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Tip O'Neill  
remarks regarding  
Democrats' 1977  
Social Security  
Act...

(very interesting)

benefits will be commensurate with their earnings. To protect the fiscal integrity of the social security trust funds as well as the benefits of contributors, the House and Senate conferees have resisted many of the additional benefits sought by various interest groups, and pruned down certain benefits in the law which were going to people who had not contributed their fair share—notably through the elimination of coverage for limited partners and the reform of the minimum benefit structure.

But perhaps the greatest accomplishment of H.R. 9346, Mr. Speaker, is that it sets the stage for a thoughtful and thorough review of the basic social security financing system. Without this bill becoming law, the Disability Trust (DI) fund will run out in 12 to 18 months and the Old Age and Survivors Trust (OASI) shortly thereafter. If that occurred, thoughtful analysis would be impossible and panicky, shortsighted decisionmaking would be inevitable.

The taxes contained in H.R. 9346 have focused national attention on the undesirability of continuing to finance the entire social security system through payroll taxes. Payroll taxes are regressive—striking hardest at low and middle income wage earners while those with high salaries or investment earnings pay comparatively little. Moreover, the payroll tax is a tax on labor. At a time of continuing high unemployment, we cannot afford to increase the disincentives to hire new employees.

I feel strongly that the taxes imposed under H.R. 9346 are too high, and that ways of reducing the tax without postponing benefits or undermining the new-found financial soundness of the system must be explored. Early next year I intend to introduce a bill which will meet those objectives. The bill will remove the Health Insurance Trust fund (HI) which was added in the 1960's and the Disability Insurance Trust fund which was added in the 1950's from the system, and restore it to the single purpose retirement and survivor system created in the 1930's. This change will also mean a reduction in the payroll tax of about one-third for both employer and employee.

The purpose of such a bill would not be to abandon HI and DI, however, but to provide that the funds needed to carry on their functions be obtained from general tax revenues. We know that this is a workable financing system because under current law, nearly 40 percent of HI funds are derived from the treasury.

The key elements to a successful social security system are maintaining an adequate level of benefits, and maintaining the acceptance of those currently working who are paying the benefits of those currently retired. H.R. 9346 fulfills the first of those criteria. Unfortunately, acceptance of the taxes needed to insure adequate benefits is dwindling, as the one-time hidden payroll tax emerges as a regressive and antiemployment tax. In the long run, acceptance may be as crucial a factor in the life of the system as actuarial soundness. I urge my colleagues to vote for H.R. 9346 because it finances promised and well-deserved benefits for the next 50 years. But, I look upon our vote today as a prelude to the decisions we must make in the near future to re-

duce payroll taxes and restore the system's credibility. If we do not meet that challenge, then we run the risk of generational warfare which will ultimately destroy the system.

#### CALL OF THE HOUSE

Mr. WRIGHT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The call was taken by electronic device, and the following Members failed to respond:

[Roll No. 781]

Addabbo	Fraser	Fanetta
Andrews, N.C.	Fuqua	Pettis
Andrews, N. Dak.	Gammage	Pike
Armstrong	Ginn	Poage
Ashley	Hall	Pursell
Aspin	Harkin	Qule
Badillo	Harsha	Quillen
Baucus	Hefner	Rangel
Bede	Holtzman	Rinaldo
Bellenson	Ichord	Risenhoover
Bolling	Ireland	Rose
Bonker	Jacobs	Runnels
Breaux	Keys	Ruppe
Brodhead	Koch	Ryan
Burke, Calif.	Krebs	Santini
Burke, Fla.	LaFalce	Scheuer
Burleson, Tex.	Le Fante	Shipley
Burlison, Mo.	Lent	Shuster
Burton, John	Long, La.	Sisk
Burton, Phillip	Long Md.	Skubitz
Carney	Lujan	Smith, Iowa
Cavanaugh	Lundine	Solarz
Cederberg	McCloskey	Stark
Chappell	McDonald	Steed
Collins, Ill.	McEwen	Symms
Conyers	McHugh	Traxler
Corman	McKinney	Tsongas
Davls	Madigan	Udall
Dent	Maguire	Van Deerlin
Derwinski	Marlenee	Vander Jagt
Dickinson	Mathis	Weiss
Diggs	Meeds	Whalen
Drinan	Metcalfe	Wiggins
Fary	Mollohan	Wilson, Bob
Fisher	Moorhead, Pa.	Winn
Fithian	Murphy, N.Y.	Wolff
Foley	Myers, Michael	Yates
Ford, Tenn.	Neal	Zeferetti
Forsythe	Nix	
	Noian	

The SPEAKER pro tempore. On this rollcall 317 Members have recorded their presence by electronic device, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

#### SOCIAL SECURITY AMENDMENTS OF 1977

The SPEAKER pro tempore. The Chair recognizes the gentleman from Oregon (Mr. ULLMAN).

Mr. ULLMAN. Mr. Speaker, to conclude debate, I yield the balance of the time to the distinguished Speaker of the House (Mr. O'NEILL).

Mr. O'NEILL. Mr. Speaker, how did this bill happen to come before the Congress this year? I want the Members to think about that. How did it come up?

I will tell the Members how it came up. It came up because the liberal lobby and those who are supporters of the Reagan group, the Right Wing of America, so mollified and so frightened the aged of America and the senior citizens, that each one of us who went to any meeting where the senior citizens were present were asked: Is the social security system going down the drain? Did they have something to fear? No. We assured them that they had nothing to fear. We said, "No, this Congress, the Congress of the

United States, would never let the social security system go down the drain." Why, we would go into the general fund before we would ever allow that to happen.

I think we are the only Nation in the world that does not dip into the general fund. But, interestingly, the votes are not here for that purpose.

Mr. Speaker, I want to talk to the Democratic Members of this House; 1935 was the year that social security came into existence. Do the Members know what the vote was that day? There was a vote to recommit. And the vote was 97 Republicans voted to recommit, I voted for the legislation. And the interesting fact about it is that the philosophy has not changed on the Republican side since 1935.

What did the social security bill do at that particular time? There used to be in America what was called the poorfarm, the poorhouse, the almshouse; and those who had no insurance, no protection, went to the almshouse, to the poorhouse, to be fed and to be harbored. And when one walked by and he looked, he said to himself, "What a disgust to America that we have homes for the poor, the aged, those who have made America great. And what do we do? We put them in a poorhouse."

But we have changed. We came up with a philosophy which changed that. We came up with the philosophy of the Social Security Act.

Mr. Speaker, there are those who have gotten up and who have talked and who have said that the bill is repressive, there is too much tax.

There are those over here who are saying it is regressive, not enough tax, we are not taxing the right people.

Mr. Speaker, the philosophy of the Democratic party has always been to help the needy, to help the downtrodden.

Sure, I have had Members come up to me and say, concerning the social security bill, "Why, I could go to an insurance company and get a policy that would be so much more equitable, and when I reach the age of 65 I can receive so much more money than through social security." That is true. All of us, with our salary, could do that. But what about the unfortunate who cannot go out and get insurance? Who rely on social security as their sole source of retirement income? These people are the object of this legislation. They are the beneficiaries of social security.

I have heard all types of figures thrown around here today. But under the new law, if you earn \$10,000 a year, 10 years from now, in 1987, you pay \$59.58 more than you do under the present bill.

If you earn \$20,000 a year in 1987, you pay \$119 more a year in tax than you do under the present bill; if you earn \$30,000 a year, you pay \$178 more a year than you do now.

On the subject of this tax, let me remind the Members that there are 33 million people on social security—1 out of every 7.

We are leaving here. We are leaving here within a matter of minutes, and there are those of us who are going to go home and visit our clubs and attend Christmas parties; we are apt to have

some fellow who makes \$50,000 a year come up to us and say, "Thanks. You made my Christmas happy because I didn't get an added tax."

But there will be those of us who may happen to talk to a senior citizen. He or she is going to come up to you and say, "What about my social security? Is it going down the drain?"

If you voted against this, you are going to say, "Well, we are going to do something about this along the line." But what a miserable Christmas that senior citizen is going to have.

I say to the Members on the Democratic side of the aisle that if I have ever seen an issue that is a Democratic issue, it is this issue. This reverts right back to that day in 1935 when the party on the other side of the aisle voted against this issue by a vote of 97 to 1. The leopard does not change its spots.

Mr. Speaker, I ask for a yeas vote for the conference report.

The SPEAKER pro tempore. Without objection, the previous question is ordered on the conference report.

The yeas and nays were ordered.

The SPEAKER pro tempore. The question is on the conference report.

The question was taken; and the Speaker pro tempore announced that the yeas appeared to have it.

Mr. CONABLE. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The vote was taken by electronic device, and there were—yeas 189, nays 163, answered "present" 1, not voting 81, as follows:

[Roll No. 782]

YEAS—189

Addabbo	Duncan, Oreg.	Krueger
Akaka	Early	LaFalce
Alexander	Eckhardt	Lederer
Ambro	Edgar	Leggett
Ammerman	Edwards, Calif.	Levitas
Anderson, Calif.	Ellberg	Lloyd, Calif.
Annunzio	Emery	Lukens
Applegate	Ertel	McCormack
Ashley	Evans, Colo.	McDade
Baldus	Fascell	McFall
Barnard	Fisher	McHugh
Beard, R.I.	Flood	McKay
Benjamin	Florio	Mann
Blaggi	Flowers	Markey
Bingham	Foley	Marks
Blanchard	Ford, Mich.	Martin
Blouin	Fowler	Mattox
Boggs	Fraser	Mazzoli
Boland	Gephardt	Meyner
Bonior	Glalmo	Mikva
Brademas	Gilman	Millford
Breckinridge	Glickman	Miller, Calif.
Brodhead	Gudger	Mineta
Brooks	Hamilton	Minish
Brown, Calif.	Hanley	Mitchell, Md.
Broyhill	Hannaford	Moakley
Burke, Mass.	Harrington	Moffett
Carter	Harris	Moorhead, Pa.
Chisholm	Hawkins	Murphy, Ill.
Clay	Heckler	Murphy, N.Y.
Collins, Ill.	Hertel	Murtha
Corman	Hillis	Natcher
Cornell	Holland	Nedzi
Cornwell	Hollenbeck	Nolan
Cotter	Holtzman	Nowak
D'Amours	Howard	Oakar
Danielson	Hubbard	Oberstar
Davis	Hughes	Obey
Delaney	Jenkins	Ottinger
Dellums	Jenrette	Patten
Derrick	Johnson, Calif.	Patterson
Dicks	Jones, N.C.	Pattison
Diggs	Jones, Tenn.	Pease
Dingell	Jordan	Pepper
Dodd	Kastenmeier	Perkins
Downey	Keys	Pickle
Drinan	Kildee	Preyer
	Kostmayer	Price

Rahall  
Rangel  
Richmond  
Roberts  
Rodino  
Roe  
Rogers  
Roncallo  
Rooney  
Rosenthal  
Rostenkowski  
Roybal  
Russo  
Scheuer  
Seiberling  
Sharp

Simon  
Skubitz  
Solarz  
Spellman  
St Germain  
Staggers  
Stark  
Steers  
Stokes  
Stratton  
Thompson  
Trible  
Tucker  
Ullman  
Vank  
Vento

Waggonner  
Walgren  
Wampler  
Waxman  
Weaver  
Weiss  
Whitley  
Wilson, Tex.  
Wright  
Yatron  
Young, Fla.  
Young, Mo.  
Zablocki  
Zeferetti

Van Deerlin  
Whalen  
Wiggins

Wilson, Bob  
Winn  
Wolf

Yates

The Clerk announced the following pairs:

On this vote:  
Mr. Hightower for, with Mr. Runnels against.  
Mr. Le Fante for, with Mr. Pursell against.  
Mr. Carney for, with Mr. Pike against.  
Mr. Wolff for, with Mr. Cavanaugh against.  
Mr. Metcalfe for, with Mr. Lundine against.  
Mr. Neal for, with Mr. Santini against.  
Mrs. Burke of California for, with Mr. Chappell against.  
Mr. Baucus for, with Mr. Panetta against.  
Mr. Traxler for, with Mr. Ginn against.  
Mr. Risenhoover for, with Mr. Fuqua against.  
Mr. Ford of Tennessee for, with Mr. Andrews of North Dakota against.  
Mr. Conyers for, with Mr. Cederberg against.  
Mr. Nix for, with Mr. Dickinson against.  
Mr. Koch for, with Mr. Lent against.  
Mr. Badillo for, with Mr. Marlenee against.  
Mr. Meeds for, with Mr. McCloskey against.  
Mr. Shipley for, with Mr. McEwen against.  
Mr. Burleson of Texas for, with Mr. Ryan against.  
Mr. Bellenson for, with Mr. Mollohan against.  
Mr. Breaux for, with Mr. Symms against.  
Mr. Moss for, with Mr. Wiggins against.  
Mr. Fary for, with Mr. Winn against.

Until further notice:

Mr. Aspin with Mr. Gammage.  
Mr. Bedell with Mr. Bob Wilson.  
Mr. Bonker with Mr. Udall.  
Mr. Burlison of Missouri with Mr. Rinaldo.  
Mr. Fithian with Mr. Whalen.  
Mr. Harkin with Mr. Dent.  
Mr. Hefner with Mr. Harsha.  
Mr. Krebs with Mr. Ichord.  
Mr. Maguire with Mr. Long of Maryland.  
Mr. Long of Louisiana with Mr. Lujan.  
Mr. Smith of Iowa with Mr. Mathis.  
Mr. Tsongas with Mr. Michael O. Myers.  
Mr. Fithian with Mr. Hall.  
Mr. Sisk with Mr. Van Deerlin.  
Mr. Yates with Mr. Armstrong.  
Mr. Burke of Florida with Mr. Ruppe.

Mr. HIGHTOWER. Mr. Speaker, I have a live pair with the gentleman from New Mexico (Mr. RUNNELS). Had he been here, he would have voted "nay." I voted "yea." Therefore, I withdraw my "yea" and vote "present."

Mr. HIGHTOWER changed his vote from "yea" to "present."

So the conference report was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. ULLMAN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks and include extraneous material on the conference report just agreed to.

The SPEAKER. Is there objection to the request of the gentleman from Oregon?

There was no objection.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Sparrow, one of its clerks, announced that the Senate had passed without

Abdnor  
Allen  
Anderson, Ill.  
Andrews, N.C.  
Archer  
Ashbrook  
AuCoin  
Badham  
Bafalis  
Bauman  
Beard, Tenn.  
Bennett  
Bevill  
Bowen  
Brinkley  
Broomfield  
Brown, Mich.  
Brown, Ohio  
Buchanan  
Burgener  
Burton, John  
Butler  
Byron  
Caputo  
Carr  
Clausen,  
Don H.  
Clawson, Del  
Cleveland  
Cochran  
Cohen  
Coleman  
Collins, Tex.  
Conable  
Conte  
Corcoran  
Coughlin  
Crane  
Cunningham  
Daniel, Dan  
Daniel, R. W.  
de la Garza  
Derwinski  
Devine  
Dornan  
Duncan, Tenn.  
Edwards, Ala.  
Edwards, Okla.  
English  
Erlenborn  
Evans, Del.  
Evans, Ga.  
Evans, Ind.  
Fenwick  
Findley  
Fish

NAYS—163

Fippo  
Flynt  
Fountain  
Frenzel  
Frey  
Gibbons  
Goldwater  
Gonzalez  
Goodling  
Gore  
Gradison  
Grassley  
Guyer  
Hagedorn  
Hammer-  
schmidt  
Hansen  
Holt  
Horton  
Huckaby  
Hyde  
Ireland  
Jacobs  
Jeffords  
Johnson, Colo.  
Jones, Okla.  
Kasten  
Kazen  
Kelly  
Kemp  
Ketchum  
Kindness  
Legomarsino  
Latta  
Leach  
Lehman  
Livingston  
Lloyd, Tenn.  
Lott  
McClory  
McDonald  
McKinney  
Madigan  
Mahon  
Marriott  
Michel  
Miller, Ohio  
Mitchell, N.Y.  
Montgomery  
Moore  
Moorhead,  
Calif.  
Mottl  
Murphy, Pa.  
Myers, Gary

Myers, John  
Nichols  
O'Brien  
Pressler  
Pritchard  
Quayle  
Quillen  
Rallsback  
Regula  
Reuss  
Rhodes  
Robinson  
Rose  
Rousselot  
Rudd  
Sarasin  
Satterfield  
Sawyer  
Schroeder  
Schulze  
Sebellus  
Shuster  
Sikes  
Skelton  
Slack  
Smith, Nebr.  
Snyder  
Spence  
Stangeland  
Stanton  
Steed  
Steiger  
Stockman  
Studds  
Stump  
Taylor  
Teague  
Thone  
Thornton  
Treen  
Vander Jagt  
Voikmer  
Walker  
Walsh  
Watkins  
White  
Whitehurst  
Whitten  
Wilson, C. H.  
Wirth  
Wydler  
Wyllie  
Young, Alaska  
Young, Tex.

ANSWERED "PRESENT"—1

Hightower

NOT VOTING—81

Andrews, N. Dak.	Ford, Tenn.	Metcalfe
Armstrong	Forsythe	Mollohan
Aspin	Fuqua	Moss
Badillo	Gammage	Myers, Michael
Baucus	Gaydos	Neal
Bedell	Ginn	Nix
Bellenson	Hall	Panetta
Bolling	Harkin	Pettis
Bonker	Harsha	Pike
Breaux	Hefner	Poage
Burke, Calif.	Ichord	Pursell
Burke, Fla.	Koch	Qule
Burleson, Tex.	Krebs	Rinaldo
Burlison, Mo.	Le Fante	Risenhoover
Burton, Phillip	Lent	Runnels
Carney	Long, La.	Ruppe
Cavanaugh	Long, Md.	Ryan
Cederberg	Lujan	Santini
Chappell	Lundine	Shipley
Conyers	McCloskey	Sisk
Dent	McEwen	Smith, Iowa
Dickinson	Maguire	Symms
Fary	Marlenee	Traxler
Fithian	Mathis	Tsongas
	Meeds	Udall

# Misty Church

CPI -

January, 1980 - 18.0  
(one month - annualized)

1<sup>st</sup> quarter 1980 - 17.1%

## Cars:

American,	1976	8.5 million
domestic,	1980	6.6 million

---

T-Bills 15 1/2

Today less than 7

Carter

1-31-77 <sup>message to Cong</sup> Econ. Recovery program  
to balance budget by '81!

said can spur recovery w/o  
risking "significant new inflation"  
boost Con. on wage & price stability

Tax rebate \$50 for each  
taxpayer & dependent.

2-5-77 Called for sacrifice —  
"proposal for economic recovery"

4-14-77 Q + A  
drops rebate

4-15-77 - ISI Anti-inflation  
program  
"fiscal discipline" (!)  
"incentives for business to increase  
productive capacity"

will "restrain the costs of  
popular programs"

want to reduce inflation rate by "2 percentage  
points by end of '79"

Voluntary cooperation among business  
labor & govt.

American people have been through much  
for the last 3 years - excess  
money - highest inflation - interest  
rates -

This is no time to insult  
their strength - but a time to  
celebrate our ability to weather  
the worst.

We're on the move again.

---

12/20/77 - huge rise in Soc. Sec.  
taxes (P. Signal bill)

note

"Now this legislation will  
guarantee that from 1980 to the  
year 2030, the social security  
funds will be sound."

---

1-20-78 proposes tax reform

zero-based budgeting - "will  
produce even greater savings in  
subsequent years."

reduce budget's share of GDP to  
21%.

wellhead tax proposal w/ rebate to people

for inflation - proposes a  
"voluntary deceleration standard"

4-11-78 - 2nd anti-inflation  
proper

"pay freeze" exec. appointees  
~~for~~ support for "sunset  
legislation."

requested American workers to  
accept a lower rate of  
wage increase.

Robert Strauss "special counselor  
in inflation" - (he did a  
good job!)

Quote Lippman - "you will have  
no sacrifice your comfort & ease."

4/25 - says \$25 billion tax  
cut not inflationary

10/24 3rd anti-inf. job -  
"will oppose any further  
reduction in Fed. income  
taxes."



Called for "national austerity."

Called for "voluntary wage and price standards";

anti-inflation tax rebate / less than 2% increase

"real wage insurance proposal"

Wage & price  
Czar  
(called  
Kahn)

3/24/79 - called  
for "time of restraint"

7/15/79 - national  
Malaise speech.

"import quotas on oil"

asked for "energy mobilization board"

we have "crisis of confidence"

"our people are losing faith"

1-30-80 - mentioned his

"roy advisory committee"

"price advisory committee"

4<sup>th</sup> anti-inflation plan  
3/14/80

Said would cut <sup>spending in</sup> 1981  
budget by more than \$13 billion

"Credit controls"

tripled size of Council on  
Wage & Price Stability

Freeze govt employment

3/14  
press  
conf.

"I can guarantee you that  
we will have a balanced  
budget in 1981, fiscal  
year beginning Oct. 1."

8/28/80 -

"new steps will put people  
back to work, reduce taxes  
etc. etc."

will establish an  
"economic revitalization board"  
proposed a 5% social security tax credit  
to offset S.S. tax increases

10-12-80

Called for "America's  
Economic Renaissance"

9-23-82

Unemployment ✓ 1980

Unadjusted

April - July

3 months

April	6,846,000
May	7,318,000
June	8,291,000
July	8,410,000

} 1,564,000

Adjusted

March - July -

4 months

March	6,543,000
April	7,202,000
May	7,944,000
June	7,811,000
July	8,021,000

1,478,000

1st quarter inflation 1980 - 17 2/3  
 April # - prime rate = 19 1/2 2/3

I can't hide my  
 contempt for those who  
 who have muffed their  
 long struggle at the  
 amount of higher  
 unemployment

# THE FEDERAL REPORT

## s Case

to appeal. Reynolds Press International that on Department didn't al, and Justice officials riding reasons" to push

h, Clarence M. Pendle- chairman of the Com- civil Rights, signed a let- e commission warning neral William French Education Secretary Ter- at the Richmond ruling mate civil rights protec- tion" if not reversed.

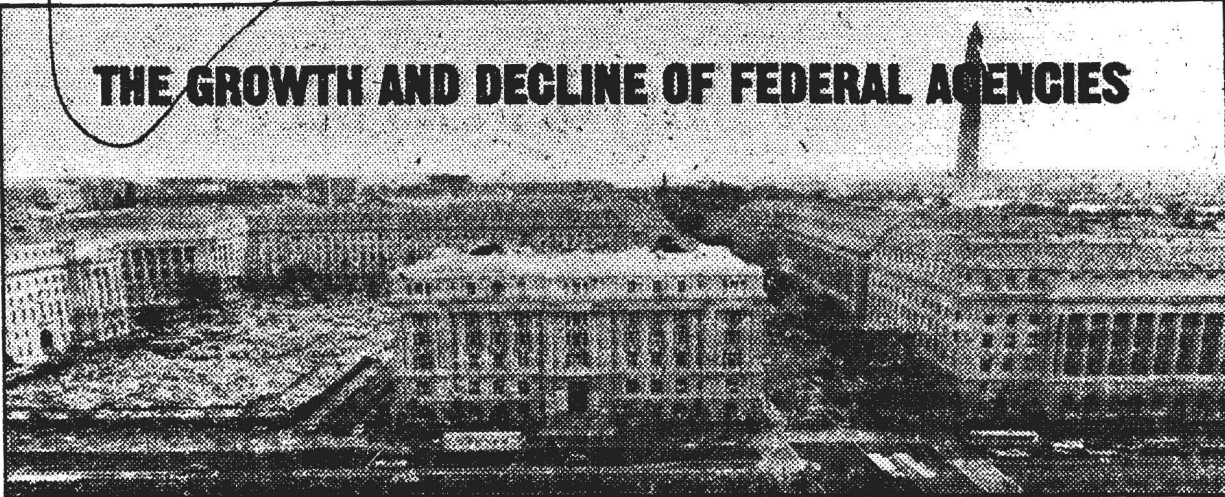
ay Pendleton said in a erview from California, ind that Brad Reynolds ry hard, looking where e a stand on this issue, there's another case " Pendleton said "we'll and see" the effects of ment decision because flicting court rulings in the country.

h, the 3rd U.S. Circuit eals in Philadelphia itle IX protections did e City College in Penn- though its only federal form of student grants

idings, president of the omen Voters, said yes- oup was "severely dis- y the administration's o appeal the Richmond major setback to civil ement," she said. "It e got a lot of trouble in this administra-

ohn, of the National Center, said the ad- decision "is a disgrace. are with a strong en- ture. It is inconsistent tion they've taken in e Grove City. It calls their commitment to

ond judge issued a nction against the ohn said. "It's hard to ministration couldn't on any of a number of o me, this was a high- sion."



### THE GROWTH AND DECLINE OF FEDERAL AGENCIES

This table shows how the number of civilian employees at major federal agencies has grown or decreased since 1965 (or from the date the agency was created).

W/P 9/9/82

	JUNE '65	JUNE '70	JUNE '75	JUNE '82	% GROWTH (+) OR DECREASE (-)
AGRICULTURE	113,017	102,447	120,999	127,293	+12.6%
COMMERCE	33,668	33,396	36,228	35,248	+4.7%
DEFENSE	1,033,775	1,193,784	1,041,829	1,045,388	+1.1%
ENERGY	0	0	19,647	18,537	--
HHS*	87,316	108,044	147,125	150,090	+71.9%
HUD	13,777	15,190	17,161	14,568	+5.7%
JUSTICE	33,222	39,257	51,541	55,949	+68.4%
LABOR	9,527	10,991	14,834	18,956	+99.0%
STATE	24,454	24,779	23,785	24,387	-0.3%
TRANSPORTATION	55,907	65,985	75,035	62,376	+11.6%
TREASURY	88,761	92,521	121,546	121,919	+37.4%
CPSC	0	0	303	696	--
ACTION	1,104	1,317	1,864	605	-45.2%
EEOC	0	850	2,183	3,212	--
EPA	0	0	5,447	12,623	--
FDIC	1,544	2,478	3,103	3,317	+114.8%
FTC	1,157	1,330	1,661	1,622	+40.2%
ICC	2,427	1,755	2,115	1,530	-37.0%
NASA	34,049	32,548	26,447	23,497	-31.0%
NRC	0	0	1,970	3,897	--
OMB	524	633	673	632	+20.6%
OPM**	3,789	5,508	8,157	6,651	+75.5%
SBA	3,751	4,269	4,796	5,117	+36.4%
SMITHSONIAN	2,334	2,641	3,746	4,477	+91.8%
TVA	16,797	22,244	28,423	39,913	+137.6%
USIA	11,628	10,262	8,809	7,926	-31.8%
VA	167,059	168,719	213,143	240,575	+44.0%

NOTE: The percentage increase or decrease is not figured for agencies that did not exist in June, 1965.

\* 1982 figure combines the Health and Human Services Department with the Education Department, which previously had been together as the Health, Education and Welfare Department.  
\*\* Previously the Civil Service Commission.

First DOT figure is for April, 1967. First EPA figure is for December, 1970. First CPSC figure is for May, 1973.  
First NRC figure is for January, 1975. First DOE figure is for October, 1977.

SOURCE: OFFICE OF PERSONNEL MANAGEMENT

By Gail McCrory - The Washington Post

THE WHITE HOUSE  
WASHINGTON

Date: 8/11/82

TO: KLK

FROM: MISTY L. CHURCH 

RE: Social security, etc.

Enclosed are a number of additional items:

- 1) Memo detailing social security numbers (and background).
- 2) Carter's message to Congress when he presented social security legislation.
- 3) Quotes from "What they said in ..." for 1977 and 1978. Library is missing 1979 (will find) and 1980's was not published.

I copied entire section on economy from both years to give flavor of what was said. (Some are unusable because they are quotes from academia, etc.)

Last couple pages of each package are quotes from those years on Social security or Jimmy Carter performance.

THE WHITE HOUSE

WASHINGTON

Social Security trust funds

(OASDI=Old Age and Survivors and Disability Trust Funds)  
(HI=Hospital Insurance Trust Fund)

There are 3 trust funds. OAS and DI and the ones in trouble. They are the ones dealing with cash benefits. HI is solvent, but involves only in-kind benefits. (SSA pays the hospital directly.)

<u>Year*</u>	<u>OASDI</u>	<u>HI</u>
1976	\$ 41.133 billion	\$ 10.605 billion
1980	26.453 "	13.749 "

With amount left in OASDI at end of 1976, they could meet 47% of their out go for 1977 if no more money came in.  
With amount left in OASDI at end of 1980, they could meet 18% of their out go for 1981 if no more money came in.

With amount left in HI at end of 1976, they could meet 66% of their out go for 1977 if no more money came in.  
With amount left in HI at end of 1980, they could meet 45% of their out go for 1981 if no more money came in.

Combined... OASDI/HI left end of 76, could meet 50% in 1977.  
OASDI/HI left end of 80, could meet 23% in 1981.

Carter message to Congress, enclosed in this package, notes when the trust funds would have (by their estimates then) gone dry.

\*Numbers are end of calendar year estimates.

NOTE: 1977 Trustee report (end of year, right after social security bill was passed) noted that 1980 end-of-year trust fund should have \$32.46 billion (intermediate assumptions). As noted above, it had only \$26.453 billion, or about \$6 billion short.

Source: Jim Brown, Public Affairs Director, Social Security Administration (End-of-year trustee reports)

**Q.** How do you see the coming meeting with President Asad of Syria and your meeting with Mr. Allon of Israel?

**SECRETARY VANCE.** The question was: How do I see the forthcoming meeting with President Asad, which we will have tomorrow, and also my meeting with Foreign Minister Allon?

The President and I are looking forward very much to our meeting with President Asad. He is one of the key figures, of course, in the Middle East and in the solving of the Middle East question. We have had the opportunity to meet with most of the other Arab leaders, but this will be our first meeting with him, at least the President's first meeting with him.

His views are going to be extremely important in the development of our final views with respect to the proposals which we may choose to make in connection with the settlement of the Middle East question.

I met with Foreign Minister Allon on my last Middle East trip. A good deal has happened since that time, and we have had these meetings with the other Arab leaders during that period. Therefore, I thought it was time for us to meet again, where I could review with him what had come out of the conversations with the other Arab leaders and get the latest thinking of the Israelis on the Middle East question.

**Q.** Mr. Secretary?

#### JAPAN

**SECRETARY VANCE.** One or two more questions.

**Q.** Excuse me; one followup. You did mention the trade surplus of Japan to the European Economic Community, but was it resolved? Did Japan make any overtures at reducing trade surplus and helping in these economic deficits in Europe?

**SECRETARY BLUMENTHAL.** Japan, along with the other countries, committed itself to meet its growth targets and to meet its targets that had previously stated. And it did accept the notion that the strong countries must make a particular effort so that the surpluses in the world can be taken care of. So, in that sense, the Japanese took full cognizance of their position and promised to act accordingly.

**SECRETARY VANCE.** One final question.

#### FOREIGN NUCLEAR SALES

**Q.** Is the United States willing to modify its nuclear policy if the result of the 2-month study should request, and especially in terms of the condition, or requirement, of the approval for doing the reprocessing in foreign countries—or do you know if the United States expects to store the nuclear waste inside the United States in the future?

**SECRETARY VANCE.** The 2-month study will be a preliminary analysis, as I indicated, which will develop the terms of reference for the longer study which will go into the kinds of question which you are talking about. Of course, what comes out of that will be very important, not only to the United States in determining what its policy should be in the future, but to all the other participants who will be involved in it.

Thanks very much.

**NOTE:** The news conference began at 8:20 p.m. in the press center at the Churchill Hotel, London.

#### Social Security System

*Message to the Congress. May 9, 1977*

*To the Congress of the United States:*

The Social Security system affects the lives of more Americans than almost any

other function of government. More than 33 million people currently receive benefits. Another 104 million people are making contributions with the expectation that they will receive benefits when they retire or become disabled, or when their survivors need help.

Today, the Board of Trustees of the Social Security Trust Funds is submitting its 1977 report to the Congress. The report tells us that the system critically needs financial support in the short term. The high unemployment of recent years has curtailed Social Security's revenues, while benefits have risen with inflation. Since 1975 expenditures have exceeded income; and existing reserves will soon be exhausted.

Unless we act now, the Disability Insurance Trust (DI) Fund will be exhausted in 1979 and the Old Age and Survivors Insurance (OASI) Trust Fund will run out in 1983.

The Trustees' Report indicates that there are serious longer term problems as well. Under current law the Social Security system will have an estimated deficit of 8.2 percent of taxable payroll over the next seventy-five years. About half of this deficit is due to changes in the projected composition of our population over those years. Higher life expectancy and lower birthrates will make the nation older as a whole. About half is due to a technical flaw in the automatic cost of living formula adopted in 1972.

While campaigning for President, I stressed my commitment to restore the financial integrity of the Social Security system. I pledged I would do my best to avoid increases above those already scheduled in tax rates, which fall most heavily on moderate and lower-income workers. I also promised to correct the technical flaw in the system which exaggerates the adjustment for inflation, and to do so

without reducing the relative value of retirement benefits as compared with pre-retirement earnings.

I am announcing today a set of proposals which meet those commitments and which solve both the short-term and long-term problems in the Social Security system through the end of the twentieth century. These proposals are designed to:

- Prevent the default of the trust funds now predicted to occur.
- Bring income and expenses into balance in 1978 and keep them that way through the end of the century.
- Create sufficient reserves to protect the system against sudden declines in revenue caused by unemployment or other economic uncertainties.
- Protect the system's integrity beyond the turn of the century to the extent we can predict what will happen in the next 75 years.
- Provide for an orderly review and examination of the system's basic structure.

My proposals are the result of a number of hard choices. I am convinced that action is needed now, and that these steps will restore the financial integrity of the Social Security system.

I will ask the Congress to take the following specific actions:

1. Compensate the Social Security trust funds from general revenues for a share of revenues lost during severe recessions. General revenues would be used in a countercyclical fashion to replace the payroll tax receipts lost as a result of that portion of unemployment in excess of six percent. General revenues would be used *only* in these carefully limited situations. Because this is an innovative measure, the legislation we submit will provide this feature only through 1982. The next Social Security Advisory Council will be asked

*Carter message to Congress  
on Social Security.*



to review this countercyclical mechanism to determine whether it should be made permanent.

2. Remove the wage-base ceiling for employers. Under present law employers and employees pay a tax only on the first \$16,500 in wages. Under this proposal the employer ceiling would be raised over a three-year period, so that by 1981 the ceiling would be removed. This action will provide a significant source of revenue without increasing long-term benefit liabilities.

3. Increase the wage base subject to the employee tax by \$600 in 1979, 1981, 1983, and 1985, beyond the automatic increases in current law. This will provide a progressive source of financing.

4. Shift revenues from the Hospital Insurance Trust Fund to the Old Age, Survivors, and Disability Trust Funds. In part, this shift will be made possible because of substantial savings to the Medicare system from the hospital cost containment legislation that I have proposed.

5. Increase the tax rate on the self-employed from 7 percent to 7.5 percent. This will restore the historical relationship between the OASI and the DI rates paid by the self-employed to one and one-half times that paid by employees.

6. Correct certain technical provisions of the Social Security Act which differentiate on the basis of sex. This will include a new eligibility test for dependent benefits. Recent Supreme Court decisions would result in unfinanced increases in the cost of the system and some inequities without this change.

These six steps, along with measures already contained in existing law, will eliminate the short-term financing problem and improve the overall equity of the Social Security system.

In order to guarantee the financial integrity of the system into the next cen-

ture, two additional steps must be taken. I will be asking the Congress to:

1. Modify the Social Security benefit formula to eliminate the inflation over-adjustment now in law. This modification, known as "decoupling," should be done in a way that maintains the current ratio of retirement benefits to preretirement wages.

2. Adjust the timing of a tax rate increase already contained in current law. The one percent tax rate increase presently scheduled for the year 2011 would be moved forward so that .25 percent would occur in 1985 and the remainder in 1990.

Taken together, the actions I am recommending today will eliminate the Social Security deficit for the remainder of this century. They will reduce the estimated 75-year deficit from the Trustee Report forecast of 8.2 percent of payroll to a manageable 1.9 percent.

Prompt enactment of the measure I have recommended will provide the Social Security system with financial stability. This is an overriding immediate objective.

In addition, I am instructing the Secretary of Health, Education and Welfare to appoint the independent Social Security Advisory Council required by law to meet each four years. I will ask the Council to conduct a thorough reexamination of the structure of the system, the adequacy of its benefits, the effectiveness and equity of disability definitions, and the efficiency and responsiveness of its administration. Their report, which will be issued within the next two years, will provide the basis for further improvements.

I call upon the Congress to act favorably on these major reform initiatives.

JIMMY CARTER

The White House,  
May 9, 1977.

## Thirtieth World Health Assembly

Message to the Assembly. May 5, 1977

To the President and Members of the Thirtieth World Health Assembly, Geneva, Switzerland

I want to commend the outstanding work of the World Health Organization, under the leadership of Dr. Halfdan Mahler. Public health has been a particular concern of mine for many years. My mother is a nurse, and my wife is deeply committed to improving health services.

During my lifetime, science and technology have brought under control a number of diseases that once weakened, crippled, or killed people throughout my home state of Georgia.

But many parasitic and infectious diseases remain, even in a country such as ours. In some areas of the southeastern United States, more than 25 percent of the children suffer from intestinal parasites.

The situation is far worse, of course, in countries which have not yet reached the technical and scientific levels made possible by our abundance of natural resources. In the developing countries of Asia, Africa, Latin America and the Middle East, some two billion people live with the constant threat of malaria, schistosomiasis, leprosy, measles, yaws, and other terrible diseases.

Malnutrition and high population growth rates complicate the problems of health care—and the chief sufferers are children.

In Upper Volta, to pick one tragic example from the many, mortality among children under five is close to 50 percent.

These questions affect us all, since increased international travel hastens the spread of disease throughout the world. But a greater degree of cooperation be-

tween scholars and scientists of all nations can slow that spread, and even wipe out certain diseases altogether. Smallpox, for example, is almost eradicated except for Somalia.

In my speech to the United Nations General Assembly several weeks ago, I emphasized our commitment to basic human rights. These include the right of every human being to be free from unnecessary disease.

To work toward that right, we will offer to share our medical know-how with all nations, regardless of politics or ideology. We will work together to control disease, improve nutrition, and raise the quality and productivity of life throughout the world.

The United States is ready to help develop a truly international program to identify and report epidemic and endemic diseases. We will work with the World Health Organization, as well as with individual countries, in a global effort to give early warning of impending disease outbreaks.

The gap in health and productivity between developed and developing nations is bound to increase political and social instability in the world.

In some measure this gap is due to unequal distribution and consumption of food, energy, and water. We know the economic and social consequences to other nations of our own waste of non-renewable energy resources, and we are determined to correct the situation.

We also know that health and economic development are closely linked. The child with malaria often misses school. The anemic worker, with a parasitic infection, is less productive than he should be. We need to pursue programs which break this cycle of poverty, disease and hunger.

When I return to the United States, I will strive personally to find ways in which

**VI. WORKERS' BUYING POWER DECREASES**

The buying power of American workers' paychecks continues to decline in 1982 and remains considerably below the levels prevailing in the late 1970s. While gross average weekly earnings for workers in private industry increased by 4.9 percent from \$254.53 in May 1981 to \$267.05 in May 1982, real spendable earnings reduced by social security and federal income taxes and adjusted for inflation, actually declined by 1.4 percent.

This decline in workers' buying power erodes the living standards of workers and their families and contributes to the recession as reduced buying power leads to lower production and further layoffs. Since 1977, average real spendable earnings have dropped by 14.1 percent.

**Average Weekly Earnings, Production or Nonsupervisory Workers**

**Current, Constant, & Spendable Dollars  
1977 - 1982**

Year	Average Weekly Earnings		Real Spendable Earnings (constant after-tax \$)*
	Current Dollars	Constant Dollars (adjusted for price changes since 1977)	
1977	\$189.00	\$189.00	\$169.93
1978	203.70	189.31	167.95
1979	219.91	183.41	162.49
1980	235.10	172.74	151.65
1981	255.20	170.13	147.05
1982 May(p)	267.05	169.45	146.02
<u>Percent Change</u> 1977 to May 1982	+41.3%	-10.3%	-14.1%

*- 10.76%  
in constant  
years*

\*Worker with three dependents

Annual Averages

Source: "Real Earnings," Bureau of Labor Statistics, Spendable earnings for May 1982 calculated by the AFL-CIO using BLS methods.

U.S. Nonfuel Mineral Production

Source: Bureau of Mines, U.S. Interior Department

Production as measured by mine shipments, sales, or marketable production (including consumption by producers)

Metals	1979		1980	
	Quantity	Value (thousands)	Quantity	Value (thousands)
Antimony ore and concentrate	W		343	
Bauxite	W	\$24,875	1,559	\$12,311
Copper (recoverable content of ores, etc.)	W	2,960,875	1,168,311	2,636,850
Gold (recoverable content of ores, etc.)	W	969,920	951,348	962,770
Iron ore, usable (excluding iron sinter)	W	2,811,574	69,562	2,543,060
Iron oxide pigments, crude	W	74,548	62,642	4,990
Lead (recoverable content of ores, etc.)	W	525,589	909,929	549,484
Manganese ore (5% to 35% Mn)	W	240,896	2,902	173,897
Molybdenum (content of concentrate)	W	29,519	6,299	30,657
Nickel (content of ore and concentrate)	W	143,504	871,067	1,344,051
Silver (recoverable content of ores, etc.)	W	15,065	14,653	W
Titanium concentrate	W	38,087	422,388	31,327
Tungsten ore and concentrate	W	646,399	32,985	593,704
Vanadium (recoverable in ore and concentrate)	W	6,948	55,785	6,036
Zinc (recoverable content of ores, etc.)	W	5,520	73,892	4,906
Combined value of beryllium, magnesium chloride for magnesium metal, platinum-group metals (1980), rare-earth metals, tin, titanium (rutile), zircon concentrate, and values indicated by symbol W	XX	267,341	219,841	334,882
<b>Total metals</b>	XX	144,962	XX	1,111,401
	XX	8,540,000	XX	8,571,888
Nonmetals (Except Fuels)				
Abrasive stones	W	2,084	2,084	2,084
Asbestos	W	102,903	28,926	88,271
Asphalt and related bitumens, native	W		2,131	2,131
Bituminous limestone, sandstone, gilsonite	W	1,614	25,822	1,252
Barite	W	2,113	53,581	2,245
Boron minerals	W	1,590	310,211	1,545
Bromine	W	497,000	114,500	391,600
Calcium chloride	W	719,709	51,884	581,012
Carbon dioxide, natural	W	2,028,045	3,243	1,628,424
Cement	W			2,581
Portland	W	78,978	3,650,438	71,612
Masonry	W	3,748	204,787	3,613,337
Clays	W	54,689	848,089	188,498
Diatomite	W	717	90,323	808,847
Emery	W	10,005	204	889
Feldspar	W	740,472	21,474	7,284
Fluorspar	W	109,269	12,162	23,200
Garnet (abrasive)	W	21,240	3,746	12,811
Gem stones (e)	W	NA	8,230	3,957
Gypsum	W	14,830	99,888	12,378
Helium	W			103,091
Crude	W	537	16,444	299
High-purity	W	1,080	24,840	3,598
Lime	W	20,945	862,459	1,159
Mica	W			20,657
Scrap	W			842,892
Peat	W	134	7,708	117
Perlite	W	798	15,517	788
Phosphate rock	W	660,000	18,435	638,000
Potassium salts	W	51,611	1,045,655	54,415
Pumice	W	2,388	279,199	2,217
Pyrites	W	4,411	15,509	3,755
Salt	W	1,049	17,087	847
Sand and gravel	W	45,793	538,352	40,352
Sodium carbonate (natural)	W	979,000	2,427,000	794,400
Sodium sulfate (natural)	W			2,302,000
Stone	W	533	29,689	583
Sulfur, Frasch process	W	1,067,821	3,388,058	981,820
Talc, soapstone, pyrophyllite	W	7,507	449,433	7,400
Trippol	W	1,453	20,364	1,473
Vermiculite	W	118,009	8,279	121,233
Combined value of apatite, emery (1978), graphite, iodine, kyanite, lithium, minerals, magnesite, magnesium compounds, greensand, marl, olivine, staurolite, wollastonite, and values indicated by symbol W	XX	348	21,955	337
<b>Total nonmetals</b>	XX	740,271	XX	841,112
	XX	15,440,000	XX	16,233,000
<b>Grand total</b>	XX	23,980,000	XX	25,108,000

(e) Estimate. (r) Revised. (NA) Not available. (W) Withheld to avoid disclosing company proprietary data; included in "Combined value" figures. (XX) Not applicable.  
 (1) Production as measured by mine shipments, sales, or marketable production (including consumption by producers).  
 (2) Grindstones, pumppstones, grinding pebbles, sharpening stones, and tube mill liners.  
 (3) Excludes abrasive stone, bituminous limestone, bituminous sandstone, and soapstones, all included elsewhere in table.

Source: 1982 World Almanac

U.S. Nonfuel Mineral Production—Leading States

Source: Bureau of Mines, U.S. Interior Department

State	1980 Value (thousands)	Percent of U.S. total	Principal minerals, in order of value
Arizona	\$2,425,714	9.88	Copper, molybdenum, cement, silver.
California	1,885,695	7.51	Cement, sand and gravel, boron, stone.
Idaho	1,782,310	7.10	Iron, ore, sand and gravel, stone, lime.
Montana	1,734,851	6.91	Cement, sulfur, stone, sand and gravel.
Utah	1,508,754	6.01	Phosphate rock, stone, cement, sand and gravel.
Michigan	1,485,450	5.92	Iron ore, cement, magnesium compounds, salt.
Colorado	1,264,515	5.04	Molybdenum, cement, sand and gravel, silver.
Missouri	1,056,758	4.21	Lead, cement, stone, lime.
Georgia	770,688	3.07	Clay, stone, cement, sand and gravel.
New Mexico	765,211	3.05	Copper, potassium salts, molybdenum, silver.

Value of U.S. Mineral Production (millions of dollars)

Production as measured by mine shipments sales or marketable production.

Year	Fuels	Nonmetallic	Metals	Total	Year	Fuels	Nonmetallic	Metals	Total
1930	2,500	973	501	3,980	1973	24,949	7,476	4,362	36,787
1940	2,662	764	752	4,198	1974	40,889	8,687	5,501	55,077
1950	8,689	1,882	1,351	11,862	1975	47,505	9,570	5,191	62,266
1960	12,142	3,868	2,022	18,032	1976	52,484	10,616	6,086	69,186
1965	14,047	4,933	2,544	21,524	1977	59,575	11,701	5,810	77,086
1970	20,152	5,712	3,928	29,792	1978	NA	13,524	6,296	NA
1971	21,247	6,058	3,406	30,711	1979	NA	15,440	8,540	NA
1972	22,061	6,482	3,642	32,185	1980	NA	16,233	8,875	NA

(1) Excludes Alaska and Hawaii, 1930-53. (2) Data may not add to total because of rounding figures. (P) Preliminary.

U.S. Pig Iron and Steel Output

Source: American Iron and Steel Institute (net tons)

Year	Total pig iron	Pig iron and ferro-alloys	Raw steel	Year	Total pig iron	Pig iron and ferro-alloys	Raw steel
1940	46,071,668	47,398,529	66,982,688	1974	95,809,000	98,332,000	145,720,000
1945	53,223,169	54,919,029	79,701,648	1975	101,208,000	103,345,000	116,642,000
1950	64,586,907	66,400,311	95,836,075	1976	86,870,000	88,780,000	126,000,000
1955	78,857,417	79,263,865	117,038,085	1977	81,328,000	83,082,000	125,333,000
1960	66,480,648	68,566,384	99,281,601	1978	87,879,000	89,351,000	137,031,000
1965	88,184,901	90,918,040	131,461,601	1979	87,003,000	88,806,000	136,341,000
1970	91,435,000	93,851,000	131,514,000	1980	88,721,000	70,329,000	111,835,000

Steel figures include only that portion of the capacity and production of steel for castings used by foundries which were operated by companies producing steel ingots.

Raw Steel Production

(thousands of net tons)

State	1978	1979	1980	State	1978	1979	1980
New York	4,203	4,035	2,675	Michigan	10,789	10,922	7,677
Pennsylvania	28,070	28,213	23,517	Minn., Mo., Okla., Texas	7,845	8,260	6,642
R.I., Conn., N.J., Del., Md.	6,350	6,638	5,161	Ariz., Colo., Utah, Wash., Ore.			
Va., W. Va., Ga., Fla., N.C., S.C.	6,444	6,788	6,066	Ill.	4,968	5,165	4,795
Kentucky	2,523	2,438	2,141	California	3,472	3,672	2,828
Ala., Tenn., Miss., Ark.	4,305	4,487	3,452	<b>Total</b>	<b>137,031</b>	<b>136,341</b>	<b>111,835</b>
Ohio	21,288	21,082	16,100				
Indiana	24,351	22,912	19,820				
Illinois	12,443	11,729	8,961				

U.S. Copper, Lead, and Zinc Production


Source: Bureau of Mines, U.S. Interior Department

Year	Copper			Lead			Zinc						
	Mil. lbs.	\$1,000	Short tons	Mil. lbs.	\$1,000	Short tons	Mil. lbs.	\$1,000	Short tons				
1950	1,823	379,122	418,809	113,078	591,454	187	1977	3,008	2,009,297	537,499	363,769	407,889	309
1960	2,286	733,708	229,899	53,582	334,101	87	1978	2,993	1,980,323	529,861	393,518	302,669	207
1965	2,703	957,026	301,147	93,959	811,153	178	1979	3,182	2,980,875	525,589	609,929	287,341	220
1970	3,439	1,984,484	571,787	178,809	534,138	184	1980	2,578	2,638,020	549,484	514,363	334,862	278
1975	2,827	1,814,793	563,763	287,230	425,792	386							

(1) Production from domestic ores.

THE WHITE HOUSE  
WASHINGTON

Date: 8/10/82pm

TO: KLK  
FROM: MISTY L. CHURCH 

RE: Carter litany

Enclosed, as promised, are a number of items you requested.

First off, there is an index of events, 1977 to 1980, regarding his economic policy. Copies of his remarks from presidential documents is provided for most, however some were released by administration officials only and then are noted in FACTS on FILE only (also noted on index).

I've added a number of other various speeches, remarks, and Q&A's that have what I think may be useful quotes by Carter. However, I've number on the index the economic programs to make them stand out.

**THE WHITE HOUSE  
WASHINGTON**

**Date:**

(page 2)

**TO:**

**FROM: MISTY L. CHURCH**

**RE:**

I've also enclosed four Sunday morning talk show transcripts (two from JC, one each from Byrd and Cranston) which may have some helpful quotes. Our library only has transcripts back to 1979, and I've found that TIP was on a couple in 1977. I'm trying to secure copies now.

Also enclosed is a compilation of facts on file to give you (in short articles) the litany of events. They should be able to brief you adequately so you know what speeches I've sent and why.

Finally, some articles on TIP, Byrd and Mondale have been enclosed. May have some helpful quotes, don't know. Also TIP 1977 Social Security statement I told you about.

Bye for now.



DEPARTMENT OF HEALTH & HUMAN SERVICES

Social Security Administration

July 9, 1982

Office of Family Assistance  
Washington, D.C. 20201

245-2971

Dear Misty:

Attached are some arguments that could be used to counter charges of unfairness to the poor. They deal with unfairness to the taxpayer .

Paragraph number 8 provides you with the numbers you asked for on length of time on the AFDC welfare rolls.

Please call if we can provide any other information.

Sincerely,

*Ceil*

Ceil Frank  
Public Affairs

Ken: On the subject of welfare, you will note with interest, I'm sure, paragraph 8 on the attached.

*MFC*

## ARGUMENTS TO COUNTER ACCUSATIONS OF UNFAIRNESS

1. In this time of budgetary constraint and limited resources, AFDC assistance must be targeted to those individuals who, through no fault of their own, are temporarily unable to provide for themselves. Those who are able to work and can support their families should be required to do so. The American taxpayer should not have to support individuals simply because they prefer dependency.
2. Welfare is a program of last resort. It is unfair to ask the taxpayers to support welfare recipients with substantial amounts of income for long periods of time.

Before the 1981 reforms, welfare recipients could earn incomes well above the poverty line and continue to receive welfare and other benefits at the taxpayers' expense. In 15 States, families with annual earnings over \$15,000 could remain on the welfare rolls. We do not believe that American taxpayers wanted to go on supplementing the income of these families and we do not believe the Federal Government can afford to.

3. It is unfair to ask taxpayers to support AFDC recipients and their children who are attending college when many families not on welfare do not have that opportunity. The AFDC program was designed to meet the basic living requirements of needy children and their families, not to enable individuals to attend college at taxpayers' expense. It is inequitable to exempt college students from the work registration requirement because they are attending school, while the taxpayers who pay for public assistance may be unable to afford college for themselves or their children. It is similarly inequitable to exempt a parent from work requirements on the basis that he is needed to care for a small child when, in fact, that parent has secured child care and is attending college.
  4. Because of the failure of past "work incentives" to encourage welfare recipients to work their way off the welfare rolls, a gross income ceiling was set under recent reforms to limit the amount an AFDC recipient could earn and still collect benefits. The limit of 150% of the State standard of need resulted in 180,000 cases with able-bodied working adults being removed from the rolls. It would have been unfair to allow these self-supporting individuals to continue to rely on the taxpayers when their own income was 50% more than what the State sets as its standard for basic needs.
-

5. It is unfair to allow welfare recipients to rely on the taxpayers and at the same time receive large sums of money such as income tax refunds, lottery prizes or inheritances which do not have to be budgeted to pay for their daily needs. Where States counted windfall payments the practice was to treat them as income in the month they were received instead of requiring them to be budgeted over a longer period.
6. Changes in 1981 no longer permit States to subsidize strikers. Taxpayers should not be required to support strikers through the welfare system. AFDC benefits should not be a financial subsidy for labor disputes. Allowing strikers to join the rolls through voluntary action is inconsistent with AFDC policy which requires recipients who are able to work to seek, accept and retain employment.
7. Cash work incentives have failed to encourage more welfare recipients to work. The incentives passed by Congress in 1967 included a provision to disregard the first \$30 of monthly earnings plus 1/3 of the remainder in calculating the welfare grant. At the same time, the law was changed to require States to disregard work and child care expenses.

The evidence shows that after the disregard was established in the late 1960's the percentage of AFDC recipients who worked did not increase. It remained constant, at about 14 percent, throughout the sixties and seventies. Furthermore, the number of case closings due to earnings dropped dramatically. In 1967, before the disregard, about one-third of the households who left the rolls did so because of increased earnings. In 1979, the figure was less than 10 percent. In addition, the only study that attempted to measure the costs and benefits of the disregard found that the costs of the disregard to the taxpayer were at least ten times the savings. Recipient families were not working their way off the rolls, as Congress had intended when it instituted the "\$30 plus 1/3" rule, but instead recipients who worked remained indefinitely on the rolls. AS a result of these findings, in 1981, Congress limited the disregards for work and child care expenses to specific dollar amounts and receipt of the \$30 plus 1/3 disregard to 4 months.

8. In response to the question about the amount of time that people remain on the welfare rolls under the AFDC program, the average family remains on the rolls for 18-24 months. More than 900,000 families have received AFDC for more than 5 consecutive years and 243,000 have received welfare checks for more than 10 years.

This was prepared by: The Office of Family Assistance  
Linda S. McMahon, Associate Commissioner



Ken - This article shows (in a few short  
paragraphs) the poverty situation  
because of Jimmy Carter. I thought  
I'd send it to you this way instead  
of just retyping the facts so you can  
get the feel of it. The marks are  
changes from when CEA checked  
it for us.

mfc

# It was Jimmy Carter who held office during notable boost in poverty

By Warren T. Brookes

President Reagan is still smarting from two pieces of what he considers sensational journalism: the Newsweek cover story, "The Poor in Reagan's America," and Bill Moyers' April 21 CBS special on the same subject.

And, frankly, the president does have a gripe.

This is not to say that both journalistic efforts lacked merit or factual substance. No one can deny that some people are being hurt in the short run by Reagan's budget cuts and the effort to cut inflation.

It is ridiculously easy to find these individual cases and generalize to utterly false conclusions: namely that Reaganomics is increasing poverty in America.

Both fell into this trap by avoiding the more-difficult assignment of looking not merely at individual cases, but the total economic picture.

To understand what we mean, ask yourself which president presided over the greatest rise in poverty in post-war U.S. history?

If you answered Jimmy Carter, you were absolutely correct.

When Carter took over the White House in January 1977, there were 25 million Americans living below the poverty level, down from 25.5 million in 1956 (when the Great Society actually started functioning) and from 23.4 million in 1968 when Richard Nixon was elected.

But, when Carter left office, that number had risen from 25.0 to 29.3 million — from 11.8 percent to 13.0 percent. It was the worst performance against poverty since the Great Depression.

Now, you may ask, why didn't Newsweek or CBS cover that story? Why did no headlines read: "Carter's America, Where the Poor Are Getting Poorer"?

Why, for example, weren't we told that between 1976 and 1980, the average American worker saw real wages before taxes drop by a stunning 7.2 percent, and ~~drop~~ drop 8 percent after taxes — the worst "impoverishment" of working Americans since World War II?

Good questions.

The reason we weren't told about this dreadful performance is that throughout Carter's term of office, he did all the "compassionate" things he was supposed to do in the eyes of our superficial pundits.

He made social spending grow at a 15 percent-a-year clip. He pumped up the money supply to an astonishing 11.6 percent growth rate and put nearly 3 1/2 million people on CETA payrolls.

All of this bought him surprisingly uncritical support until, in 1979, it also brought the rest of us raging double-digit inflation, soaring interest rates, and recession in 1980 — with a dollar that had become the laughingstock of the world currency market.

It also ~~accelerated~~ <sup>increased</sup> poverty, as inflation outraced both wages and employment and produced the highest "misery index" in U.S. postwar history.

This is another story CBS and Newsweek failed to cover.

Yet, Reagan has cut "the misery" by more than 30 percent in a 15-month period, paving the way for a renewal of the nation's effective war against poverty, as a falling inflation rate is now increasing the average U.S. worker's real wages for the first time since the ~~mid~~ <sup>late</sup> 1970s, and is massively improving the buying power of all those living on low and relatively fixed incomes.

It is this side of the story that Newsweek, CBS and Bill Moyers deliberately avoided. They ignored it because they think that only government spending alleviates poverty.

Yet from 1966 (when the Great Society programs actually took effect) to 1980, the poverty population actually rose modestly, while federal social spending (as a share of GNP) more than doubled from 6.2 to 12.8 percent.

By comparison, in the six years before the Great Society (1950-1956), 9 million Americans rose from poverty with the help of less than half the present level of social spending.

Maybe Reagan's on the right track after all.

Brookes is a syndicated columnist.

thought you  
ht want to  
nd this.  
Dana

1. 12 or 13% on  
2. ~~dependent~~  
3. ~~inflation~~

max wages less  
no complete  
prices and  
employment  
yes

no - 32% at  
most

real wages  
rose in 76, 77, 78,  
fell 79-81

but poverty  
rate fell

of - 5.0 to 10.6

note

84 - unemp = 9.4  
CPI =  
3 mo. annual rate = 5.7  
6 mo. " " " 10.5  
12 mo " " " 11.7  
misery 13.1  
17.9  
19.1  
84 - unemp = 9.4  
CPI =  
3 mo rate = .8  
6 " " = 2.8  
12 " " = 6.6  
misery 10.2  
12.2  
16.0  
men's basic - 22% reduction in misery  
women 32%  
12 months 16%

couldn't  
substantial  
The Register 5-28-80

Table 18 Persons Below the Poverty Level, by Family Status, Type of Family, Race, and Spanish Origin: 1959 to 1980

(NUMBERS IN THOUSANDS, PERSONS AS OF MARCH OF THE FOLLOWING YEAR. FOR MEANING OF SYMBOLS, SEE TEXT)

YEAR	NUMBER BELOW POVERTY LEVEL							POVERTY RATE						
	TOTAL <sup>1</sup>		IN FAMILIES				UNRE- LATED INDI- VIDUALS	TOTAL <sup>1</sup>		IN FAMILIES				UNRE- LATED INDI- VIDUALS
	ALL PERSONS	65 YEARS AND OVER	TOTAL	HOUSE- HOLDER	RELATED CHILDREN UNDER 18	OTHER FAMILY MEMBERS		ALL PERSONS	65 YEARS AND OVER	TOTAL	HOUSE- HOLDER	RELATED CHILDREN UNDER 18	OTHER FAMILY MEMBERS	
<b>ALL PERSONS</b>														
<b>ALL RACES</b>														
1960	29 272	3 871	22 601	6 217	11 114	5 270	6 227	13.0	15.7	11.5	10.3	17.9	7.1	22.9
1975	25 345	3 586	19 394	5 320	9 738	4 336	5 600	11.6	15.1	10.1	9.1	16.0	6.0	21.9
1976	24 497	3 233	19 062	5 280	9 722	4 055	5 435	11.4	14.0	10.0	9.1	15.7	5.7	22.1
1977	24 720	3 177	19 505	5 311	10 028	4 165	5 216	11.6	14.1	10.2	9.3	16.0	5.9	22.6
1978	24 975	3 313	19 632	5 311	10 081	4 240	5 344	11.8	15.0	10.3	9.4	15.8	6.0	24.9
1979	25 877	3 317	20 785	5 450	10 882	4 457	5 088	12.3	15.3	10.9	9.7	16.6	6.4	25.1
1974	23 370	3 085	18 817	4 922	9 967	3 928	4 553	11.2	14.6	9.9	8.8	15.1	5.7	24.1
1975	24 260	3 308	19 440	5 109	10 196	4 135	4 820	11.6	15.7	10.2	9.2	15.5	6.0	25.5
1973	22 573	3 354	18 299	4 828	9 453	4 018	4 674	11.1	16.3	9.7	8.8	14.2	5.9	25.6
1972	24 460	3 738	19 577	5 075	10 082	4 420	4 883	11.9	18.6	10.3	9.3	14.9	6.6	25.0
1971	25 559	4 273	20 405	5 303	10 344	4 757	5 154	12.5	21.6	10.8	10.0	15.1	7.2	31.6
1970	25 420	4 709	20 330	5 260	10 235	4 835	5 090	12.6	24.5	10.9	10.1	14.9	7.4	32.9
1969	24 147	4 787	19 175	5 004	9 501	4 667	4 972	12.1	25.3	10.4	9.7	13.8	7.2	34.0
1968	25 389	4 632	20 695	5 047	10 739	4 909	4 694	12.8	25.0	11.3	10.0	15.3	7.8	34.0
1967	27 769	5 368	22 771	5 667	11 427	5 677	4 998	14.2	29.5	12.5	11.4	16.3	9.1	38.1
1966	28 510	5 114	23 809	5 784	12 146	5 879	4 701	14.7	28.5	13.1	11.8	17.4	9.5	36.3
1965	30 424	(NA)	25 614	6 200	12 876	6 538	4 810	15.7	(NA)	14.2	12.7	18.4	10.5	36.9
1964	33 185	(NA)	28 358	6 721	14 388	7 249	4 827	17.3	(NA)	15.6	13.9	20.7	11.8	35.8
1963	36 055	(NA)	30 492	7 160	15 736	8 016	5 143	19.0	(NA)	17.4	15.0	22.7	13.3	42.7
1962	36 436	(NA)	31 418	7 554	15 691	8 253	4 938	19.5	(NA)	17.9	15.9	22.8	13.0	44.2
1961	36 625	(NA)	33 623	8 077	16 030	8 916	5 002	21.0	(NA)	19.4	17.2	24.7	15.1	45.4
1960	39 628	(NA)	34 509	8 391	16 577	9 541	5 119	21.9	(NA)	20.3	18.1	25.2	16.5	45.9
1959	39 851	(NA)	34 925	8 243	17 288	9 394	4 926	22.2	(NA)	20.7	18.1	26.5	16.2	45.2
1959	39 490	5 481	34 562	8 320	17 208	9 034	4 928	22.4	35.2	20.8	18.5	26.9	15.9	46.1
<b>WHITE</b>														
1980	19 699	3 042	14 587	4 195	6 617	3 575	4 760	10.2	13.6	8.6	8.0	13.4	5.5	20.4
1975	16 823	2 840	12 213	3 515	5 759	2 939	4 351	8.9	13.2	7.4	6.8	11.4	4.6	19.7
1976	16 259	2 530	12 050	3 523	5 674	2 852	4 209	8.7	12.1	7.3	6.9	11.0	4.5	19.8
1977	16 416	2 426	12 364	3 540	5 943	2 862	4 053	8.9	11.9	7.5	7.0	11.4	4.6	20.4
1978	16 713	2 633	12 500	3 560	6 034	2 906	4 213	9.1	13.2	7.5	7.1	11.3	4.7	22.7
1979	17 770	2 634	13 799	3 838	6 748	3 213	3 972	9.7	13.4	8.3	7.7	12.5	5.2	22.7
1974	15 736	2 460	12 181	3 352	6 079	2 755	3 555	8.6	12.8	7.3	6.8	11.0	4.5	21.8
1975	15 290	2 642	12 517	3 482	6 180	2 850	3 773	8.9	13.8	7.5	7.0	11.2	4.7	23.2
1973	15 142	2 698	11 412	3 219	5 462	2 731	3 730	8.4	14.4	6.9	6.6	9.7	4.5	23.7
1972	16 203	3 072	12 268	3 441	5 784	3 043	3 935	9.0	16.6	7.4	7.1	10.1	5.1	27.1
1971	17 780	3 605	13 566	3 751	6 341	3 474	4 214	9.9	19.9	8.2	7.9	10.9	5.6	29.6
1970	17 484	3 984	13 323	3 708	6 138	3 477	4 161	9.9	22.5	8.1	8.0	10.5	5.9	30.8
1969	16 659	4 052	12 623	3 578	5 667	3 361	4 036	9.5	23.3	7.8	7.7	9.7	5.6	32.1
1968	17 395	3 939	13 546	3 616	6 373	3 557	3 849	10.0	23.1	8.4	8.0	10.7	6.3	32.2
1967	18 983	4 646	14 851	4 056	6 729	4 066	4 132	11.0	27.7	9.2	9.0	11.3	7.2	36.5
1966	19 290	4 357	15 430	4 106	7 204	4 120	3 860	11.3	26.4	9.7	9.3	12.1	7.4	36.1
1965	20 751	(NA)	16 732	4 481	7 649	4 602	4 019	12.2	(NA)	10.5	10.2	12.8	8.2	37.3
1964	22 496	(NA)	18 508	4 824	8 595	5 089	3 988	13.3	(NA)	11.7	11.1	14.4	9.2	38.1
1963	24 957	(NA)	20 716	5 258	9 573	5 885	4 241	14.9	(NA)	13.2	12.2	16.1	10.8	40.7
1962	25 238	(NA)	21 149	5 466	9 749	5 934	4 089	15.3	(NA)	13.6	12.8	16.5	11.0	42.0
1961	26 672	(NA)	22 613	5 887	10 382	6 344	4 059	16.4	(NA)	14.7	13.9	17.9	12.0	42.7
1960	27 896	(NA)	23 747	6 205	10 614	6 928	4 143	17.4	(NA)	15.8	14.8	18.7	13.3	43.2
1959	28 309	(NA)	24 262	6 115	11 229	6 918	4 047	17.8	(NA)	16.2	14.9	20.0	13.3	45.0
1959	28 484	4 744	24 443	6 185	11 386	6 872	4 041	18.1	33.1	16.5	15.2	20.6	13.3	44.1
<b>BLACK</b>														
1980	8 579	783	7 190	1 826	3 906	1 458	1 314	32.5	38.1	31.1	28.9	42.1	19.5	41.0
1979	7 838	716	6 614	1 666	3 695	1 252	1 143	30.9	35.5	29.9	27.6	40.7	17.9	36.8
1978	7 625	662	6 493	1 622	3 781	1 094	1 132	30.6	33.9	29.5	27.5	41.2	15.7	38.6
1977	7 726	701	6 667	1 637	3 850	1 181	1 059	31.3	36.3	30.5	28.2	41.6	17.4	37.0
1976	7 595	644	6 574	1 617	3 758	1 201	1 019	31.1	34.8	30.1	27.9	40.4	17.8	39.8
1975	7 545	652	6 533	1 513	3 884	1 136	1 011	31.3	36.3	30.1	27.1	41.4	16.9	42.1
1974	7 182	591	6 255	1 479	3 713	1 063	927	30.3	34.3	29.3	26.9	39.6	16.4	39.3
1973	7 467	626	6 506	1 530	3 819	1 157	961	31.4	36.4	30.3	27.8	40.7	17.6	41.0
1972	7 388	620	6 560	1 527	3 822	1 211	828	31.4	37.1	30.8	28.1	40.6	18.7	37.9
1971	7 710	640	6 841	1 529	4 025	1 287	870	33.3	39.9	32.4	29.0	42.7	20.0	42.9
1970	7 396	623	6 530	1 484	3 836	1 210	866	32.5	39.3	31.2	28.6	40.7	19.1	46.0
1969	7 548	683	6 683	1 481	3 922	1 279	865	33.5	48.0	32.2	29.5	41.5	20.5	48.3
1968	7 095	689	6 245	1 366	3 677	1 202	850	32.2	50.2	30.9	27.9	39.6	20.0	46.7
1967	7 616	655	6 839	1 366	4 188	1 285	777	34.7	47.7	33.7	29.4	43.1	21.7	46.3
1966	8 486	715	7 677	1 555	4 558	1 564	809	39.3	53.3	38.4	33.9	47.4	27.1	49.3
1965	8 867	722	8 090	1 620	4 774	1 696	777	41.8	55.1	40.9	35.5	50.6	29.4	54.4
1959	9 927	711	9 112	1 860	5 022	2 230	815	55.1	62.5	54.9	48.1	60.5	44.1	57.0
<b>SPANISH ORIGIN<sup>2</sup></b>														
1980	3 491	179	3 143	751	1 718	674	312	25.7	30.8	25.1	23.2	33.0	16.4	32.2
1979	2 863	147	2 555	610	1 483	462	273	21.6	26.1	20.9	19.7	27.4	12.5	28.6
1978	2 607	125	2 343	559	1 354	429	264	21.6	23.2	20.9	20.4	27.2	12.3	29.8
1977	2 700	113	2 463	591	1 402	469	237	22.4	21.9	21.9	21.4	28.0	13.5	29.8
1976	2 783	128	2 516	598	1 424	494	266	24.7	27.7	23.8	23.1	30.1	15.3	37.2
1975	2 991	137	2 755	627	1 619	508	236	26.9	32.6	26.3	25.1	33.1	16.5	36.6
1974	2 575	117	2 374	526	1 414	435	201	23.0	28.9	22.4	21.2	28.6	13.7	32.6
1973	2 601	116	2 394	527	1 433	434	207	23.2						

"If we don't solve inflation, this society will suffer terribly. Everything we stand for will be eroded. Inflation can destroy everything we believe in. When we press for real income improvement, inflation burns up the increase. When we push for growth, our standard of living deteriorates; when we expand personal opportunity, inflation lays its damp hand on our dreams of a more prosperous future."

-- Vice President Walter Mondale  
Democratic mid-term conference  
Memphis, Tennessee  
New York Times, 12/11/78 (D)11

"Show me a nation that has let inflation get out of control, and I'll show you a nation that has gone bankrupt."

-- G. William Miller, Chairman  
Federal Reserve Board  
Christian Science Monitor  
April 10, 1978

"Those, . . . who are frightened by boldness and cowed by the necessity for making decisions, complain that all we have done is unnecessary and subject to great risks. Now that these people are coming out of their storm cellars, they forget that there ever was a storm."

-- FDR -- Fireside Chat  
September 30, 1934

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Carter economic policy litany

<u>Date</u>	<u>Item</u>	<u>1977</u>
1-7-77	President-elect considers 2-year, \$30 billion plan (including one-time \$50 rebate) (no text, see FACTS ON FILE, 1977)	
1-31-77	Economic Recovery Program: message to Congress	
2-2-77	Report to the American people: TV address	
2-22-77	FY-1978 budget revisions: remarks and message	
4-14-77	Economic Stimulus Package: Q&A on tax rebate and business tax credit proposals	
4-15-77	Anti-inflation program: statement outlining actions	(1)
4-15-77	News Conference: Q&A's regarding anti-inflation program	
7-21-77	Yazoo City, Mississippi: Remarks and Q&A (statement committing to cutting taxes and balancing budget by 1981)	
10-27-77	News Conference: Energy and tax reform legislation	
12-20-77	Social Security Amendments of 1977: Remarks at bill signing and statement released.	
12-20-77	Carter officials announce \$25 billion tax cut proposal for 1978 (no text, see FACTS ON FILE, 1977)	

- 1-20-78 Economic Report of the President: annual message to Congress
- 4-11-78 Anti-inflation policy: remarks to newspaper editors announcing administration policy (2)
- 4-25-78 News Conference: question on tax reduction ("\$25 billion tax reduction would not be inflationary")
- 5-19-78 Carter scales down and delays tax cut package (statement read by CEA Chairman Schultze, not in presidential documents; see FACTS ON FILE, 1978)
- 10-24-78 Anti-inflation program: address to nation (3)
- 10-26-78 Nashville, Tennessee: remarks at State democratic party rally (regarding balanced budgets, cutting taxes)
- 11-16-78 Interview with the President: Q&A with White House Correspondents (anti-inflation policy questions)
- 11-30-78 News Conference: Anti-inflation program questions
- 12-8-78 Memphis, Tennessee: remarks at 1978 DNC mid-term conference (two-year review)

- 3-24-79 Elk City, Oklahoma: town meeting (balanced budget commitment, etc.)
- 4-25-79 Bedford, New Hampshire: State democratic party fundraising dinner remarks (inflation remarks)
- 7-15-79 Energy and National Goals: address to nation (referred to as "national malaise speech")
- 12-4-79 1980 Democratic presidential nomination: remarks announcing candidacy (fyi)

(Note: There wasn't a great deal of economic or inflation program dealings in 1979, and once you get to the end of 1979, that's when Carter began his "Rose Garden" policy due to hostage crisis.)

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- 1-30-80 Economic Report of the President: message to Congress
- 3-14-80 Anti-inflation program: remarks announcing program (4)
- 3-14-80 News Conference: regarding anti-inflation program (for example, "why is this one different than the other three programs you've had, Mr. President?")
- 3-20-80 White House briefing on inflation and energy: remarks to community leaders
- 3-28-80 National Conference of State Legislatures: remarks at advisory conference (some on inflation and voluntary wage/price restraints)
- 3-31-80 Budget revisions: remarks at signing ceremony (budget updated from having deficit to having surplus)
- 5-9-80 Philadelphia, Pennsylvania: townhall meeting (inflation questions)
- 7-21-80 Mid-year budget review: announcing there will now be a deficit, not a surplus in FY'81 as previously promised (not in presidential documents, released by administration official only, see FACTS ON FILE, 1980)
- 8-28-80 Economic Renewal Program: remarks announcing program (This is fifth economic revival-program) (5)
- 10-12-80 Nation's Economy: radio address to nation (announcing American economic renaissance)





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March 1981

# Prosperity and Freedom

The Founding Fathers,  
Commerce, and the Corporation

Walter Berns  
Stephen Miller

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Walter Berns is a resident scholar  
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He is currently completing a book on  
federal support for the humanities.

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WALTER BERNS

## The Corporation's Song

Book and lyrics by Hobbes, Locke, and Madison.  
Music by Mobil Oil?

**I**t may be a rule of democracy that the larger the business corporation, the poorer its public image, especially when events conspire to focus the public's attention on the product or service it provides. At first glance there appears to be little the corporation can do about this. Better "public relations," as that trade is understood by its practitioners, will surely not solve the problems of the nuclear power industry, for example, or improve the public's opinion of the major oil companies.

The oil companies especially are pariahs right now. Jane Fonda has no trouble arousing crowds with her shrill cries of their "obscene profits" and criminal conspiracies, and young Joseph P. Kennedy III, Bobby's son, made his political debut with a speech accusing them of "squeezing" the poor and (through their subsidiary coal companies) killing miners, polluting rivers, and causing "terrible life-taking floods." His uncle, the Senator, wants to prevent oil company mergers because, he says, the political power of large corporations threatens our political institutions and even democracy itself. The typical motorist may know nothing about that, but he does know about gasoline lines, and rather than blame the government's regulatory policies, which are the real cause of his problem, he mutters imprecations against the oil companies. Organized labor, which ought to know better, calls for their nationalization.

So powerful is the hostility toward the oil companies that the President, who is by no means bashful when it comes to planting kisses on Mr. Brezhnev's cheeks, refuses to be photographed with the chief executive officers of Gulf, Mobil, and other oil companies, even though the occasion would call for no more than a perfunctory handshake. For the same reason, Secretary of State Vance was never heard to say of Mr. Carter and the president of Exxon or Texaco what he once said of Mr. Carter and Mr. Brezhnev, namely, that they "share similar dreams and aspirations."

"We must stand firm," Mr. Carter told the National Conference on State Legislatures in March, "resist political pressures and tell the truth"; and with this he lit into Mobil Oil. When it comes to whipping boys, there's no business like the oil business, although, if it's large enough, any business will do.

Corporation bashing, then, is both painless and rewarding—in the famous words of Huey Long, "Corporations are the finest political enemies in the world." It is painless because, rather than retaliate, corporate executives are now inclined to apologize when they show a profit and become aggressive only when, like Chrysler, their companies face bankruptcy; and rewarding because it satisfies the strongest passion in the soul of a democratic people: the hatred of inequality. We may think that what best characterizes democracy is the love of liberty, but, as Tocqueville warned us at more or less the beginning of the democratic era, while democratic communities have a "natural taste for liberty," their passion for equality is much stronger. It is, he said, "ardent, insatiable, incessant, invincible." What is more, it constitutes the principal threat to liberty. Democratic communities may, he said, call for equality in liberty, but, if they cannot obtain it, "they still call for equality in slavery."

Of course, this has not yet happened in America, for reasons that are reflected in a story Abner Mikva enjoys telling. Running for reelection to the House of Representatives in 1972, he frequently found himself embarrassed by some of the radical egalitarian policies advocated by the head of his ticket, George McGovern. One working man, encountered at a factory gate with hard hat and lunch pail, told him he would not vote for any Democrat that year. "Why not?" asked Mikva, somewhat incredulously. Because of McGovern's "soak the rich" tax proposals, he was told. Since this blue-collar worker scarcely resembled his idea of a member of the idle rich, Mikva said (after appropriate apologies for his presumption): "But you won't be hit by those taxes." To which the worker replied: "No, but my kids might be!"

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A very American reply, that, and precisely the sort of reply the Framers of the Constitution sought to elicit from future generations. Like Tocqueville, they recognized the strength of the passion for equality—they referred to it as “democratic envy”—and the Constitution they wrote was designed to protect us from it, specifically from the “factions” that an envious majority would be likely to form. In the words of James Madison, the *first* object of government is “the protection of different and unequal faculties of acquiring property.” Unequal faculties combined with equal right would issue in unequal acquisition, and Madison and his colleagues were, for reasons that I shall in due course explain, anxious to protect this right from those who had not acquired much, or who had not *yet* acquired much.

Under their Constitution, the free market economy has provided unprecedented opportunities for material advancement, thereby serving to temper this passion for equality among us, and our carefully designed political and legal institutions have, on the whole and thus far, succeeded in controlling it when it broke through the economic and social constraints. McGovern might have learned something about this in 1972.

Now this passion for equality threatens to overwhelm us: Programs to provide welfare have become programs with the avowed purpose of redistributing income; equal opportunity has come to mean equal results; intelligence tests have been declared unconstitutional by a federal court. In such a setting it is not hard to understand why corporations are disliked and distrusted, and why it is so utterly painless for the politicians, in Washington and Hollywood alike, to inveigh against them. Corporations are big, and to be big is to be unequal and thus, in a democracy, sinister. They can point to their economic achievements and claim, truthfully, that most of the benefits of their activity flow to the consumer, but the Naderites can respond with the pious adage that man does not live by bread alone. Under socialism, whatever its economic follies, there will be much talk about brotherhood and new forms of “meaningful” work, and no one will *appear* to be unequal. That is what counts. And that, to put it simply, is one reason why the large business corporations are unpopular: They cannot rid themselves of the stigma that democracy attaches to their size and—Chrysler again excepted—their profits.

Their efforts to do so have failed because they labor under a severe rhetorical handicap: Business corporations exist to make money, and money-making is the most prosaic of activities. By the political philosophers whose thought underlies the founding of the modern money-making (or bourgeois) state this was understood to be an advantage. A

prosaic politics, it was thought, would be a peaceful politics. If men were to forgo their notions of heaven and glory (and the activities connected with such "life styles") and concentrate instead on improving their material conditions, they would not be so likely to get into arguments with their neighbors (and life might then cease to be "solitary, poor, nasty, brutish and short").

In its modern, institutionalized form, to which we give the name political economy, money-making derives from John Locke's substitution of *comfortable* preservation for Thomas Hobbes's *mere* preservation as the purpose of human life; but the substitution does little or nothing to conceal the meanness or vulgarity of its principle. What is being pursued is still *self*-preservation. (Macaulay, writing 150 to 200 years later, and from a perspective that was not unfriendly to modernity, saw this as well as anyone. The aim of ancient philosophy, he said, was to raise us far above vulgar wants, whereas the aim of the modern—that is, the 17th-century—philosophy was to satisfy our vulgar wants. "The former was noble," he said, "but the latter was attainable.") As a way of life, self-preservation, even of the Lockean sort, is unpoetic, by which I mean it is incapable of inspiring poetry or poetic speech. This is why it is impossible to write even a play or novel—to say nothing of a poem in the strict sense—about business. Of course it has been tried, but what results is banal: No one cares whether the fictional salesman makes his sale, and no one with any sense or sensibility cares how or where or, indeed, whether he dies.

Poetry's subjects are love, family, war, justice, heroic deeds, and even what we vaguely call "nature," which is to say, unselfish things. Great choral music can be written about God (which is why almost all of it is liturgical in form, and why almost all of it was written before we modern men "depopulated Heaven," as Tocqueville put it). Novels can be about justice and injustice; drama can treat crime and punishment; dance can portray love, both requited and unrequited. Lincoln, probably our greatest poet, could utter immortal lines on the eve of a civil war—"The mystic chords of memory, stretching from every battle-field, and patriot grave, to every living heart and hearthstone, all over this broad land, will yet swell the chorus of the Union, when again touched, as surely they will be, by the better angels of our nature"—but even Lincoln would not be able to write lines of equal beauty about hospital insurance or the virtues of a free-market economy. In short, to speak metaphorically myself, it is just not possible to "sing" about everything. Specifically it is not possible to "sing" about self-preservation—even of a comfortable sort—or about the institutions, such as the business corporation, organized to promote it.

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Business (busyness) is about money-making; it involves not gods, heroes, or lovers, but self-interested persons, and self-interested persons cannot supply models for poetry in any of its forms. The speech of a business corporation, to the extent that it is not simply commercial advertising, typically deals with money-making or its cognates, such as comfort or economic efficiency, or is used to compare the material abundance available through the free-market economy with the queues in the Soviet Union or the rationing in socialist Britain. What it says may be true—indeed, is true—but such prosaic speech is not capable of arousing any audience (who even reads the Mobil Oil ads?), and is certainly not capable of arousing the passions of a people that is already comfortable and adequately insured and a large part of which, being characterized by yearnings it cannot define or even identify, is looking around for causes to engage its unused energies.

Unfortunately for the corporations, it is possible to “sing” against business, and it is not necessary to possess the genius of a Molière to do it. All that is required is the ability to contrive a dramatic situation in which the principle of business—self-interest or the “profit motive”—can be shown to have ugly aspects. The recent film, *The China Syndrome*, demonstrates how readily this can be done. No doubt it requires a suspension of disbelief to accept the possibility that anyone—whatever his business—is willing to risk a nuclear holocaust rather than forgo his profits, but once that is done we have a situation that can be set to music. Businessmen are selfish; their opponents, whatever their vocations, are selfless (Ralph Nader accepts only a subsistence salary; Jerry Brown sleeps on a straw pallet, rather like St. Francis; Jane Fonda is an ununited fund of generosity). Not only are they selfless, they are heroic: At great “risk” to themselves, they fight for justice for all mankind. And one can “sing” about justice.

These things—the hatred of inequality and the rhetorical advantage enjoyed by the enemies of big business—explain why the large corporations are on the defensive, even when they don't deserve to be, and why it is so painless for the politicians and others to accuse and abuse them. It also explains why in the public at large there is such a fertile field waiting to be plowed by the anti-corporation professors in the universities. Yale's C.E. Lindblom is currently the most successful of these.

In his recent book, *Politics and Markets*, which is said to be the immediate inspiration for Senator Kennedy's various antimerger bills, Lindblom says flatly that the large private business corporation is incompatible with “democratic theory and vision.” What is relevant here is not that he fails to sustain this serious charge, but that he has to

concede that every democratic country (there still are a few) has a market-oriented economy. Instead of pondering this interesting and perhaps significant fact, and drawing the conclusion to which it would appear to lead, he tries to persuade us that corporations control not only the politicians but the media and the entire educational system (including, presumably, Yale University and the American Political Science Association of which he is President). This is, of course, absurd, and could easily be shown to be absurd. The point to be made here, however, is that if there is some sort of a connection between democracy and the free-market economy, or between political and economic liberty, it is important that business corporations come to understand it. For, if the connection exists, they *do* have something to "sing" about, namely, free government and justice at a time when there is precious little of either in this world.

The Framers of the Constitution understood this connection. Madison was not thinking primarily of profits and material comforts when he wrote that passage about the first object of government being the protection of unequal faculties of acquiring property; rather, he was thinking of the means by which free government might be achieved. Nor was Adam Smith concerned primarily with opulent dinners when, in the course of elaborating the features of the capitalist system built on the principle of self-interest, he made his famous statement to the effect that we owe our dinners not to the "benevolence" of the butcher, the brewer, or the baker, but to "their regard to their own interests." Smith, too, was concerned with the conditions of political liberty; he was, after all, a professor of moral philosophy, not of economics. Nor, to trace the principle back to the seventeenth century and the man who discovered it, was John Locke exalting a life of luxury when he argued that a "wise and godlike" prince would abolish all legal and customary restrictions on acquisitiveness. Acquisitiveness, or greed, to give it the ugly name it used to bear, or covetousness, instead of being regarded as one of the seven mortal sins, as it was in Christian doctrine, would in this new world provide one of the foundations of the free political order. Private vice equals public virtue, as Mandeville formulated the principle.

The most obvious (but not the most important) consequence of this "unleashing of greed" would be the increase of material goods available to the nation adopting the principle; to employ the title of Smith's famous book, the wealth of nations would constantly increase. As Locke argued in his *Second Treatise*, God's original bounty was nothing compared with the abundance possible under a properly organized political econ-



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omy insuring the right of unlimited acquisition. Locke, one might say, was the first anti-environmentalist: Nature conquered or subdued would be infinitely more benevolent than nature ruling.

But for Locke as well as for Smith and Madison, and others of this school, wealth was not the end. It was the means to the end of political liberty. As Irving Kristol pointed out in a *Wall Street Journal* column last November, pre-modern political philosophers regarded democracy as an inherently unstable and therefore undesirable form of government. They were led to this conclusion not because of prejudice but because, on the basis of experience, they believed that the majority, being poor, "would always use its power to expropriate the wealth of the more affluent minority, and that this would lead (as it always had) to economic chaos, followed by political chaos, followed by the restoration of order by a dictator."

What changed the attitude of political philosophers was the emergence of modern capitalism, with its promise of economic growth—of an economic system in which everyone could improve his condition without having to do so at someone else's expense. It is because this promise of economic growth has been kept that democratic politics has survived in the United States, in Western Europe, more recently in Japan. . . . It is the expectation of tomorrow's bigger pie, from which everyone will receive a larger slice, that prevents people from fighting to the bitter end over the division of today's pie.

As a brief statement of a complex matter, that can scarcely be improved upon, except by pointing out that, while capitalism may be responsible for the change of attitude of those "political philosophers" who followed its emergence, its emergence depended on the new political philosophy that preceded it.

**B**efore selfishness could be seen as a virtue, someone had to argue persuasively that it was not a vice; to show that it was not a vice, someone had to argue persuasively that it was in accord with nature; to show that it was in accord with nature, someone had to undermine the contrary teachings of the theologians; and to undermine the teachings of the theologians (and with them the authority of the established churches), someone had to argue persuasively against the very possibility of miracles, on which the authority of the churches depended. No capitalist, not even the first of the Rockefellers, could do this. The treatises against miracles were written by Hobbes, Spinoza, Locke, in short, by the political philosophers who paved the way for the commercial society and capitalism.

To recount the history in another form (and with an apology for its crudeness), it was the 17th-century political philosopher Thomas Hobbes who argued, drawing an "inference" from his psychological study of the human passions, that man is by nature *not* a social being; that he is selfish and moved by a vanity that leads him relentlessly to seek power over other men, so that by nature "every man is enemy to every man"; that men have rights, but that, because of this enmity, these rights are insecure in the state of nature; that "to secure these rights"—and here I use the familiar language of the Declaration of Independence—government must be instituted; and that the institution of government requires all men to yield their natural rights to an absolute sovereign who will secure them by preserving the peace, and preserve the peace by keeping all men "in awe."

It was Hobbes who was persuaded—and who first persuaded those who mattered—that it was useless to preach that men ought to respect the rights of others, or that they should love their neighbors as they love themselves, or that they should model themselves on the Good Samaritan. As he saw it, preaching morality was part of the problem. For every Good Samaritan produced by preaching there were a hundred religious zealots (Archbishop Laud, George Jeffreys, Oliver Cromwell—Hobbes's time was terrorized by such men) eager to do unto others what they understood God wanted done to them, but disagreeing as to what God wanted done. To Hobbes, then, peace and security for rights depended on purging men of their fear of "the power of spirits invisible," which fear caused them to do terrible things on this earth, and replacing it with the fear of a very visible, temporal, and absolute sovereign, the Leviathan. To it men would yield their rights which it would secure by keeping the peace. The Leviathan was to be a substitute for moral teaching, or for old-fashioned (but ineffectual) morality.

And it was John Locke who, accepting Hobbes's premises concerning the nature of man, found the way to avoid his political conclusions. Channel the passions and energies of men into safe activities, Locke said, where they will compete not for dominion over others, not for glory, not for the blessings promised by competing gods, not for those things that cannot be shared, but (in Kristol's terms) for a larger slice of a bigger pie, and bigger precisely because an enterprise inspired by the hope for more and more will produce more and more. When this happens, the Leviathan can become more or less invisible; that is to say, it can leave men alone, at liberty. The Leviathan, now become the modern liberal state, will not attempt to impose its understanding of happiness on its citizens—in fact, it does not claim to know what happiness is—but will respect each man's natural right to pursue the happiness that he defines for himself. It will respect his privacy because it

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will not have to fear how he uses it, or what he does in private. This is what is meant by the formulation "capitalism for freedom."

If then, Hobbes's Leviathan was to be a substitute for morality, Locke's commercial society was intended as a substitute for the Leviathan and, therefore, a more benign substitute for morality.

Madison, the principal author of our Constitution, understood this kind of reasoning perfectly. He knew that an American, like any other man, was inclined to unite with others only for selfish reasons and only for the purpose of advancing his interests. As readers of *Federalist 10* know, Madison referred to those groupings of selfish men as factions, and he argued that popular government was impossible without a solution to the problem they presented. Remove their causes? It was useless to think of that; their causes are "sown in the nature of man." Control their effects? Yes, but "we well know that neither moral nor religious motives can be relied on as an adequate control."

But factions could be controlled in a properly structured system, according to Madison, one that, among its other features, protected the equal right of everyone (however unequally endowed) to acquire property. In the large commercial republic, the animosity of factions would become the competition of interests, and this competition would be peaceful because, all of them prospering to a greater or lesser extent, the various factions would recognize a common interest in the preservation of a system—or better, of a Constitution—that secures everyone's right to prosper and, more importantly, to live as free men. The connection between economic and political liberty is one of the premises of the Constitution. It is this that the corporation should understand.

I know very well that the modern multinational corporation is a far cry from the sort of economic interest Madison had in mind. I also know it is fashionable in some quarters to remark the growing similarities among all modern industrial states—their materialism, bureaucratization, alienation, and vulgarity. But what matters, surely, are their dissimilarities, and these continue to exist.

As in other countries, the public realm continues to expand in America, and the control of it is increasingly centralized in Washington, which regulates our businesses, fixes our prices, buses our children, sets our quotas, and prescribes our diets as well as our medicines; but it does not yet command our minds or souls. There is still, as there has always been in this country, a private realm, described by private rights and defended by private institutions. What matters, finally, is not that these private institutions are more efficient or that they are capable of producing the wealth that can be distributed privately, or even publicly.

What matters is the realm of privacy itself. As Werner J. Dannhauser has said so well, the private realm is one in which we can tend to the salvation of our own souls. As he put it: "Its existence makes corruption voluntary to an appreciable degree; and it does seem that the security and extent of that realm constitutes a more decisive difference between western liberal democracies and communist states than [the critic of America] acknowledges."

Coming to understand all this will probably not allow business corporations to mount a more effective public relations campaign (book and lyrics by John Locke, Adam Smith, and James Madison, yes; but music by Mobil's Herb Schmertz?). But when they know, really know, that on their continued viability as private institutions depends the continued viability of liberal democracy in America (and, therefore, in the world), they may have greater reason to act in a fashion that makes it easier for their friends to defend them. And the sad fact is that Ralph Nader has not always been wrong. It is not simply that business corporations have, as Adam Smith complained, "both deceived and oppressed" the public, preferring their profits to the public's interests. They have on too many occasions demonstrated that Smith knew what he was talking about when he said they would be inclined to prefer their profits to their country and to the principles they profess so sanctimoniously when it costs them nothing to do so. Thus, as Lenin predicted they would, our industrialists sell the Soviets the rope with which they intend to hang us. The most damning charge against business corporations was not leveled by Ralph Nader but by Vladimir Bukovsky, the Soviet dissident. The handcuffs the Soviets snapped over his wrists, he points out, bore the stamp: "Made in the U.S.A."

Corporations do have something to "sing" about, then. But before they begin to rehearse their new act, or ask their friends to do it for them, they will have to clean up their old one. □

## Adam Smith and the commercial republic

STEPHEN MILLER

**I**n the past decade, the difficulties that have beset the American polity have naturally engendered a host of explanations. By far the majority of those whose business it is to diagnose "the American sickness," if there is such a thing, have argued that America is suffering because of the undue influence of "special interests." And they go on to claim that their curative prescriptions, which are usually hazy, are in accord with the "founding principles" of American government.

But the proper relation of "special interests" to the American democracy, as the founders conceived it, is not so simply put. Madison, Hamilton, and Jay—the authors, under the pseudonym of Publius, of *The Federalist*—were very much in favor of commerce. When Publius in *Federalist* 10 speaks of the different interests that "grow up of necessity in civilized nations," he is alluding to the different commercial interests that inevitably spring up in any nation when a significant number of its citizens engage in trade. Even when he speaks of a "landed interest," he means the interest of those engaged not in subsistence farming but in agriculture as a business. Publius, we might say, was pro-business, for he argues in *Federalist* 12 that "the prosperity of commerce is now perceived and acknowledged by all enlightened statesmen to be the most use-

ful as well as the most productive source of national wealth, and has accordingly become a primary object of their political cares."

The sentiments are very much those of Adam Smith, an author read carefully by all the "enlightened statesmen" of the time. Like Publius, Adam Smith thought that a polity dedicated to the preservation of liberty could remain strong and stable only if commerce flourished. But there was more to Adam Smith than, as the conventional wisdom would have his role, the most famous exponent of the market system.

Would either Publius or Smith have subscribed to Herbert Hoover's contention that "the sole function of government is to bring about a condition of affairs favorable to the beneficial development of private enterprise"? The remark was cited recently by Arthur Schlesinger, Jr. to show how benighted the "conservative" apologists for capitalism have been. According to Schlesinger, these men have been enthralled by Adam Smith's notion of an "invisible hand," and as a result they regard "the private market as infinitely exact, sensitive, efficient and impartial in its resolution of our social and economic perplexities." Publius and Smith would not have dismissed Hoover's remark out of hand, as Schlesinger does, but they would have been puzzled by Hoover's dogmatic assertion that "the beneficial development of private enterprise" is the *sole* function of government. And Publius and Smith would have been equally puzzled by the idea that the private market can resolve all our social and economic perplexities.

Publius and Smith would have been puzzled because, in the 19th century, the debate about commerce and government changed, and the change naturally affected all subsequent debates. The debate was no longer about commerce but about capitalism, a term that was unknown to Publius and Smith. The 19th-century defenders of *capitalism* have little in common with the 18th-century defenders of *commerce*. Although both spoke of the science of political economy, the defenders of capitalism had a rather inflexible notion of what "science" means. Swearing allegiance to *laissez-faire*, they spoke of inviolable laws—arguing vehemently that if these "natural" laws were tampered with the economy would be ruined and liberty would be undermined. Both Publius and Smith, one is certain, would have been repelled by the dogmatism of a 19th-century liberal like E. L. Godkin, who regarded all deviations from *laissez-faire* as the beginning of the end of republican government.

In order to understand why Hamilton and Madison, the principal authors of *The Federalist*, stressed the importance of commerce

in an extended republic, we need to look past the arguments of those who attacked laissez-faire as well as those who defended it (the arguments of a Schlesinger as well as a Hoover), and look at the arguments of Smith himself. For Smith was a disciple and friend of Hume's, and *The Wealth of Nations*, published in 1776, is the most exhaustive elaboration of the 18th-century "scientist's" point of view with regard to commerce. Smith, like Hume, was not a republican; he considered Britain's mixed constitution as the best possible form of government. But, like Hume, he thought that polities composed predominantly of men pursuing their interest by engaging in commerce were more likely than other polities to be stable, strong, prosperous, and free. And the authors of *The Federalist*, who read Smith as well as Hume, were persuaded by his arguments.

#### Commerce and order

The full title of Smith's book, *An Inquiry into the Nature and Causes of the Wealth of Nations*, is somewhat misleading, for it implies that Smith is solely concerned with explaining how nations can become wealthy. Smith does devote much of his book to attacking the mercantilist view of wealth; it is wrong, he argues, to say that a nation's wealth can be measured by the amount of precious metals it has in its coffers. A nation's wealth, Smith argues, is directly related to its productivity—the extent to which the "exchangeable value of the annual produce . . . exceeds that of the annual consumption. . . ." But for Smith productivity is not an end in itself. Productivity is desirable because it betters the condition of the vast majority of the people; it is also desirable because commerce—the activity that results in increases in productivity—encourages certain qualities in human nature to flourish, qualities that on the whole make for a stable, prosperous, and free polity. *The Wealth of Nations*, then, is less a treatise on economics than a treatise on what might be called the political philosophy of commerce.

Defending Smith from the charge that he had "converted the Chair of Moral Philosophy into a professorship of trade and finance," Dugald Stewart (Smith's first biographer) argued that there is a close connection between Smith's "system of commercial politics, and those speculations of his earlier years, in which he aimed more professedly at the advancement of human improvement and happiness." According to Stewart, *The Wealth of Nations* is a work of moral and political philosophy, and he concluded that "it is this

view of political economy that can alone render it interesting to the moralist, and can dignify calculations of profit and loss in the eye of the philosopher."

As a political philosopher, Smith—like Hume—was writing under the shadow of Hobbes, the Hobbes who thought that liberty inevitably led to civil discord. Smith, like Hume, thought Britain was a relatively stable regime, but no regime was immune from the disease of violent faction. "Times of violent religious controversy," Smith says in *The Wealth of Nations*, "have generally been times of equally violent political faction." Smith thought such violent faction was probably a thing of the past in Britain, precisely because commerce had become so important. The expansion of commerce had made it less likely that people would become embroiled in religious controversy, less likely that they would join parties of principle rather than parties of interest. About Europe after the fall of the Roman empire, Smith wrote:

commerce and manufactures gradually introduced order and good government, and with them, the liberty and security of individuals, among the inhabitants of the country, who had before lived almost in a continual state of war with their neighbours, and of servile dependency upon their superiors. *This, though it has been the least observed, is by far the most important of all their effects. Mr. Hume is the only writer who, so far as I know, has hitherto taken notice of it.* [Emphasis added.]

Thus, according to Smith, commerce fosters political stability. More specifically, it fosters non-violent factions, which is an essential condition for a liberal polity. "The good temper and moderation of contending factions," Smith says, "seems to be the most essential circumstance in the public morals of a free people."

That commerce fosters non-violent factions is one of the central points—the central point, to my mind—of *The Wealth of Nations*. Yet it is a point that Smith does not devote much attention to, which is perhaps why it was lost sight of in the 19th century. The defenders of laissez-faire fastened on another point of Smith's, one that he elaborates throughout *The Wealth of Nations*: Commerce flourishes best when government refrains from interfering in the economy. It is true, of course, that Smith praised the "invisible hand" of a market economy, but he was by no means a doctrinaire advocate of laissez-faire. As Jacob Viner has said, Smith "saw a wide and elastic range of activity for government, and he was prepared to extend it even farther if government, by improving its standards of competence, honesty and public spirit, showed itself



#### ADAM SMITH AND THE COMMERCIAL REPUBLIC

entitled to wider responsibilities." According to one scholar, Smith would have endorsed Keynes' observation that "the important thing for Government is not to do things which individuals are doing already, and to do them a little better or a little worse; but to do those things which at present are not done at all."

Smith was, of course, in favor of free trade. He attacks the "hundred impertinent obstructions with which the folly of human laws too often incumbers" the operations of the market, impeding the "natural effort of every individual to better his own condition. . . ." Unlike a dogmatist such as Godkin, however, Smith thought the science of political economy must bow to public opinion. Speaking of a recently-enacted Corn Law, Smith says that "with all its imperfections . . . it is the best which the interests, prejudices, and temper of the times would admit of." Smith, unlike Godkin, has a strong sense of the constraints of political practice. If public opinion were flouted, not heeded, political instability might ensue. Smith realized that free trade was a radical idea for his time and he never expected most Englishmen completely to assent to it. But he did think that public opinion could, to some degree, be educated—that, indeed, his book might persuade many Englishmen that the wealth of Britain, and therefore the prosperity of all citizens, would substantially increase if Britain moved in the direction of free trade.

Who benefits from the increased productivity that is the end result of free trade? Everyone, according to Smith, but especially the great body of the people—that is, the poor. For many reasons, Smith is impatient with those who look back in nostalgia to a traditional society, where a landed aristocracy rules. The old order, he continually argues, was rarely benign, for the ruling classes were often violent and generally callous. "All for ourselves, and nothing for other people," he says, "seems, in every age of the world, to have been the vile maxim of the masters of mankind." But he is less opposed to such traditional societies because he dislikes traditional ruling classes than because such societies usually have stable or stagnating economies. The poor suffer in such societies because there is an excess of labor; the peasant must be content with his condition in life, a condition that he can rarely change. He must submit to the vagaries of his master. In a "progressive" state, however, the peasant can improve his condition, since different people are bidding for his labor. In such a progressive state, as Hume said, people are roused from their lethargy and are "put into a fermentation." In such a progressive state, Smith

says, "the liberal reward of labour . . . increases the industry of the common people."

The progressive state, he continues, "is in reality the cheerful and the hearty state to all the different orders of the society. The stationary is dull; the declining melancholy." Preoccupied with bettering their condition, people in progressive states are less likely to become embroiled in matters of opinion. Preoccupied with bettering their condition, their industry generates a national productivity that redounds to the benefit of everyone. Smith is pro-business because he is pro-consumer. "Consumption," he says, "is the sole end and purpose of all production; and the interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer."

Smith is pro-business, yet he continually attacks businessmen. Merchants and manufacturers, he argues, are not naturally or inevitably pro-consumer: They are more likely than not to be "protectionist." "In the mercantile system the interest of the consumer is almost constantly sacrificed to that of the producer; and it seems to consider production, and not consumption, as the ultimate end and object of all industry and commerce." Under the mercantile system, moreover, it is the producers whose interest "has been so carefully attended to" and the consumers' interest "has been entirely neglected." Since merchants and manufacturers are possessed by "mean rapacity" and the "monopolizing spirit," Smith warns legislators that "the proposal of any new law or regulation of commerce which comes from this order, ought always to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention." According to Smith, the wealth of the nation suffers if the demands of merchants and manufacturers are acceded to, for they generally want to restrict competition and trade in order to maximize profits.

The dynamics of a commercial society, it would seem, are shot through with contradiction. For Smith argues that commercial men are forever trying to impede commerce—not only merchants and manufacturers but also skilled laborers, who form "corporations" to restrict entry into their trades. "As it is the interest of the freemen of a corporation to hinder the rest of the inhabitants from employing any workmen but themselves, so it is the interest of the merchants and manufacturers of every country to secure to themselves the monopoly of the home market." How, then, can Smith exhort legislators to "trust people with the care of their own in-

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terest" when most people see it as being in their interest to restrict commerce? Self-interest, it would seem, clashes with the public interest, since self-interest lies in restricting commerce whereas the wealth of the nation lies in free trade.

Smith tries to get around this problem by implying that men do not always know what is in their self-interest. Restricting commerce, he argues, may seem to be in their self-interest, but in the long run it is not. For free trade is in the self-interest of all Englishmen insofar as all Englishmen are consumers. Smith speaks of the "futile interests of our merchants and manufacturers"—futile in the sense that restricting trade ultimately damages their interests rather than aids them. Smith argues that the "real interests," as he says, of the merchants and manufacturers coincide with the public interest, but he doubted very much that they would be capable of understanding their "real interests," for they were imbued with "the meanness of mercantile prejudice."

#### Legislators and the common good

*The Wealth of Nations*, however, was written less for merchants and manufacturers, whom Smith generally regards as hopelessly narrow-minded on these questions, than for legislators. Legislators, he felt, could be persuaded that the public interest lies in breaking the bonds of mercantilism, and he hoped his book would help them resist the arguments of merchants and manufacturers. In one of the most powerful passages in *The Wealth of Nations*, Smith castigates merchants and manufacturers for intimidating the legislature. The member of parliament who supports their proposals for regulating commerce:

is sure to acquire not only the reputation of understanding trade, but great popularity and influence with an order of men whose numbers and wealth render them of great importance. If he opposes them, on the contrary, and still more if he has authority enough to be able to thwart them, neither the most acknowledged probity, nor the highest rank, nor the greatest public services, can protect him from the most infamous abuse and detraction, from personal insults, nor sometimes from real danger, arising from the insolent outrage of furious and disappointed monopolists.

The legislator, Smith says, should take "an extensive view of the general good. . . ." By doing so, he would come to recognize the harm done to the nation by the regulation of commerce, whether it be in the interest of business or labor. "Every such regulation,"

he says, "introduces some degree of real disorder into the constitution of the state, which it will be difficult afterwards to cure without occasioning another disorder."

Like Hume, Burke, and Publius, Smith regards the legislator as the central figure of the polity. Speaking of Smith's "science of politics," Dugald Stewart argued that it aimed at improving society "not by delineating plans of new constitutions, but by enlightening the policy of actual legislators." Commerce makes it possible for free governments to avoid violent factions, but free governments cannot endure without strong legislatures—legislatures composed of men who are the "natural aristocracy" of the country. Warning the British parliament about the dangers of undermining the colonial assemblies in America, Smith says: "Upon the power which the greater part of the leading men, the natural aristocracy of every country, have of preserving or defending their respective importance, depends the stability and duration of every system of free government." The sentiment is one of which Hume, Burke, and Publius would have approved.

Indeed, the road from Hume and Smith to the authors of *The Federalist* is direct. Although Hamilton and Madison, unlike Hume and Smith, supported a republican form of government, all four were in favor of a strong national government—one in which national legislators would deliberate about the claims of special interests while always keeping in mind the need to foster a progressive economy. In an extended commercial republic, Publius says in *Federalist* 12, "the assiduous merchant, the laborious husbandman, the active mechanic, and the industrious manufacturer—all orders of men look forward with eager expectation and growing alacrity to this pleasing reward of their toils." In short, they look to their interests, which would make it less likely that they would be driven by "a zeal for different opinions concerning religion, concerning government, and many other points, as well as speculation as of practice. . . ." Hamilton and Madison, as we know, went their separate ways in the 1790's, but in the 1780's Madison had supported policies that were essentially the same as Hamilton's. So certain was Hamilton of Madison's support that when he learned in 1790 that Madison was going to oppose the measures he recommended in his *Report on Public Credit*, he was truly shocked. Had he known that Madison was going to oppose him, he confided to friends, he would not have accepted the post of Secretary of the Treasury.

Madison's disapproval of Hamilton's policies did not mean that

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he had come to question the wisdom of Hume and Smith. It meant, rather, that he thought Hamilton was unduly favoring one interest—the moneyed interest—at the expense of the other interests in the country. Hamilton's policies, he thought, would abet civil discord by making sectional rivalries even worse than they had been. A letter written in 1828 makes it clear that Madison's views have much in common with Hume's and Smith's. Admitting that "in all doubtful cases, it becomes every Government to lean rather to a confidence in the judgment of individuals, than to interpositions controlling the free exercise of it," Madison then qualifies the theory of "let us alone" (*laissez-faire*) by saying that at times—usually for reasons of national security—*laissez-faire* is inappropriate. And he concludes by arguing that the power granted to Congress to regulate commerce was "properly granted, inasmuch as the power is, in effect, confined to that body, and may, when exercised with a sound legislative discretion, provide the better for the safety and prosperity of the nation." For all their differences, Hamilton and Madison should be regarded as statesmen who tried to adapt the views of Hume and Smith to the new American polity's needs.

Yet Hamilton, some would say, seems less to adapt Smith's views than to transform them altogether. For Hamilton has often been regarded as a mercantilist, as an apostle of big government. True, Hamilton did not favor free trade, but he agreed with Smith that the wealth of a nation should be measured by its productivity. And he hoped that his policies would enable the United States to have a progressive economy. In general, he was in favor of *laissez-faire*. "This favorite dogma," he said, "when taken as a general rule, is true." But he added that "as an exclusive one, it is false, and leads to error in the administration of public affairs." Smith would have agreed. And Smith would also have agreed with Hamilton's strong conviction that the United States could not have a progressive economy unless it had a strong central government.

Both Smith and Hamilton felt strongly about their prescriptions, yet both were too well-read in history and too aware of the complexities of politics to assume that their prescriptions, if followed, would definitely be effective. In *The Wealth of Nations* Smith questions the notion that a "political body" can thrive and prosper only under a certain precise regimen. Both Smith and Hamilton, moreover, harbored a certain disdain for commerce and commercial men. Hamilton was by temperament aristocratic; he was out for glory and honor, and his chief interest was military affairs. Smith was less enamored of aristocratic virtues, but he was

such a judicious writer that anyone wanting to construct a case against predominantly commercial societies can glean a good deal of supporting evidence from *The Wealth of Nations*. What could be more devastating as a criticism of commerce than Smith's remark that in civilized societies—that is, predominantly commercial societies—"all the nobler parts of the human character may be, in a great measure, obliterated and extinguished in the great body of the people"?

According to Smith, the division of labor transforms the nature of work, making it into a dull and mindless routine. As a result, the worker "generally becomes as stupid and ignorant as it is possible for a human creature to become." Not only his understanding, but also his body is corrupted, for he becomes "incapable of exerting his strength with vigour and perseverance. . . ." In short, he is neither a good citizen nor a good soldier. In civilized societies, moreover, the rich are also corrupted; their understanding may become more refined, but they lose the martial spirit. In such societies, Smith says, "the natural habits of the people render them altogether incapable of defending themselves." Smith, then, had grave reservations about the invisible hand of the free market. "Some attention of government," he says, "is necessary in order to prevent the almost entire corruption and degeneracy of the great body of the people." Far from thinking, as Schlesinger says, that the private market can resolve "our social and economic perplexities," Smith strongly insisted that the government must do many things to mitigate the bad effects of commerce—must, among other things, provide for public education as well as find ways to foster the martial spirit.

Despite his grave reservations about the effects of commerce, Smith recommended the expansion of commerce. Why? Because the good effects of commerce outweighed the bad. Or, rather, the bad effects of commerce could be mitigated by government. The good effects were clear: Commerce promotes "the public tranquility," and fosters a progressive economy that, above all, better the condition of the great body of the people. "No society," Smith says, "can surely be flourishing and happy, of which the far greater part of the members are poor and miserable." To be opposed to commerce, Smith makes clear, is to be opposed to bettering the condition of the poor. What can be said of Smith can generally be said of Hume, Madison, and Hamilton. All four writers thought that commerce would promote—as Madison said—"the safety and prosperity of the nation."

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Were they right? To pose the question in this way, of course, makes it impossible to answer; we can only speculate about what the United States would have become if the Constitution had not been ratified and if the United States had remained a predominantly agricultural society. Hamilton's own career, moreover, makes it difficult to focus on the question of commerce and republican government, because by the late 1790's the French Revolution had worked its spell over him, transforming him into the leading force in a party of principle, a party obsessed with rooting out American Jacobins. By the late 1790's he was less an 18th-century scientist than a 19th-century ideologue, for the French Revolution profoundly affected the nature of intellectual discourse in Europe and America. These and other problems arise when we try to assess the predictions of Hume, Smith, Hamilton, and Madison, but we need to come to some conclusion despite these difficulties. We need, that is, to risk a simple answer to the question: Have the predictions of Hamilton and Madison been relatively accurate? Or, to put it another way, we need to know whether the extended commercial republic that the United States became has fostered "the safety and prosperity of the nation."

To most Americans, the answer has always seemed clear: It has. The scientists were right in their predictions, for the American polity has been strong and stable—the public tranquility deeply disturbed only by two intractable problems for which Hamilton and Madison had no prescription: the problem of slavery and the problem of native Americans. And the American polity has enabled the great body of the people to better their condition.

### **Eternal longings**

Some Americans, of course, have not been persuaded. Intellectual descendants of Jefferson, rather than Madison and Hamilton, they tend to cast a suspicious eye on the national legislature and on all large-scale industrial enterprises. Jefferson never accepted the modifications in republican theory advanced by the 18th-century political scientists. He thought republican virtue could only be nourished in predominantly agricultural societies, where man depends for his living on himself, not on other men. Jefferson's vision, Merrill Peterson says, was essentially a conservative one, yet at the time it was in some ways more in tune with the American temper than Hamilton's and Madison's. "Only in the longer run of history," Peterson adds, "would it seem archaic."

Archaic or not, Jefferson's vision is very much in the American grain—the vision of Mugwumps and populists, Brahmins and agrarians. It is a vision that has—with few exceptions—dominated American letters. Those under the spell of this vision, which can only loosely be called Jeffersonian, have looked back in nostalgia to an older order, when disinterested patriots supposedly flourished; and they have continually attacked politicians and leading businessmen. According to many populists, conservatives, and socialists, something happened to America after the Civil War, when Jefferson's vision became archaic. The old order disappeared, and America sank into the corruption of the Gilded Age. After the Civil War, according to Robert Penn Warren, the "business ethic" became triumphant in American life. . . . Would Lincoln and Grant (the Grant who was a great general), Warren speculates, "happily accept citizenship in a nation that sometimes seems technologically and philosophically devoted to the depersonalization of men?" That is, would they accept citizenship in a country devoted to the "business ethic"?

The idea that the Gilded Age constitutes a watershed in American life is pervasive. For most novelists, essayists, and journalists, it stands for the decay of the old order and the triumph of greed, vulgarity, and a mindless devotion to progress. Some historians take an even more negative view. According to Lawrence Goodwyn, a leading historian of populism, the Gilded Age turned America's liberal democracy into a society dominated by the "ethos of corporate privilege." And Americans still suffer, Goodwyn says, from "the continuing cultural power exerted by the political and economic values which prevailed in the Gilded Age. . . ."

Now, even Hamilton and Madison would have disliked some of the features of the extended commercial republic after the Civil War—disliked especially those who worshipped at the altar of laissez-faire, extolling the virtues of the invisible hand while ignoring Smith's description of what the division of labor does to the worker. Yet it would be wrong to make too much of the ideology of laissez-faire, for it was only in the ascendant approximately 25 years after the Civil War, becoming an all but spent force by the time of the Great Depression. The doctrine of simple laissez-faire was always repugnant to most Americans—but most Americans did *not* think laissez-faire rendered the notion of an extended commercial republic illegitimate. Even before the Civil War, most Americans, according to Tocqueville, enjoyed "explaining almost every act of their lives on the principle of self-interest properly under-



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stood." Despite their suspicion of big business, after the Civil War most Americans continued to be in favor of the "business ethic." Although their talk—especially during political campaigns—smacked of the older patriotism, it was a language designed, as David Brion Davis has said, to give a new coalition of interests "equal access to the rewards of national growth." From time to time Americans espoused Jeffersonian sentiments, but that did not prevent them from pursuing their interests in the way the authors of *The Federalist* had envisioned—pursuing their interests in the hope of bettering their condition.

Were they foolish to think that they could better their condition? Some populists and conservatives (and socialists) think so; they imply that big business, in league with corrupt politicians, has made the American Dream just that—a dream. Yet even if many specific criticisms of politicians and big businessmen are justified, it makes little sense to say that these forces have made life miserable for most Americans. In the eyes of the great body of the poor throughout the world, the United States has been a success. In the late 19th century, in the middle of the Gilded Age, millions of immigrants came to the United States—came, for the most part, from predominantly pre-industrial and authoritarian countries: Poland, Russia, Italy, and Ireland. One hundred years later they continue to come—from Haiti, Mexico, Vietnam, Cuba—because they still think that the United States is a land of opportunity, a relatively stable country where they are free to pursue their interests. Nowhere was Hamilton more prescient than when he said in his *Report on Manufactures* that the development of American commerce and manufacturing would promote migration to America from foreign countries.

Madison and Hamilton, then, were right to assume that the progressive economy generated by an extended commercial republic would foster a prosperity that would redound to the benefit of all groups—always keeping in mind that blacks and native Americans constitute an important and tragic exception to these predictions. Madison and Hamilton were also right to assume that the progressive economy generated by an extended commercial republic would make civil discord less likely. Aside from the Civil War and the numerous Indian wars, the United States has been the scene of little protracted civil violence. (For complex reasons, the United States has had a very high level of personal violence.) Moreover, the notion that commerce fosters political stability has become widely accepted. Writing about ethnically-diverse Yugoslavia, a re-

porter in *The New York Times* recently said: "More than anything else, the ability to earn money and spend it is the cement that holds the country together."

Hamilton and Madison—as well as Hume and Smith—were, however, skeptical observers of the human condition who knew from their reading of history that polities are subject to innumerable misfortunes. One never knows when a zeal for different opinions will infect a polity, making its citizens disposed to vex and oppress each other. Man is far from perfectible, they knew, but they did think man is malleable—and that commerce would encourage the development of certain characteristics while it would discourage others. And these characteristics—among them, moderation, thrift, calculation, and compromise—would tend to make polities more stable. Smith did not think that everyone had the soul of a Scotsman, but he thought it would be better if most citizens did.

Most, not all. All four writers were quite aware that such characteristics are not ennobling, not even wholly admirable. The bourgeois virtues—all set in motion by self-interest—are not heroic virtues, not the stuff of great literature. All four writers stressed the need for commercial men but saved their praise for great statesmen, soldiers, philosophers, and legislators. "The greatest and noblest of all characters," Smith says in *The Theory of Moral Sentiments*, is "that of the reformer and legislator of a great state." They themselves were driven by uncommercial ambition: Hume and Smith aspired to be great philosophers, whereas Hamilton and Madison aspired to be great statesmen (Hamilton also wanted to be a great soldier). All four writers believed in what might be called a two-track system. On the one hand, there would be a "natural aristocracy," which would be less interested in bettering its condition than in achieving lasting fame; on the other hand, there would be a commercial class chiefly preoccupied with economic gain. The two groups would complement each other; both were necessary for the stability and prosperity of the nation. Moreover, only a predominantly commercial society could foster a truly *natural* aristocracy—that is, a meritocracy—for in traditional, pre-industrial societies the talents of those who belong to the lower orders of society often remain hidden.

The vision of Hume, Smith, Madison, and Hamilton was sober, but it was also hopeful: Man could improve his condition. Unfortunately, it was not a compelling vision, not a vision rich in great expectations. And it gave too much place to a figure innumerable writers and philosophers found—at the very least—distasteful: com-

mercial man. In the 19th century, a host of novelists, poets, essayists, and philosophers attacked commercial man as mean, hypocritical, insipid, callous, and vulgar. From very different perspectives, Nietzsche and Marx attacked the triumph of commercial man. Nietzsche hoped for the coming of a "superman," a man whose virtues were, in the best sense, aristocratic; and Marx hoped that abolition of private property would transform man into a completely social being, one who would no longer be in conflict with his fellow men. Both Nietzsche and Marx scorned a society predominantly composed of men pursuing their self-interest. Even in Smith himself there is a certain amount of scorn for commercial man, a scorn that is evident when he speaks of "a nation of shopkeepers." Though Smith defended commerce, he often found himself exasperated by commercial man.

#### Against politics

In the 20th century we have seen the dreams of Nietzsche and Marx become the nightmares of Nazi man and socialist man. As Pascal said, "man is neither angel nor beast, and the misfortune is that whoever tries to play the angel ends up playing the beast." Despite the events of the past 50 years, notions of a new man—a man untainted by self-interest—still hold some attraction. After quoting Mao's remarks about the need to "remold people to their very souls" and the need to "fight self," Charles Lindblom in his influential *Politics and Markets* says that Mao's vision is "on some counts as humane as any other great vision of man in the history of human aspiration," and he adds that "the vision of an 'educated' citizenry is appealing on many counts—on some points more so than the vision of market man. . . ." The vision of disinterested man still enthralled some intellectuals, though they never say that they would like to be "educated" in Maoist fashion. And this vision, I would argue, makes them inclined to dismiss the claims of "special interests"—groups, after all, driven by self-interest.

Most critics of special interests do not want a new American man who is a Maoist, but they do want a new American man who is driven by a disinterested sense of the public interest. "I don't think you can have a new type of politics," Ralph Nader has said, "unless you have a new type of citizenship." Nader has not been very precise about what this new citizen would do, but he has said "the basic point . . . is to develop what in ancient Athens was called the public citizen." In other words, Americans should spend

much more time than they now do on political affairs—not necessarily by running for office, however, because Nader continually suggests that being a politician is corrupting: “To my mind, politics is too full of compromises that should not be made.” What Nader, and indeed most public interest groups, mean by political participation is an active and aroused citizenry that strongly distrusts its legislators—a citizenry afflicted with what Smith would call that “troublesome jealousy, which, in some modern republics, seems to watch over the minutest actions, and to be at all times ready to disturb the peace of every citizen.” Republican jealousy was precisely the affliction that Hamilton and Madison were most worried about, and they hoped that in the new kind of republic they proposed—both extended and commercial—republican jealousy would wither away.

It never did. Republican jealousy—both in its populist and patrician forms—has been a continuing strain in American political history. Republican jealousy, its defenders say, keeps politicians honest; and it prevents corruption from completely dominating the political process. To some degree, they are right. Although the “great decisions” of American political history cannot be explained by invoking the spectre of special interests, it is probably true that special interests have unduly shaped many legislative decisions. Yet if special interests are often part of the problem, they are also part of the solution—a point that is rarely acknowledged. Publius says that the claims of various and interfering interests should be regulated, not dismissed. These interests, he implies, are perfectly right to pursue their self-interest.

In any case, our “public citizens” have usually not been effective in limiting the influence of special interests. Distrusting professional politicians, both patrician and populist reformers have advocated changes that have weakened the party system, thereby making it *more* difficult for national legislators to withstand the importunities of special interests.

Reading *The Wealth of Nations*, Hamilton and Madison were probably struck by Smith’s remark that “in free countries, where the safety of government depends very much upon the favourable judgment which the people may form of its conduct, it must surely be of the highest importance that they should not be disposed to judge rashly or capriciously concerning it.” Many Americans, Hamilton and Madison knew, were quick to condemn their legislators, quick to accuse them of less than noble motives; and in *The Federalist* they tried to persuade these Americans that the price of

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such obsessive vigilance was a weak central government that ultimately would unravel, leading to violent faction. They succeeded; and yet in some ways it seems as if they did not, for many Americans have remained prone to condemn legislators for being corrupted by special interests.

But few Americans, I imagine, would be entranced by Nader's anti-commercial vision of an America of self-sufficient communities, where citizens "can grow their own gardens. . . ." Few Americans, I imagine, prefer a stable to a progressive economy. And few Americans, I suspect, are truly consumed by republican jealousy. Perhaps most Americans sense that the cry of "special interests" is often demagogic in intent—a phrase invoked to prevent deliberation, to cast judgments without coming to grips with substantive questions. And perhaps most Americans also sense that many of those who resort to such a rallying cry have more often than not been men of little faith in America's distinctive form of republican government: an extended commercial republic.

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DATE	20 Down 88% Single Unit Loans	10-15 88% Single Unit Loans	88% Single Unit Loans	88% Single Unit Loans	3-4 Unit Loans	5 or More Unit Loans	Condo Funds	Leased Land Funds	Special Consider. Existing Loans	Commercial Unit Loans	Industrial Property Loans	Const. Loans	Variable Interest Rate
February 17, 1977													
<b>SAVINGS AND LOANS</b>													
*Non-Owner Occupied 15/5													
<b>ALLSTATE SAVINGS &amp; LOAN</b> 714/835-3813 Tony Mallotto Wes Wilkey, Mike Moore 213/435 3471 493 9212	In. Rate Points Max. Loan	8 3/4 1+100 150M	+9 1/2+100 150M	8 3/4+ 1/2+1+ 55M	9+1/4 1/2+1+ 42M	9 1/2+100 125M	Call 213- 877- 8121	9 1/2 2+100 Yes	Same as new money	Only Existing	None	Sam Rowe Call 835-3813 Tracts only	Both
<b>ANAHEIM SAVINGS &amp; LOAN</b> 991 6200 Mike Caffey Jim Duncan, Dave Jones So OC 771-1532 Ext. 39	In. Rate Points Max. Loan	8 3/4- 8 7/8 1/2+100	8 3/4- 8 7/8 1/2+100	8 7/8 1/2+100 55M	No 1/2+100	9 1/2+100 55M	No Call	No No	Yes	No	No	Bob Mitchell	No
<b>CALIFORNIA FEDERAL S &amp; L</b> C.M. - 546-2300 Lag. - 494-0313 S.O.C. - 495-4780 Ana. - 778-2222 H.B. - 897 3555 Carr. - 826-2071	In. Rate Points Max. Loan	+8 3/4 1+100 150M	+9 1+100 150M	9 1/2+100 55M	9+1/4 2+100 42M	Call Call	Call Call	Irvine Only	Only	213-987-0321		Call	No
<b>CITIZENS SAVINGS &amp; LOAN</b> 634-8491 Orange Jack Loughlin, Mal Telloin, Arnie Hamilton, Drexell Chapman	In. Rate Points Max. Loan	8 3/4 1+100 (Must be Owner Occupied)	8 3/4 1+100	8 3/4 1/2+100 55M	9+1/4 2+100	9 1/2+100 (FHA, VA 3 pts.)	9 1/4 1/2+100	No Call	Yes	No	No	No	Yes (Both Fixed & VIR.)
<b>COAST FEDERAL SAVINGS &amp; LOAN</b> La Mirada 522-6751 Tus. - 832-6810 Full. 992-4200 H.B. - 897-1047 Or. 634 8981	In. Rate Points Max. Loan	8 3/4 1+100 125M	8 3/4 1/2+100 75M	9 1/2+100 55M	No	9 1/2+100 80% 10-10 Only	213- 623- 1351 Call	Rewrite our own	213- 623- 1351 Call	No	213- 623- 1351	213- 623- 1351	No
<b>DOWNEY SAVINGS &amp; LOAN</b> Huntington Beach - 962-3345 L. Murdock M. Viejo - 837-1124 G. Wilson	In. Rate Points Max. Loan	8 3/4 1+100 35M- 100M	8 7/8 1+100 70M	9 1/2+100 55M	No	9 80M	Call No	Call Call	Call Call	No	No	No	No
<b>FIDELITY FEDERAL S &amp; L</b> As of 2-10-77 B. Schultz - N.W. 547-4465 Paul Skogerson - S.W. L. Peterson - S.E.	In. Rate Points Max. Loan	8 3/4 1+100 125M	8 7/8 1+100 80M	8 3/4 1/2+100 55M	9+1/4 2 1/2+100 42M	9 1/2+100	9 1/4 1/2+150	Call Call	Call Call	No	Call (213) 245- 6661	No	No
<b>FULLERTON SAVINGS &amp; LOAN</b> Or. - 997-3303 N.B. - 644-7173 B.P. - 761-2201 F.V. - 963-8717 Ana. - 778-1630 G.G. 537-3040	In. Rate Points Max. Loan	9 1+100 100M	9 1+100 100M	No	No	9 1+100	9 1/2 1/2+100	No	No	Same as new money	Existing Only	Owner Builder	No
<b>GLENDALE FEDERAL S &amp; L</b> CM 642-4711, NB 644 5300 SA 541-3314, H. Kadowaki Fullerton 526 8331	In. Rate Points Max. Loan	8 3/4 1+100 125M	8 3/4 1+100 125M	9 1/2+100 55M	9 1/2+1/4 2+100 40M	9 1/2 1/2+100 100M	9 1/2 2+100	Owner Occ. Only	Call	No	No	Call	No
<b>GREAT WESTERN SAVINGS &amp; LOAN</b> 752 7651	In. Rate Points Max. Loan	8 3/4 1+100 200M	8 3/4 1+100	9 1/2+100 55M	9+1/4 2 1/2+100 42M	9 1/4 1/2+100	9 1/2+100 75% 250M	Yes 80's, 90's 95's All	Call	Call	Call	Call	Both (Fixed are Freddie MAC & Other) 75M
<b>HOME FEDERAL SAVINGS &amp; LOAN</b> SA 835 4336 SJC 493 7711 Seal B. 898 3488 Irvine 752 6435	In. Rate Points Max. Loan	8 3/4 1+100	8 3/4 1+100	9 2+100 55M	9 1/2 3+100	9 1/4 2+100	9 3/4 2+100				Irvine	Yes	No (Fixed)
<b>L.A. FEDERAL SAVINGS &amp; LOAN</b> As of 2-10-77 Carr. 636 0861 Felix Pressler (213) 860-6677	In. Rate Points Max. Loan	8 3/4 1+100	8 7/8 1+100	8 7/8 1/2+100+ PMI 55M	9 5/8 1/2+100 4 1/4	9 1/8 1+150	9 1/4 1-2+100	Existing Only	No	No	No	No	No
<b>REPUBLIC FEDERAL SAVINGS</b>	In. Rate	8 3/4	8 3/4	9+1/4	9+1/4	0	(VIR. Rates Available)						





JEFF TISS

# THE LENDERS' REPORT

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## CALIFORNIA LAND TITLE COMPANY

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PLEASE CALL 751-7343. TAPE NO. 888. GET INFORMATION FROM OUR THURSDAY PHONE CALLS BEFORE NEW SHEET ARRIVES

DATE	20 Down 80% Single Unit Loans	10-15 80% Single Unit Loans	90% Single Unit Loans	95% Single Unit Loans	2-4 Unit Loans	5 or More Unit Loans	Condo Funds	Leased Land Funds	Special Consider. Existing Loans	Commercial Unit Loans	Industrial Property Loans	Const. Loans	Variable Interest Rate
December 2, 1976													
<b>SAVINGS AND LOANS</b>													
<b>ALLSTATE SAVINGS &amp; LOAN</b> 714-835-3813 Tony Malotte Wes Wilkey Mike Moore 213-435-3471 Roxy Root 493-9212	In. Rate Points Max. Loan	9 VIR 9 Fixed 1+100	9 Occ 9 non-occ. 1 1/2+100	9 1/2 1 1/2+1/2 100	9 1/2+1 1 1/2+1/2 100	9 1/2 Occ. 9 1/2 non-occ. 1 1/2+100	Call 213-877-8121	9 1/2 2+100	Yes S. Non-Occ.	Only Existing Fxt. RTS.	None Occ.	Sam Rowe Call 835-3813	Both
<b>ANAHEIM SAVINGS &amp; LOAN</b> 714-991-6200 Jim Duncan, Dave Jones Mike Coffey	In. Rate Points Max. Loan	9-9 1/8 1 1/2+100	9 1/8 1 1/2+100	9 1/8 1 1/2+100	No 55M	9 1/2 1 1/2+100	No 55M	Call (FHA/VA 2 pts.)	No Yes	No No	No No	Bob Mitchell	No
<b>CALIFORNIA FEDERAL S &amp; L</b> C.M. - 546-2300 Lag. - 494-0313 S.O.C. - 492-3837 Ana. - 776-2222 Cerr. - 826-20	In. Rate Points Max. Loan	9 1+100	9 1 1/2+100	9 1/2 1 1/2+100	9 1/2+1 2+100	Call	Call	Call	Irvine Only	213-937-0321	Call	No	No
<b>CITIZENS SAVINGS &amp; LOAN</b> 834-8491 - Orange Jack Loughlin, Mel Telloin, Arnie Hamilton, Drexell Chapman	In. Rate Points Max. Loan	9 1+100	9 1+100	9 1/2 1 1/2+100	9 1/2 2+100	9 1/2 1 1/2+100	9 1/2 1 1/2+100	No 42M	Call (FHA/VA 3 1/2 pts.)	Yes	No No	No No	Yes (Both Fixed & VIR.)
<b>COAST FEDERAL SAVINGS &amp; LOAN</b> Jim Meyers - H.B. La Mirada - 522-6761 848-1131 Tus. - 832-6810 Full. - 982-4200 Or. - 838-9071	In. Rate Points Max. Loan	9 1+100	9 1/2 1+100	9 1/2 1 1/2+100	No 2+100	9 1/2 2+100	213-623-1351 Call	Rewrite our own	213-623-1351 Call	No	213-623-1351 Call	213-623-1351 Call	No
<b>DOWNEY SAVINGS &amp; LOAN</b> Huntington Beach - 962-3345 L. Murdock M. Viejo - 837-1124 G. Wilson	In. Rate Points Max. Loan	9 1+100	9 1+100	9 1/2 1 1/2+100	No 80M	9 1/2 80M	Call	No	Call	Call	No	No	No
<b>FIDELITY FEDERAL S &amp; L</b> B. Schulz - N.W. 547-4485 Paul Skogerson - S.W. L. Peterson - S.E.	In. Rate Points Max. Loan	9 1+100	9 1/2 1+100	9 1/2 1 1/2+100	9 1/2+1 2+100	9 5/8 10 1 1/2+100	9 5/8 1 1/2+150	9 1/2 1 1/2+100	Yes Call	Call	No	Call (213) 245-6661	No
<b>FULLERTON SAVINGS &amp; LOAN</b> Or. - 997-3303 N.B. - 644-7173 B.P. - 761-2201 F.V. - 983-6717 Ana. - 778-1670 G.G. - 637-3040	In. Rate Points Max. Loan	9 1+100	9 1+100	No	No	Existing Only	Only	No	No	Same as new money	Existing Only	Owner Builder	No
<b>GLENDALE FEDERAL SAVINGS &amp; LOAN</b> 714-642-4711 S.A. - 541-3388 M. Kadowaki Fullerton 526-1111 B. 644-5300	In. Rate Points Max. Loan	9 1+100	9 1+100	9 2+100	9 1/2+1 2+100	9 1/2 1 1/2+100	9 1/2 2+100	Owner Occ. Only	Call	Call	No	No	Call
<b>GREAT WESTERN SAVINGS &amp; LOAN</b> 759-4922	In. Rate Points Max. Loan	9 1+100	9 1 1/2+100	9 1/2 1 1/2+100	9 1/2+1 2 1/2+100	9 1/2 1 1/2+100	9 1/2 1 1/2+100	Yes 80's, 90's 95's All	Call	Call	Call	Call	Both (Fixed are Freddie MAC) 55M
<b>HOME FEDERAL SAVINGS &amp; LOAN</b> S.J.C. - 493-7711 S.A. - 835-4336 Seal B. - 898-3488 Irvine - 752-5435	In. Rate Points Max. Loan	9 1+100	9 1+100	9 1/2 2+100	9 1/2 3+100	9 1/2 2+100	9 3/4 2+100	No	No	No	No	Yes	No (Fixed)
<b>L.A. FEDERAL SAVINGS &amp; LOAN</b> Cerr. 636-0861 Felix Pressler (213) 860-6677	In. Rate Points Max. Loan	8 7/8 1+100	9 1+100	9 1/2 1+100+	9 3/4 1 1/2+100	9 1/8- 9 1/2 1-1 1/2+ 100	9.4- 9 3/4 1 1/2-2+ 100	Existing Only	No	No	No	No	No
<b>REPUBLIC FEDERAL SAVINGS</b>	In. Rate	9	9	9 1/2	9 1/2	9 1/2	(VIR. Rates Available)						

THE WHITE HOUSE  
WASHINGTON

*Here's a copy  
of the indicators  
I sent in the  
other plug.*

ECONOMIC INDICATORS

1. Inflation (CPI): rose from 4.8 in 1976 to 12.4% in 1980, an increase of over 250%.
2. Unemployment: went from 7.7% to 7.1%.  
1976 = 7.7% or 7.406 million people  
77 = 7.1 or 6.991 " "  
78 = 6.1 or 6.202 " "  
79 = 5.8 or 6.137 " "  
80 = 7.1 or 7.637 " "
3. Interest rates: T-bills: 1976=4.986%/1980=11.506%  
Prime: 1976 = 6.84% to high of 21½% in late 1980. (Yearly average for 1980 is 15.27%.)
4. Productivity: during Carter years, productivity dropped ~~three~~ years straight (78-80). *(1st time ever happened in history of keeping productivity figures)*
5. Weekly earnings: decreased 7.5% in 1976 to 1980 period in real terms.
6. Real wages: declined in 79 and 80 after very modest increases of 1.0% and .5% in 77 and 78. Overall, real wages decreased 5.6% between 1976 and 1980. That doesn't even count for inflation.
7. GNP: the rate of increase in GNP declined for 3 years straight (78-80) and in 1980 there was no increase at all (decreased .2%).
8. Personal savings: 1976 = 6.9%  
1977 5.6  
1978 5.2  
1979 5.2  
1980 5.6
9. Ind. Production: during Carter years, rate of increase dropped each year, and in 1980 industrial production decreased (in real terms) 3.6%.

3. History's lesson: failure of the policies of the past.

o Economic trends were deteriorating badly under Carter. The economy was worsening before President Reagan took office, and continued to deteriorate in many ways for the first nine months of 1981 before the Reagan budget and tax reforms were put in place:

--Inflation. Inflation had risen from 4.8% in 1976 to 6.8% in 1977 to 9.0% in 1978 to an average of 12.9% in 1979-1980. It remained in double-digits for the first nine months of 1981.

--Interest rates. Prime rate had risen from 6.8% in 1976-77 to 9.1% in 1978 to 12.7% in 1979 to 15.3% in 1980, and was still trending upward to 20.5% by September 1981.

--Unemployment. Unemployment was 7.1% in 1977, and was trending downward. This trend abruptly halted when unemployment rose from 5.7% in July 1979 to 7.8% in July 1980. Subsequently, unemployment never fell below the 1977 level, and a second recession began in August 1981 -- two months before the Reagan budget was in place -- pushing unemployment up once more. Current unemployment is a largely result of this second Carter-induced recession.

o The bottom line: returning to the policies of the past would hurt everyone.

--The President's plan has already lowered inflation, and before long should reduce interest rates and unemployment.

--Retreating to the policies of the past would reignite inflation, keep interest rates high, and perpetuate unemployment. Carter's policies prove this.