avoided that because I didn't know what kind of a fiscal pickle we'd find ourselves in. And we found ourselves in much worse shape than even campaign rhetoric would have indicated.

>> Interviewer: And you've had a 1% cutback in state employees. Are you done with them?

>> Thornburgh: We have cut the bureaucracy by about 6,000 positions -- over 6,000, which is a 5% or a 6% cut. It's down below 100,000. And we've had -- It's an accumulation of small, incremental efforts to better manage state government. We have a cost-cutting committee in the cabinet that has issued three reports. You might get those reports for Tim. And they've identified about \$200 million in annual cost savings that we've been able to implement. And some of them are very small, having to do with how you use the postage meter or how you duplicate things. And others are rather substantial -- getting rid of computer redundancy and things like that. That's been run by our Secretary of General Services Walter Baron, who is a businessman and the prototype of what you can gain from bringing a businessman into office and turning him loose. He was honored by the National Governor's Association out in -- You might have met him out there, Wally Baron. It isn't all that spectacular, but it has been constant and solid in contrast to what we had in the '70s -- spending, taxing, and borrowing as if it was going out of style. We've reduced the state's indebtedness by about \$300 million during this administration. And yet, at the same time, been able to undertake a very heavy commitment to infrastructure improvement by largely leveraging federal and other funds. We've spent a total -- state, federal, and other funds -- of about \$4.5 billion on our roads and ports and other capital expenditures -- mass transit and the like. We have another \$6 billion on the books now. So, we have begun, in a very substantial way, the rebuilding of an infrastructure that had fallen into decay here as elsewhere across the country.

>> Interviewer: It's interesting, too, because a lot of states have not done a lot of infrastructure work.

>> Thornburgh: Well, it was something we identified right at the outset.

>> Interviewer: And you do have a lot of deteriorating.

>> Thornburgh: Our highway situation's probably the best example, Tim. And I may sound like I'm bragging, but this is a record I'm proud of, and you opened the door.

[Laughs]

Our department of transportation was riddled with corruption. It was bloated at the bureaucracy. We had the highest highway debt in the nation. And yet, we had lost about half a billion dollars to other states in funds that we could not draw down from the federal government. We were 50th out of the 50 states in our drawdown of federal highway funds. And nothing was happening. Under the leadership of a professor, believe it or not, from Penn State University, Dr. Tom Larson, we have rebuilt that operation to the point where it was described earlier this year in the Engineering News-Record, the McGraw-Hill publication that serves that profession, as one of the best managed public-works agencies in the nation. And Dr. Larson received their "Man of the Year" award in highway construction. We are now first in the nation in our drawdown of highway funding. We haven't borrowed a cent. It's been on a current basis by securing the passage last year of an oil franchise tax, which is imposed on the wholesale price of oil, that stabilized our funding at the state level. We had a cents-per-gallon tax only, which meant as consumption went down, as it's going down nationally, we were losing funds. And this summer, we have committed about \$750 million to highway construction and maintenance and bridge repair to the point where, of all the areas where there's been a most visible, dramatic change in state government, the highway department leads the pack. And that really is, as an old civil engineer myself, I take particular pride in that. At the same time, the workforce has been reduced by some 1,300 positions, as we've contracted out more and more to the private sector, creating jobs in the building trades and undertaking the kind of classic countercyclical government expenditures during a period of economic slowdown that can be of assistance in dealing with the unemployment.

>> Interviewer: You said you'd been overwhelmed -- I think you used the term "overwhelmed" by national and international economic issues. Are there some things you haven't been able to do or you aren't as far along in doing?

>> Thornburgh: Yeah, I think the -- Although we've been careful to forecast our revenues conservatively and have not had budget shortfalls, we would have hoped to, when I took office in 1979, to

have more in the way of revenues to utilize in programs that are of importance. But "overwhelmed" is probably a little stronger than I would put it. I think probably when you talk about relatively to what the expectations were and what all the Carter administration economists were telling us was gonna happen, it's been more of a preoccupation than I would have thought. But at the same time, we've spent over \$5 billion more on social services and human-service programs during this administration than during the four years that preceded us. So, we have not been obliged in any way to cut back on what our traditional leadership role has been in dealing with areas like senior citizens and the mentally ill, mentally retarded.

>> Interviewer: Have you been able to compensate for some of the federal cutbacks?

>> Thornburgh: Yes. In fact, in your packet there is probably a Reader's Digest article that Gene Methvin did single out Pennsylvania and Kentucky. And our singling out in particular is how we've been able to use the savings resulting from good management to pick up some of the slack -- not dollar for dollar, to be sure. But in an area like our aging population, we have a very successful state lottery, which is devoted 100% to senior-citizen programs -- property-tax rebate, rent rebate, energy assistance. And we've been able, even, to send out a couple of bonus checks. Interestingly enough, that lottery was threatened very early on by an attempted fix.

>> Interviewer: That's right.

>> Thornburgh: You remember the 6-6-6?

>> Interviewer: That's right.

>> Thornburgh: But I guess my prosecutor's instincts came to the floor, and we moved swiftly enough to be able to cut that off at the pass and put the perpetrators in jail. And in fact, the lottery, short of suffering from that, has burgeoned and provided even more revenue since that occasion came up. So, it really was not a -- It was something of concern. If we had not been able to break that case and maintain the integrity of the lottery, it would have been troublesome.

>> Interviewer: How much of a factor is the recession and high unemployment in the --

>> Thornburgh: Well, we have an unacceptable rate of unemployment. There's no question about that. It is higher than it might be if we weren't historically concentrated in heavy industry, most notably the steel industry, which is our biggest employer and has a 30% to 35% unemployment rate. The fact of the matter is, though, Tim -- And again, I don't want to try to paint a rosier picture than there is, but when I was elected in November of '78, we had the sixth highest unemployment rate in the nation. Today we have the 14th highest or 15th highest. I'm not sure -- one or the other. And our unemployment rate is lower than it is in a lot of Sunbelt states. You know what Alabama, Tennessee, Mississippi, South Carolina, Louisiana, and even Arizona -- yeah -- all have higher unemployment rates than we do.

>> Interviewer: Well, if you look regionally in the U.S., there is a mixed picture. And it seems like Pennsylvania is the same way -- that within the state's region, you've got a mixed bag.

>> Thornburgh: The major impact of unemployment has been in the steel industry and in Western Pennsylvania. But the fact of the matter is that we, during this administration, have ranked number four in the nation in attracting major new manufacturing investments. The only states that are ahead of us are southern states -- Texas, Louisiana, and Florida. And we've had a lot of -- We're ranked third in foreign investments. We've undertaken a very aggressive program to make the state a world citizen, both in terms of foreign investments here and our export opportunities overseas.

>> Interviewer: What type of manufacturing jobs in particular?

>> Thornburgh: You've got -- Let me give you some examples. You mean on general or on the foreign?

>> Interviewer: No, in general. When you said you were attracting -- you had attracted some new manufacturing.

>> Thornburgh: We have had largely small business, increasingly advanced tech. I'll be going down to Philadelphia tomorrow for -- what's the name of that outfit? -- Medical -- Times Medical. They serve hospitals -- Shared Medical Services. They have a big facility that they're going to expand substantially. We have Spectrum Electronics, Fairchild Weston, Commodore International, which is the biggest home-computer manufacturer headquartered in Pennsylvania. The outfit down in -- I never remember the name of that one in York.

>> Interviewer: Japanese?

>> Thornburgh: No, it's German. Klein something or other. They are -- What we're seeing as an economy in transition, where we don't expect to see any greenfield steel mills built in Pennsylvania, and what we've done is to target -- We've quadrupled our Pennsylvania Industrial Development Authority, PIDA, which was the pioneer back in the '50s in low-interest loans to aid business investment. We've quadrupled the amount of dollars available and begun to focus it, through legislation that we passed in 1980, on smaller businesses and in areas of high unemployment so that what you have is an accumulation of newer, aggressive, smaller businesses spread throughout the state. At the same time, we of course are not gonna neglect our steel industry. In fact, we opened a new steel mill. A new steel mill opened in Southwestern Pennsylvania last month, Dynamet Steel, highly automated, computerized operation.

>> Interviewer: Would you agree with the Treasury Secretary Regan that what you tell out-of-work steel workers is "Don't look to the steel industry again?"

>> Thornburgh: I think to a certain extent that's gonna be the case. I met in Washington last week with Gus Hawkins on job-training bill and Joe Gaydos, our congressman who's the chairman of the Steel Caucus, on our pilot projects to deal with the problem of the displaced worker in the steel industry. And as you know, the job-training bill has a specific component that deals with that problem. I want to see what we can do to advance the effective date of the use of those monies because the whole job-training bill doesn't kick in till the next fiscal year. We would like to go to the labor department and see if we can't get some funding on an expanded basis for displaced-worker retraining. And these are guys in the prime of their work life. We've undertaken about half a dozen pilot programs working with the steelworkers, with the community colleges in Southwestern Pennsylvania, that we think we have a good feel for it. One of the nice things about the job-training bill, as you know, is it is a block-grant bill that gives a lot more authority and responsibility to the states. And we've been moving in that direction over the last 3 1/2 years. We have a program in this year's budget, again, just getting started up, to recognize these problems of customized job training, which we've used as a tiebreaker in a couple of situations to attract new business to the state. In other words, we'll go to the employer and say, "What do you need? We'll pay the cost of training if you'll guarantee a job at the end of the process." Heretofore, our job-training and vocational-education process

called for training so many welders, so many painters, so many carpenters, then tell them to go find a job. Now we're turning that process around to work with employers. It was a major aid in attracting two foreign investments -- Adidas Shoe and Velda Furniture from Belgium. So, we're excited about the commitment that what we call son of CETA is making, a recognition of real jobs and not the public sector, political-type jobs that characterized CETA during its past history are going to be forthcoming. And I think the displaced-worker program is gonna be an enormous help to us here in Pennsylvania.

>> Interviewer: Your welfare program changes go into effect in January?

>> Thornburgh: Yes.

>> Interviewer: How do you assure -- will there be jobs for those people to do?

>> Thornburgh: No government can guarantee jobs being available, obviously, but what we are trying to do is to maximize the opportunities for job training by breaking the welfare cycle and recognizing that there is a need to treat differently the single, able-bodied, employable welfare recipient -- treat differently from the person who, under no circumstances, can be expected to work.

>> Interviewer: Is there a ratio? Have you been able to identify what that number is?

>> Thornburgh: About 10% of our overall welfare caseload is in that category, but those will be done on a case-by-case basis. Excuse me?

>> Interviewer: In the last four years, how has your caseload changed?

>> Thornburgh: It's increased largely -- well, not largely, but certainly has been affected by the fact that we had one of the most generous -- We have a little over 5% of the nation's population in Pennsylvania. We had almost 20% of the general assistance caseload. And that's really what prompted us to try to use these dollars in a more cost-effective manner. Every dollar saved this year in phasing people out of the welfare rolls is being plowed back into, really, three areas. One -- to increase benefits for the other 90% for the second time, as a matter of fact, during this administration after a long period of stability

or being held down. Secondly into greatly enhanced job-training and placement programs. We've had pilot programs we've run on intense attention to welfare recipients getting jobs. Those will be expanded all over the state.

>> Interviewer: What kind of jobs?

>> Thornburgh: Whatever's available. It's a counseling and training -- And we have some statistics on the placements of those. And they're pretty impressive at a time when the economy's in a trough. And the third is a \$25 million tax-credit program, which provides employers with tax credits for hiring people off the welfare rolls. This combined with the targeted jobs tax-credit programs at the federal level could result in about 80% of the cross the first year being picked up for putting somebody on welfare on the payroll. Now, all of these, Tim, to get back to your original question -- The turnaround in the employment situation is obviously going to depend upon what the national economy does. When will we see investments in increased productivity? And when will we see the consumer --

>> Interviewer: When do you see that?

[Laughs]

>> Thornburgh: I haven't got a crystal ball. I'm encouraged somewhat by some of the indicators since the president's midcourse correction was undertaken.

>> Interviewer: What do you consider his midcourse correction?

>> Thornburgh: The tax increase, which I think everything good that's happened

[Laughs]

has been since then, not that it's all that -- And of course, as you know, unemployment is always the lagging indicator.

>> Interviewer: Right.

>> Thornburgh: What we have to try to do in affecting those things over which we have control in this state is to continue to send positive signals to the business community that we are a fiscally sound state that's not gonna threaten tax increases or losses in programs that are designed to help improve the business climate.

>> Interviewer: If the economy does not pick up as rapidly as some administration accountants would hope -- and I guess the general picture now is that it's gonna be a very, very weak recovery -- how much more difficult does that make that task of saying fiscally --

>> Thornburgh: It's a challenge, but we've had four years of practice. And --

>> Interviewer: But have the last two years been a lot more difficult than the first two years? In other words, it seems to me that your next two years will be more like the last two years of your first term.

>> Thornburgh: Well, let me put it this way. Obviously there is a finite number of savings and adjustments that you can make, and they become tougher. It's like the last five yards to score a touchdown. They're always the toughest. But we -- I firmly believe that the economy is going to turn around, that the president's programs, which are designed to reduce the tax burden on industry and lift the regulatory hobbles that have been put on industrial development, is going to kick in. Now, it's only -- We just finished the first fiscal year of its operation, and that was hampered by the nagging problem of high interest rates due to the deficit projections. The tax package would help to cure that, and indeed you see -- I don't want to expertise in an area that you know more about than I do, but I think investor confidence, evidenced by the market and the continued slipping of interest rates and the thing that everybody overlooks -- that sustained level of keeping the inflation down to about half what it was during the Carter administration, which puts more dollars in people's pockets, even in difficult times. I'm not a Pollyanna. I try to be a realist. But the dire predictions that our political opposition has made from day one since this administration came into office have been totally not realized. They were exaggerated. They're the Chicken Little kind of attitude that has affected our political opposition in this state that has caused them to lose any and all credibility with regard to their comments on the economic situation. At the same time, we've tried to be realistic. Our projections on revenues have been right on the money. And where we've had to roll with the punches, we did last year with federal program cuts and the continued economic sluggishness, we affected a 1% across-the-board cut in state spending that kept everything intact and also have phased in our version of the ACRS over a 3-year period so that we didn't have to take that all in one fell swoop. So, we've had -- Is Bob Wilburn around today? I don't know whether you want to talk to Bob. Bob is our budget

administration guy, who has done a very incredible job of managing this operation. And I think really the kind of effort that we've seen from the key people in this administration indicates that this is no time to push the panic button.

>> Interviewer: With a 10% unemployment rate on Thursday, how much of a psychological effect --

>> Thornburgh: I think it's been largely discounted, frankly, Tim. I think there's been so much talk about a 10% rate. It's like the market-discount thing.

>> Interviewer: I keep thinking that it hasn't raised.

>> Thornburgh: It's not good news. Don't get me wrong. It's not good news either economically or politically.

>> Interviewer: Kind of like a 20% interest rate.

>> Thornburgh: Yeah. Well, there are certain benchmarks that you hope to see or not to see. Of course, we have a 10.5%.

>> Interviewer: Much slower than what you've indicated.

>> Thornburgh: Yeah, I think relatively -- I don't like to say that because I don't want to crow about something that still involves a great deal of human concern, but I am obliged to do so when our political opposition, for example, keeps talking about the state having one of the highest unemployment rates in the nation, which is simply not true.

>> Interviewer: What is your view on defense spending?

>> Thornburgh: Well, I think it's important that we have a strong commitment to national defense. It is encouraging that we are beginning to work our way back into an allocation of our resources that had been declining, really, since the early '60s -- the Vietnam War. I think that one thing that's not always appreciated is that those are dollars in large part being pumped into an ailing economy. They are the modern-day equivalent of the countercyclical public-works expenditures of the 1930s.

>> Interviewer: In other words, the dollars, if they were being pumped in elsewhere, it would not be the same -- you wouldn't get as much out of --

>> Thornburgh: You get a difference balance and spread. Although, we get a pretty good share of defense spending in Pennsylvania. On the other hand, I am somewhat -- and I've told the president this, so I'm not taking shots -- I'm somewhat disappointed that there has not been a more dramatic demonstration of a commitment to stewardship of the tax dollar in defense expenditures. I think a lot of Americans expected, when somebody with the nickname "Cap the Knife" was made Defense Secretary, that we'd see a more dramatic commitment to keeping costs down, containing costs, preventing overruns and all that. I don't know enough, to be honest with you, Tim, about the intricacies of the defense budget to know whether in fact that has been the case. But I think from a political point of view, the administration has missed a bet by not highlighting a commitment to very careful management of our defense spending.

>> Interviewer: How have your views generally changed, if they have, about Reaganomics?

>> Thornburgh: Well -

[Laughs]

I said to somebody yesterday when they asked me what do I think of Reaganomics, I have to ask two questions in rejoinder before I get to the answer. One is, how do you define Reaganomics? And number two, as compared with what? I define Reaganomics as the president's recognition that overspending, overtaxing, and over regulating have stifled the economic growth in this country and that he has adopted a specific program to cut spending, cut taxing, and reduce regulation. If that's what the definition is, I support it 100%.

>> Interviewer: But has it in any way changed your views -- softened or have been tempered by what the experience has been?

>> Thornburgh: Certainly not in Pennsylvania. I think we have, as I indicated, been able to make the adjustments necessary to preserve essential human services, which is the principle concern, I think, raised by critics of the administration's program.

>> Interviewer: I guess in the national budget area, I still wonder how much examination was made of priorities before they --

>> Thornburgh: Well, I think if you believe the Atlantic Monthly, you would have a legitimate question there. It is always difficult -- and I know this as a chief executive of the fourth largest

state in the nation -- It is always difficult to anticipate every consequence of a dramatic shift in policy. It's hard enough to anticipate every effect of a continual. But when you're making a rather substantial change in basic policy, the unknowns multiply. And I think it is to the president's credit that he recognized this year that the direction in which certain aspects of his economic-recovery program were leading the nation were harmful and that he supported the initiative that came from Senator Dole to close loopholes, to shave some of the benefits that had been forthcoming from the economic-recovery budget, and in particular to deal with perceptions of unfairness that would benefit high-income taxpayers. That represents to me the kind of responsible change that chief executive must make when he sees that a program that, while it may be philosophically sound, it's having some short-term negative economic and political consequences.

>> Interviewer: Would you favor continuing the plan to have another tax cut next year?

>> Thornburgh: I think it's probably a little early to make that decision. I'd want to see what the economy looked like after the first of the year, if I were the president. And I think that's what his position, although he states he's committed to it. I'm a little worried about indexing. I've never been a great fan of indexing, Tim. Maybe when -- Yeah, well, that thing -- That was very troublesome for Ralph Qui and for Lee Dreyfus, too, in Wisconsin.

>> Interviewer: I talked to Qui last week.

>> Thornburgh: It has never had any great appeal to me because -- Maybe -- And I will be candid with you. I think that you tend to rely on the built-in revenue increase that comes from inflationary pressures. I think the best way to deal with the problem that is sought to be addressed by indexing is the way it's being addressed now. And that's by keeping the rate of inflation low. That's what's really -- Otherwise you kind of deprive government, which has to pay at inflated prices, of the upside that comes from revenues that grow. I don't know what the Journal's attitude is. What's the Journal's inventorial policy on indexing?

>> Interviewer: We're generally opposed to it.

>> Thornburgh: Opposed to it?

>> Interviewer: And it's something that's gonna really -- the Journal's fairly steady on its views.

>> Thornburgh: I know. The one thing that I've had some trouble with, with your editorial work has been, as I mentioned, our desire to make Pennsylvania more of a world citizen. I think we have a pretty strong opposition to the EXIM bank.

>> Interviewer: They've always had a strong opposition to a lot of the --

>> Thornburgh: Yeah. We come to a parting of ways on that. I've heard so many horror -- I talked to the executive of a major steel company that won an order, a big order, which provided a lot of jobs for this state, in Brazil. They won it on price. They won it on quality. And they lost it to the Japanese because the Japanese were offering 30-year payment terms, no payment for 10 years, and a 3.5% interest rate. Now, there's different ways to address that -- bilaterally or multilaterally in terms of credit policies. But we still have to have some ammunition to deal in overseas markets on that, and I think EXIM is an important component of that bill.

>> Interviewer: How do you generally perceive the president? Any concerns? Any...

>> Thornburgh: I think the president remains very popular in this state and throughout the nation for the personal qualities that he's brought to the job. I think that, again, because of the almost revolutionary nature of the changes that he has proposed --

>> Interviewer: That was the next question I want to ask. You said "almost revolutionary." Do you consider this a Reagan revolution?

>> Thornburgh: I think that's what's intended, but I think that the iron triangles are pretty tough to deal with, and that's why I think it's important for those of us who share the president's belief not to bug out on him when the short term does not produce the instant successes that unfortunately too many of us have become conditioned to expect. I have not hesitated, when it comes to Pennsylvania's interest, to stand up and oppose the administration. I did so on the Conrail dismemberment. In fact, I was the chairman of the Coalition of Northeastern Governors, Democratic, Republican alike, that spoke our piece on that, and we've also worked hard to get things from the administration that affect our state, and I think it's one of the reasons I don't believe in just knee-jerk criticism of the president of my own party. We need help on things like Three Mile Island cleanup, with the provisions of the tax bill that took note of the need for incentives for rehabilitation of existing plants rather than just

incentives for construction of new facilities, which would have not been as beneficial to us. But I think philosophically and conceptually what the president is pursuing, both with regard to his economic-recovery program and so-called New Federalism, is something that I have long, throughout my public career been a devotee.

>> Interviewer: You were a devotee of the New Federalism that the president defines or that Snelling defines?

>> Thornburgh: Well, that definition process is still going on. I think that what you're seeing is a classic example of political bargaining to achieve a consensus on a package that will enable us to make the best case to the Congress, where the real battle's gonna be fought on the New Federalism. And that's healthy and productive. I don't -- I think that some of the governors made a mistake by seeking to abandon these discussions, which I'm pleased to see are now going forward during that colloquy in Oklahoma this summer. Can I speak off the record for a moment? I mean, that was a Snelling operation, because he was personally piqued that he was not able to reap the --

>> Interviewer: Very, very bright, articulate man.

>> Thornburgh: Just lacking in judgment.

>> Interviewer: He was also one of the most egocentric people I've ever met.

>> Thornburgh: Yeah, he really is. He is a bright guy.

>> Interviewer: But very bright. He can explain Federalism, at least as I've heard him express it, better in five minutes than Ronald Reagan did in 45 minutes in a session that four or five of us had. I guess I expected a man who had spent two decades talking about it, like the president's done, to be able to articulate it. And it was one of the most disappointing sessions I have ever spent with the president.

>> Thornburgh: Well, there's a difference there, Tim. I mean, when you and I talk to Dick Snelling, we bring a different kind of an interest. I think the president communicates very well to the average man on the street what it means to bring government back closer to the people. And while that's an oversimplification of what the New Federalism is, it certainly hits home when you say the decisions should be made in your community about your

community's problems to the largest extent possible. And I know that because that's the way I talk to people around Pennsylvania.

>> Interviewer: Philosophically, I can see that. I guess I would have expected more thought on not the picayunes, per se, but some of the larger civic issues that have to be addressed.

>> Thornburgh: Well, I think the sorting-out process may well extend over a decade, but the important thing to me is that for the first time in 50 years, specific steps were taken in this year's -- or last year's budget to reverse the flow of power and authority to Washington. While the block-grant program fell far short of what the president envisioned and proposed, it nonetheless represented the first breach in that dyke of constantly growing federal power and a reversal of that flow of power and authority to states and local governments, which we are eagerly participating in this year, even to the point of working with local governments to carry out our own mini block-grant program to put more of those decisions right down on Main Street.

>> Interviewer: I don't especially care for labels, but there are labels --

>> Thornburgh: In 1979 where I labeled the kind of Republicanism that I stood for as compassionate pragmatism. And I guess I'll stick with that. Maybe Ted will copy that speech to you because it just -- Said some of the things in '79.

>> Interviewer: But if you were described as a liberal Republican --

>> Thornburgh: I think I'm probably described more as a moderate Republican.

>> Interviewer: Well, that's what I would describe you more as a moderate Republican. But if you were described as a liberal Republican, would you take issue with it?

>> Thornburgh: Oh... Let me put it this way. Not only are labels not particularly helpful, but the frame of reference changes. When I earned a reputation as a liberal Republican, I think the social issues of the '60s were the litmus test that that definition might be made in -- would you make a copy of this, please? -- when, frankly, I think all of us labored under the illusion of inexhaustible resources and the question was, how do we best distribute these resources to help the lot of every American? Now in the 1980s when it's quite clear that the task must be one of

careful and efficient management of those resources and the setting of priorities among a number of conflicting claims, you don't find many liberals of the 1960s stripe. And I get to the second question that was part of the Reaganomics thing -- As compared with what? What is the Democratic Party adopting as a policy for this nation, and how does it differ from what the president's proposing? I see a big, fat zero out there, Tim. Most Democrats, I think wisely, are reluctant to espouse the old tax, spend, and borrow policies that they rode for five decades of preeminence, at least in the Congress. And what they have proposed, what came out of the House in the Worth-Gephardt thing is really warmed-over moderate Republicanism, the stripe that I would characterize myself as being a practitioner over the years. So, you find, really, such an emphasis on management and attention to the problems of the economy today that I'm not sure those labels mean much. I guess on the conservative -- or on the ideological side, which I allow myself very little time for indulgence, you have a Jesse Helms group at one extreme and maybe the vestiges of the George McGovern, if any of them are still holding office, in that -- That's where the liberal and the conservative may be today. But largely in between, you've got a lot of us who are trying to solve problems.

>> Interviewer: I always tend to figure --

>> Thornburgh: Let me just give you this. The reason I give this to you is it's 1979 when I was fresh in office.

>> Interviewer: George Bush.

>> Thornburgh: Well, kind of hard for a vice-president to have a -
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>> Interviewer: But I think he's perceived as having a different flavor.

>> Thornburgh: Well, that's a Washington view, and I'm not of the Washington scene, so I'd have to defer to you on that.

>> Interviewer: A couple of other questions, Governor. Are there one or two --

>> Thornburgh: Let me just add one footnote to that 'cause I don't want to leave a wrong impression. I've already recited the figures, which we're very proud of -- Forward movement in all of our human-service programs in this state. And that is what the bottom line of good management has to be. We are not putting a

premium on good management for good management's sake. It is to maximize the impact on real-life, flesh-and-blood Pennsylvanians with real-life, flesh-and-blood needs through the programs that we have developed and to which they rightfully look for aid and assistance in times of their need.

>> Interviewer: Are there a couple of vignettes of the last four years that will always stand out in your mind?

>> Thornburgh: [Laughs] We had one pretty big vignette 72 days into office when the Three Mile Island nuclear reactor went up. I don't know whether that qualifies as a vignette.

>> Interviewer: That's right. That's true. How can I forget that? But going to the point of --

>> Thornburgh: Never knowing what's over the horizon.

[Laughs]

>> Interviewer: Yeah. And if you look forward at your second term, what things, generally, do you hope to accomplish?

>> Thornburgh: Well, obviously we have a number of state issues that occupy our putative second-term agenda. We have made a commitment to get the state out of the retail liquor business. We're the largest liquor purchaser in the world, and we have an arrogant, unresponsive bureaucracy, which --

>> Interviewer: You've been unsuccessful so far.

>> Thornburgh: Yeah, we have had the opposition of the Retail Clerks Union. And I started out on a basis of reforming the Liquor Control Board, but I have been unable to get the 2/3 Senate approval for replacing the majority on the board. Their terms expired one in 1978 and the other last year, but they continue to sit and control their holdover appointee Governor Shapp so that we finally, in despair, committed ourselves to legislation that would work the state out of the business altogether. And I think that'll be a high-priority item next year. Give some more small businesses a chance. Turn it over to the free enterprise system. We have carried out a lot of tax reform at the state level designed to enhance economic development. Next year, I think we're going to be looking carefully at local-tax reform -- assessment reforms, giving more flexibility to local governments in regard to their -- This goes along with the New Federalism, by the way. I think we

can't give people new responsibilities and new job assignments without giving them the authority to adjust their tax structures.

>> Interviewer: Will the enterprise zone legislation get passed? Do you know?

>> Thornburgh: Yes, it will, and we have our own enterprise-development program here. As a matter of fact, this month, we are going out to look at as many as 30 to 35 communities where we are targeting our own state program, which can dovetail with the federal program when it comes on stream. But again, you might want to give Tim a little copy of that book on enterprise development. I mentioned the job-training thing, about which we're very excited. The advanced-technology initiatives that we've undertaken through something we call the Ben Franklin Partnership, which recognizes that Dr. Franklin, a Pennsylvanian, was not only a good scientist and engineer, but a pretty good politician. And we've gotten our major colleges and universities, and we have some of the top technical and scientific institutes in the country here, together with the research facilities of major industry, together to create a consortium to put us on the cutting edge of advanced tech. One of the things that we have in Pennsylvania -- and I think it's overlooked -- is an advantage that nobody can take away from us -- the Sunbelt, foreign competition, even Washington -- and that's our location. Now, our nickname's the keystone state. And we are right on the doorstep of the major markets of New England, the Midwest, and the Upper South, where the majority of the economic country is still taking place. So, one of the reasons we've put such an emphasis on transportation, for example, is to ensure that we don't forfeit that advantage. But when it comes to advanced tech, we think that we have a key position there if we capitalize on what we have.

>> Interviewer: You've got the higher learning.

>> Thornburgh: Yes, we have our Carnegie Mellon University, Lehigh, Drexel --

>> Interviewer: So many states are talking about high-tech and attracting high-tech, and they forget, it seems to me, that you've got to have something else to attract them besides just the desire.

>> Thornburgh: Well, I keep right by my side here every day the Rand McNally "Places Rated Almanac," which ranks Pittsburgh fourth and Philadelphia sixth in terms of quality of life. And that is the best-kept secret in the United States. We've had a very

aggressive tourism and travel development effort with the theme "You've got a friend in Pennsylvania," which capitalizes on our people, which is really our most important resource.

>> Interviewer: How much different would it be politically if Pitt and Penn State were in... [

Laughter]

>> Thornburgh: It helps. It helps, believe me.

>> Interviewer: The thing about difficult political decision is which side of the field to sit on.

>> Thornburgh: Try and find me when Pitt and Penn State or the Steelers and the Eagles or the Pirates and the Phillies are playing. It's very difficult.