Collection: Reagan, Ronald: 1980 Campaign Papers, 1965-1980

Series: XV: Speech Files (Robert Garrick and Bill Gavin)

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JIM BRADY - -

4/15/80

RECEIVED A CALL YESTERDAY FROM DAN BENSON OF TODAY'S STUDENT NEWSPAPER (714)498-2310), A PUBLICATION WHICH REACHES 130 CAMPUSES WITH A READERSHIP OF 1.5 MILLION STUDENTS.

HIS PROBLEM IS THIS: HIS PUBLICATION SENT OUT QUESTIONNAIRES TO ALL FIVE CANDIDATES ON ISSUES PERTAINING TO STUDENTS, SUCH AS THE DRAFT, STUDENT LOANS, AND THE CANDIDATE'S POPULARITY ON COLLEGE CAMPUSES. FROM OUR HEADQUARTERS, ACCORDING TO BENSON, ALL HE RECEIVED WERE ISSUE STATEMENTS, WHICH HE FELT WERE NOT SPECIFIC ENOUGH TO ANSWER THE QUESTIONS THEY POSED.

I BELIEVE HE DID SOME CHECKING AROUND, BECAUSE WHEN HE CALLED ME, HE SAID HE WAS TOLD THAT YOU WERE THE ONLY PERSON WHO COULD HELP HIM. HIS DEADLINE IS FRIDAY, APRIL 18, 1980, FOR THEIR MAY ISSUE.

IF YOU WANT ME TO DO ANYTHING ON THIS, LET ME KNOW.

DP

DAVE - Action please Thanks for assistance - JSB Tues. 4/15/80

I believe federal student loan programs should be continued. They are an important aid to ensuring that all students - regardless of their families incomes - are able to receive an adequate education. In fact, while I was Governor of California, we increased the number of state scholarships from 6,042 to 31,000, and increased spending for loans and scholarships from $4.7 million to $43 million. ~~an increase~~

As President, I would seek to carry out the student loan program in the most effective and efficient manner. I would explore the alternatives of transferring the tax sources for the program to the states level so the (over) program could be implemented at a level closer to the people, and of developing tax incentives to lending institutions to encourage loans to students.

Draft Policy Statement
Steel Industry
April 14, 1980
Prepared by: Kevin Hopkins and Doug Bandow

The Carter Administration's recent suspension of the trigger price mechanism, following U.S. Steel's anti-dumping suit, risks diverting our attention from the real problems facing the American steel industry. Indeed, despite a 5% higher trigger price in the first quarter of 1980, steel imports in February were up 25.4% from a year earlier.

The purpose of the trigger price system, of course, is to prevent dumping of foreign steel in the U.S.--that is, foreign competitors selling their steel in our country below their cost. We should not let the present controversy overshadow what may be very legitimate industry concerns. As President, I would vigorously enforce anti-dumping rules in the most efficient manner, whether by a trigger pricing scheme or a case-by case determination.

At the same time, however, we must recognize that steel's difficulties stem primarily from our own government's misconceived policies.

For example, steel industry output per man-hour in the U.S., or productivity, is substantially below that in Japan. This low productivity results from technological deficiencies: many American plants lack such important innovations as computerization, continuous casting, and basic oxygen furnaces, common in many overseas plants.

But because of the capital drain caused by the more than 5,000 federal rules, particularly environmental regulations, and punitive federal tax rates, our steel industry is unable to raise the necessary capital to upgrade their plants and equipment.

The President should begin an immediate review of all regulations affecting the industry, eliminating those which are unnecessary, and stretching out compliance time for others. Then, in order for the industry to generate the essential capital internally, we must enact accelerated corporate depreciation, along the lines of the Conable-Jones 10-5-3 proposal, with one-year depreciation for investments mandated by government.

The steel industry's problems will not be solved by erecting unjustified barriers against foreign steel. At worst, that could lead to a trade war; at best, it would only temporarily preserve steelworkers' jobs while ignoring the worsening long-run threats to them. Thus, while we must be vigilant in ensuring that free trade is also fair trade, we must recognize that the solution to American steel's problems begins by making our own steel industry far more competitive.

Draft Policy Statement
LOW-INCOME HOUSING
Prepared by: Doug Bandow and Kevin Hopkins
April 14, 1980

One of the duties of government is to ensure that those who cannot help themselves -- the poor, the elderly, and the disabled -- are provided with decent, safe housing. We should strive to provide that housing by working with private enterprise to devise the most cost-effective programs possible.

At the same time, however, we should keep our perspective about the type of units that are to be built. While adequate housing is a must, government provision of unduly expensive units is unfair to taxpayers who may be forced to finance housing for others that is of higher quality than the housing they can afford for themselves.

Draft Policy Statement
Chrysler Bail-Out Revision
April 14, 1980
Prepared by: Kevin Hopkins and Doug Bandow

There is now growing concern that Chrysler corporation may not be able to qualify for the federal loan guarantees package approved earlier this year, leading to proposals to revise that package.

Our prime interest must be to preserve the jobs of employees--of Chrysler, as well as the auto industry as a whole. However, we must recognize the reasons that the bail-out package is failing. First, Chrysler's projected loss for this year has risen sharply, largely as a result of unanticipated increases in the inflation and interest rates. And second, the auto industry as a whole, and Chrysler in particular are suffering from a severe cost squeeze, with demand down and costs up.

Thus, a revision of the bail-out package in itself is unlikely to restore Chrysler to economic health. Instead, the President should seek to solve those factors that are causing the company's problems.

Most important, he should immediately review all federal regulations affecting the auto industry--such as environmental rules and mileage standards--and either modify the rules or lengthen the compliance times. Some steps have been taken in this direction, but more such action is needed.

Second, he should abandon his policy of creating a recession to supposedly cure inflation. Throwing people out of work worsens the deficit by decreasing tax revenue and increasing benefit payments. With consumers worse off, they can afford to buy fewer cars.

Third, the President should couple monetary restraints with productivity incentives to boost economic growth. Otherwise, sky-high interest rates, which raise business costs and discourage demand, are the only result.

Fourth, the President should immediately seek to accelerate corporate depreciation, including, perhaps, a one-year depreciation for expenditures required to comply with government regulations.

Acting quickly on these measures could help Chrysler more easily put together th private loan package necessary for its survival. A revised bail-out, on the other hand, will only delay, not correct, Chrysler's problems.

Since the Soviet invasion of Afghanistan President Carter has been trying to give the impression that he wants to strengthen our defense posture and that he has done all that is needed to counter the Soviet military buildup.

Yet the defense budget Mr. Carter submitted early this year, as a response to the Afghanistan invasion, was the same as the one he proposed last year, before the invasion-- to win Senate approval for the SALT II Treaty. That budget was inadequate then and it is even more clearly inadequate today.

Mr. Carter tells the American people that he wants to keep the United States second to none in military strength. Yet as Mr. Carter knows, the Soviets keep outspending us in strategic arms by nearly three to one, and in conventional arms their investment continues to be nearly twice as large as ours.

A number of Senators, deeply concerned about these trends sought to increase defense spending. Yet Mr. Carter immediately dispatched his Defense Secretary and other Cabinet members to urge the Senators <u>not</u> to strengthen American defenses.

Evidently Mr. Carter says one thing to the public but does the opposite with his budget.

Recently further deceptive measures have come to light. In his State of the Union Message Mr. Carter promised that defense outlays during the 1981 Fiscal Year would "grow by more than 3 per cent in real terms over the preceding year." To give the impression that this promise is being fulfilled, the White HOuse instructed Senior Defense officials to show a 3.1 per cent real growth from Fiscal Year 1980 to Fiscal Year 1981.

Yet, the Carter White House did not want an honest increase; it demanded instead that the Defense Department carry out a deceptive bookkeeping trick: to show the 3.1 per cent growth in defense spending, the defense officials had been instructed to <u>reduce</u> the 1980 Defense Budget and thus make the 1981 Budget look that much larger.

That's like giving a worker a pay cut this month so that next month his regular wage will look like an increase.

From: Jack Kemp Kevin Hopkins

PROPOSED STATEMENT ON BUDGET DEBATE

This week Congress is debating two very different approaches to balancing the Federal budget. The Democratic Party majority has essentially endorsed President Carter's plan. President Carter proposes to balance the budget--on paper--by raising spending $48 billion, and by raising taxes $104 billion in one year, compared with his January estimates of the FY1980 budget. In fact, the net effect of the President's proposed revisions to the FY1980 and FY1981 budgets since January has been to reduce spending by $1 billion, while raising taxes a further $36 billion. 1/

This massive tax increase takes place just as the economy appears to have entered a recession, which the President estimates will raise unemployment from last year's 5.8 percent average to 7.5 percent by the end of the year. In a recession, budgets are balanced only on paper, since each 1 percentage point rise in unemployment widens the deficit by $25 billion to $29 billion. 2/

I reject this misguided and inhumane approach, and so does the Republican Party. House Republicans, for example, are offering a substitute budget designed to encourage noninflationary economic growth instead of more stagnation, joblessness and recession.

The Republican substitute rejects President Carter's new taxes on savings, gasoline, and other increases. It offers real spending restraint based on realistic program changes, and a stronger national defense. And it provides a $32 billion tax cut for 1981, large enough to enact a 10-percent across-the-board cut in individual tax rates, accelerated depreciation to provide greater incentives for business investment, and an incentive-oriented tax credit for savings. As President, I would use all my influence to secure enactment of the Republican budget substitute rather than the majority budget, and I would sign its provisions, when enacted, into law.

1/ Office of Management and Budget, FY1981 Budget Revisions, March 1980. 2/ C.B.O., Five-Year Budget Projections: FY1981-85, February 1980.

Since the Soviet invasion of Afghanistan, President Carter has become an election-year convert to the need for a superior defense — at least if you believe what he says. But there are growing indications that his break from the complacency of detente is little more than a massive public relations deception of the American people. For he says one thing when speaking to the public, but gives the opposite instructions to his administration.

--He told the Annual Conference of the American Legion that the American people and the Congress are united with him "in keeping the United States second to none in military strength." To be sure, the American people and the Congress are united in this goal. But Mr. Carter is not. For ~~after~~ when the Senate ~~gave~~ appeared ~~indications~~ that it would increase the 1981 defense budget beyond Carter's requested level, ~~the President~~ he immediately dispatched his Defense Secretary and other Cabinet members to ~~argue with the Sen~~ persuade the Senators otherwise.

-- Just last Thursday, Carter declared that "this is exactly the wrong time to cut the nation's ability to defend itself." Then ~~what~~ why did his administration slash the 1980 defense budget by $82 million earlier this month? They did so because Carter pledged to show 3% real growth in the 1981 defense budget, and instead of boosting 1981 defense spending he cut ~~our~~

~~ability to defe~~ the defense budget for this year. That's like giving a worker a pay cut this month so that next month his former wage will look like ~~an increase~~ a raise.

-- There's even more budgetary fraud in store. Senior defense officials have been instructed by the White House to show a 3.1% real growth in defense spending in 1981; ~~and~~ ~~mean~~ The Pentagon's Deputy Comptroller says this could mean artificially lowering the projected inflation rate, or cutting still another $83 million from this year's Defense Budget.

Jimmy Carter thus either has a blatant ignorance of the process of defending a nation, or he just doesn't care as long as he fulfills his political promises. In either case, he is playing a deadly game with America's national security, ~~And it is time for Americans to tell him that they don't~~ and that's a dangerous political game America cannot afford to play.

Draft Statement
CARTER DEFENSE DECEPTION
Prepared by: Kevin Hopkins
April 21, 1980

Since the Soviet invasion of Afghanistan, President Carter has become an election-year convert to the need for a superior defense -- at least according to what he says. But there are growing indications that his break from the complacency of detente is little more than a massive public relations deception of the American people. For he says one thing when speaking to the public, but gives the opposite instructions to his administration.

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Jimmy Carter thus either has a blatant ignorance of the necessary process of defending a nation, or he just doesn't care as long as he fulfills his political promises. In either case, he is playing a deadly game with America's national security, and that's a dangerous political game America cannot afford to play.

Hopkins, 4/18/80

TRIGGER PRICE MECHANISM

Explanation: In 1978, as a concession to domestic steel industry complaints about the volume of imports of foreign steel, Carter established the trigger price mechanism (TPM). The trigger price reflects the cost of steel production in Japan, presumably the world's most efficient steel-producer. TPM sets a minimum price for imported steel; steel imported below that price "triggers" a speeded-up antidumping investigation by the Commerce Department and an injury review by the United States International Trade Commission. If it is found that steel is being dumped in the United States (that is, sold below the cost of production), then additional duties can be assessed against the imported steel.

TPM was intended to alleviate the need for companies to file an anti-dumping suit for each suspected instance of dumping.

Cause for Concern: Carter administration recently suspended TPM, following the filing of an anti-dumping suit by U. S. Steel. Steel is an important product in both Pennsylvania and Ohio.

Chronology:

March 21, 1980. U. S. Steel filed suit, alleging that 75% of the 5.4 million tons of steel European steelmakers shipped to the U. S. last year are being dumped in domestic markets. The countries named in the suit are France, West Germany, Britain, Italy, Luxembourg, Belgium, and the Netherlands. U. S. Steel contends that steel products are being sold, for instance, at 29.1% of Italy's cost, ranging to 98.9% of Britain's cost.

March 21. Acting upon a threat to do so if U. S. Steel filed suit, the Carter Administration suspended the TPM, saying it could not both handle the suit and administer the system. The Commerce Department did leave open the possibility of reinstating the system if the suit were withdrawn or otherwise satisfactorily resolved.

April 10. The Commerce Department announced that it had found "sufficient basis" in the complaint to initiate a formal investigation. U. S. Steel must now show that imports actually are being dumped, and that they are causing "material injury" to the firm.

April 10. Seven American steel companies and the American Iron and Steel Institute said they will submit evidence to support U. S. Steel's claim.

April 10. Secretary of Commerce Philip Klutznick said that TPM was "being held in suspense" while the petitions are being adjudicated, but that the department would continue to collect the necessary information on foreign steel costs to "maintain the system as an active alternative."

April 15. The steel industry and United Steelworkers of America agree to a 3-year contract providing for basic annual pay increases of 2.4% plus enough additional increases to keep up with the cost of living. Thus, if inflation continues at about 14%, the wage increase would be about 50% over three years.

Resolution: A complex administrative and judicial process will now unfold, with the final decision perhaps nearly a year off. But if

U. S. Steel wins in preliminary findings, before the end of the year importers would be compelled to post bonds covering penalty duties. U. S. Steel intends to file similar suits against Japan.

Steel Facts:

1. Trigger price. The trigger price was raised an average of 5 per cent in the first quarter of this year. Most major steelmakers followed with an increase in the price of their steel products. The trigger price was not increased for the second quarter.
2. Steel imports. Steel imports declined from about 7 million tons in 1978 to about 5.4 million tons in 1979. However, steel imports increased 25.4% in February 1980 over a year earlier despite the higher trigger price.
3. Share of market. Foreign imports accounted for only 12.5% of the U. S. market in first quarter 1979, but increased to 18% in the fourth quarter 1979, reaching about the level that existed just before the introduction of TPM. Foreign share of domestic market increased even though imports were falling because domestic sales were falling faster.

Analysis:

1. There is a serious and legitimate concern about steelworkers' jobs. Last November, U. S. Steel closed 15 plants, and more than 10,000 steelworkers lost their jobs.
2. There is also a serious concern about dumping. If because of government subsidies or other devices foreign steel can be sold below cost in the U. S. -- an unfair trade practice -- then a remedy is called for.
3. However, remedy of an unfair trade practice should not slide into protectionism for protectionism's sake. If minimum steel import prices arbitrarily and artificially raise the price of imports above the competitive price, then prices to consumers will be that much higher. Perhaps even more important, artificially high steel prices reduce the competitiveness of the U. S. automobile industry, and increase costs for the U. S. construction industry, threatening perhaps even more jobs in these two other already slumping industries. Moreover, artificially high steel prices increase the cost of capital equipment, reducing the ability of all firms to increase their productivity. Job expansion is thus further inhibited.

Suggested Position:

1. "I believe in free trade, but it has to be fair trade. Foreign steel firms should not be permitted to sell their product in the U. S. below cost, and I would vigorously enforce anti-dumping rules in the most effective and efficient manner possible."
2. "Whether that requires the trigger price mechanism I don't know. But as President I would leave the system in place until and unless my administration made a determination that the system raised import prices unrelated to the prevention of dumping."
3. "My main concern, however, is to make American steel more productive. Steel companies are now being sqeezed because

demand for their product is low and costs are high."
4. "To revitalize demand, we have to end the Carter policy of creating a recession. Steel sends much of its product to the automobile industry and the construction industry, two of the industries suffering most from Carter's recession economics. When their demand falls, so does steel's."
5. "At the same time, we must make American steel companies more competitive with foreign companies. American firms are far behind their competitors in steel technology. We have to accelerate depreciation schedules so that steel companies will have more funds internally available to upgrade their plant and equipment."
6. "We also need to eliminate the hundreds of unnecessary regulations which beset the steel industry. Every dollar a steel firm has to spend on an unnecessary regulation is a dollar taken away from uprgrading its plant.
7. "By taking these steps, we can best preserve steelworkers' jobs, while also preserving jobs in the other industries that depend on steel, and holding down price increases to consumers."

Summary:
1. Free trade but fair trade.
2. Maintain TPM until can investigate its effectiveness.
3. Main concern is productivity.
4. Eliminate recession economics.
5. Accelerated depreciation to increase competitiveness.
6. Eliminate unnecessary regulations.
7. Best preserve jobs while holding down price increases.

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