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- rough draft -

AN ECONOMIC PROGRAM FOR THE 1980s

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As we begin the decade of the 1980s the most critical domestic problem we have is the economic crisis facing our country. This year we have seen both the rate of inflation and interest rates soar to an unbelievable level of almost 20 percent. Federal tax rates on individuals and business are unreasonably high and still climbing. Innovation and productivity are at a virtual standstill. We face the threat of recession, and more unemployment. And worst of all--our will to act seems paralyzed.

Can we stop inflation without creating massive unemployment? Can we stimulate productivity and encourage the kind of economic growth that will lead to a rising standard of living for us and for our children? Or, as some of our national leaders now seem to tell us, must we suffer continuing, increasing inflation, the threat of unemployment, austerity and limited opportunity for an indefinite period?

The answers to these questions are crucial, and not only for the sake of our material prosperity. A strong, healthy economy is essential to a strong national defense. The rapidly growing awareness of the need to bolster our strategic and conventional forces will surely lead to demands for more spending on national security. Unless we begin now to follow sound economic policies we will soon be faced with the desperate dilemma of "not enough guns" or "not enough butter."

When I announced my candidacy for President of the United States, I said, "I cannot and will not stand by while inflation and joblessness destroy the dignity of our people." I was not speaking only as a man who has lived through one Great Depression. Nor was I merely promising that, if elected, I would study the situation and then "do something."

I believe we have the economic knowledge to devise policies that will stop inflation and restore vitality to our economy--that will provide employment for all Americans who want to work, that will improve our nation's productivity and get our standard of living climbing again. We certainly know that today's economic policies have not worked. And I think we know why they have failed and what has to be done to succeed.

There is no simple answer to the problems of high inflation, low productivity, high taxes and unemployment. We got where we are by a long series of economic errors made over many years. I would like to be able to tell you that there is a simple solution. Such as balance the budget. Or cut taxes. But it isn't true. There are no simple fixes. There are no quick fixes.

If we are going to acheive a stable price level, have reasonably full employment, and get real incomes and productivity rising again we are going to have to act forcefully and quickly to change the disastrous economic policies of the Carter administration.

What we need now is a new comprehensive economic policy, a set of concerted actions that will complement and reinforce one another.

During the last four or five years I have spent a great deal of time consulting with many of the smartest, most able economists in the United States. I asked them what they would recommend we do to get this country moving forward on the economic front to restore economic growth, to stop inflation, to create more jobs, and to increase the real take-home pay of working Americans. I asked them to give me their recommendations free of any political restraints, to tell me what they thought was the right thing to do, not the politically expedient thing.

While they certainly did not agree on all the details, they were in fundamental agreement on the basic policy thrusts that must be made. And they were unanimous in their confidence that we can regain the economic health of this country, that we can have a more robust, healthier economy than we have ever had before.

Before I examine the specific principles of an economic policy that I believe can and will cure our economic problems I would like to review a part of our conventional economic wisdom that seems to have contributed significantly to our paralysis of will in economic policy.

For many years it has been an article of faith among many economists that any attempt to reduce inflation would result in more unemployment, and that any attempt to increase employment would lead to more inflation. This belief in the reverse linkage between inflation and unemployment has spread to the media and to politicians--both Republican and Democrat. The result has been political paralysis in regard to the development of an effective economic policy. Policies that held the promise of creating more jobs and stimulating productivity were often denounced because of their expected inflationary impact. Policies that aimed at cutting inflation down were denounced because they were expected to lead to more unemployment. There was apparently no way to win.

But to some economists it was never entirely clear why it was necessary for unemployment to go up when inflation went down. For example, the hyperinflation Germany experienced in the early 1920s showed that as inflation rose to higher and higher heights, so did unemployment.

These lingering doubts about the "iron law" of the reverse relationship between unemployment and inflation has now blossomed into rampant skepticism and full disbelief, even among economists.

If we look carefully at the experience of the last two decades--from 1960 to now--we can see that there has been no trade-off between longterm inflation and unemployment. What everyone believed was true was not true.

As the 1978 report of the Federal Reserve Bank of Minneapolis succinctly stated:

> "...Many believe that even a modest cut in the government budget deficit or in money growth would cause massive unemployment or long periods of slow economic growth and high unemployment. Such beliefs are based on a confusion.
>
> ...In the United States from 1960 to 1978...there appears to beno trade-off between inflation and unemployment.
>
> ...Higher inflation tends to be associated with higher, not lower, unemployment...in the late 1960s and early 1970s when inflation rose, unemployment generally rose.
>
> ...If history is any guide, this means that if more stimulative policies are expected, then we should get more inflation and more unemployment. Consequently, if tighter policies are expected, we should get less of each. Gains can thus be made against inflation without incurring the high costs of increased unemployment."

Our choice today is not between less inflation and more unemployment or more jobs with higher inflation. By following the policies we are following today, we are going to get a lot more inflation and more unemployment.

But if we can break free from some of the discredited economic beliefs of thepast we can reduce inflation and create more jobs at the same time. We don't have to suffer a recession or a depression to halt inflation. We don't have to live with an ever-escalating cost-of-living in order to keep our jobs. During the establishment of a sound, comprehensive economic policy there might be a period of months during which there would be some difficult adjustments, but the vast array of government and private programs now in place would ensure that virtually noone would suffer seriously. In a very short period of time, we could all once again look forward with confidence to the future of our economy.

The rapidly rising cost of living is the most visible symptom of our economic weakness. Inflation is a cruel, invisible tax over which we seem to have no control. It erodes the value of our savings, of our pensions, of our income. We can no longer be confident that we can afford to send our children to college, to buy a home, or to be secure in our retirement years. Some, to be sure profit by inflation. But these financially nimble people are few compared to the many who suffer, and these include especially the poor, the old, and all those on fixed incomes. The pain of inflation is far more than economic, it is social and political as well.

And what cause inflation? Mainly, the federal government.

There are other contibuting factors, of course--unreasonable wage demands by too powerful labor unions, sporadic crop failures, unconscionable increases in the price of crude oil by OPEC--but all factors such as these pale in comparison to the inflationary power of the massive, continuing budget deficit of the federal government.

If we are to get inflation under control and stop it, we must first reduce and eventually eliminate federal budget deficits. The budget must be brought into balance.

It is important to remember that every deficit is the result of two things: how much the federal government spends and how much revenue it receives. Over time, the federal budget deficit can be eliminated by either reducing the rate of increase of federal spending or by increasing the amount of tax revenues, or by some combination of both.

The most effective way to eliminate the deficit is to proceed on both fronts at the same time. We must control and limit the rate of increase in federal expenditures to levels that are both prudent and reasonable, while at the same time implementing economic policies that will stimulate the economy so that, even though government revenues may grow, the private share of the economy will grow proportionately larger than the government share.

I believe than an economic policy that will eliminate the federal deficit and stop inflation must be a comprehensive one that includes the following specific policies.

First and foremost the spending of the federal government must be controlled. Expenditures of over $600 billion a year are difficult to even comprehend. Today the federal government spends about $2,700 a year for every man, woman and child in the United States, or well over $10,000 a year for an average family of four people. Much of this spending is necessary and desirable, but the rate at which it is increasing seems to be out of control. It is not necessary to cut federal spending from current levels, but we must reduce the rate of increase.

The overall level of government spending in relation to how much our people earn is too important to be left entirely in the hands of elected officials who often respond all too rapidly to the demands of economic interest groups. In 1973, as Governor of California, I proposed an amendment to the state constitution that would have limited the amount of income taxes that could be taken from the people of California. Though narrowly defeated it was a beginning. In recent years it has become more and more widely accepted that we must have such a limitation on the appetite of government at the federal level. I strongly support the adoption of an amendment to the Constitution of the United States that would limit the percentage of taxes that could be taken from American workers.

It is now too easy for the Congress to appropriate and spend the taxpayers' money, and to frustrate any attempts of the President to maintain tight budget controls. To aid in re-establishing effective control over federal spending we should require a two-thirds majority vote in the Congress to approve every major appropriations bill. Given the desperate state of our economy--largely caused by uncontrolled spending--it does not seem unreasonable to require the concurrence of two-thirds of our Congressmen and Senators.

To further strengthen the ability of the President to control spending I urge the adoption of a device that I personally found to be very effective when I was Governor of California. The President should be given the power of "line-item veto" over the budget.

Today it is all too easy for the Congress to package spending items so that the President is literally forced to approve of some spending that he feels is unjustified in order to have critical, essential spending programs proceed. With line-item veto power the President would submit his budget to the Congress as he always has. Congress could then add or subtract from this budget, but the President would have the authority to delete specific budget items that were added by the Congress; he could not add back anything they had removed.

Today the governors of 44 of the 50 states have some form of item veto. In this century, Presidents Wilson, Franklin Roosevelt, and Eisenhower have all endorsed the proposal for an item veto as a means to keep federal expenditures under control. Time and again resolutions have been introduced in the Congress to amend the Constitution to give the President a line item veto. They have all been defeated. The time is now past for giving the President this essential device to control expenditures.

The amount of fraud, waste and extravagance in federal programs is legendary. According to an August 8, 1978 report of the Senate Governmental Affairs Committee, "recent evidence makes it clear that fraud, abuse and waste in the operations of federal departments and agencies and in federally funded programs are reaching epidemic proportions." Estimates of just the amount of fraud every year now go as high as $50 billion.

Everyone is opposed to fraud, waste and extravagance. The trouble is that no one seems able to do anything about it. And I certainly don't underestimate the tremendous difficulty of making the huge federal bureaucracy responsive to this challenge. However, I do believe that most government workers are as disgusted with wasteful spending as anyone, perhaps more so. What must be done is to provide them with the leadership and encouragement that will enable them to run their departments and agencies with tight fiscal discipline. I would like to try at the federal level something that worked well in the State of California. As Governor, I appointed citizen task forces made up of people with special experience and knowledge to identify waste and extravagance and to propose specific recommendations for its elimination. These task forces saved the taxpayers of California hundreds of millions of dollars.

The problem of federal spending is too large and complex to be dealt with by the federal bureaucracy alone. We need the active participation of our most talented people to tackle this problem. I would create citizen task forces, made up of people from across the nation, to look deeply into our government programs--across the board--and to make specific recommendations for the elimination of waste and fraud wherever they find it. Their efforts would be strongly supported by me, and by every appointment I make to high federal office.

Finally, I would begin to transfer certain federal programs, along with the tax resources that finance them, back to the control of state and local governments. Some government programs cannot be run effectively "long-distance" from Washington, D.C. Certain programs--such as welfare and education--are better and more e-ficiently run the closer they are to the people. I am convinced that returning these programs to the level of government at which they belong will not only bring us substantial cost savings, but, more importantly, result in far more effective programs that are more responsive to our needs.

These are some of the steps that should be taken to enable us to regain control of our spending destinies in Washington. But the effective control of government spending is only half the story. We must be equally concerned with restoring economic health to the private sector, to encouraging the kind of economic growth that will provide the millions of new jobs we must have, and the growth in real income we all want.

Today there is a noisy minority, especially in government, which argues that economic growth itself is undesirable. That an individual should no longer strive to climb the ladder of opportunity. That a parent wanting to make life better for his or her family is somehow misguided. For that minority, no-growth or "limited growth" has become an ideal to be sought after.

But what of the consequences? I think all of us can appreciate this observation by Margaret Bush Wilson, the head of the NAACP: "A limited growth policy tends to freeze oeople to whatever rung of the ladder they happen to be on. That's O.K. if you're a highly educated 28-year old making $50,000 a year as a presidential adviser. It's utter disaster if you're unskilled, out of work, and living in a ghetto."

I believe most Americans still favor growth--and by that I mean the growth of individual potential. Whether we wish to care for the old and for the needy, to protect our natural resources, or to defend our precious freedoms or to otherwise improve the quality of American life--our nation's economic growth is essential.

If we want to create more jobs, if we want to steadily increase the real take-home pay of workers, then we must speed up our economic growth. It is time for the United States to begin moving forward again--with new inventions, new products, greater productivity, more jobs, and a rapidly rising standard of living that will mean more goods and services for all of us.

These are some of the actions I would take.

We must have a vigorous, comprehensive program for dismantling the counterproductive regulations that are quietly throttling the competitive process. Federal regulations, often set forth with the best of intentions, have grown into a nightmare of paperwork and prohibitions. The overall cost to business in 1977 of complying with federal regulations has been estimated to be over $75 billion a year. These costs are not paid by business. They are passed on to us in the form of higher prices--higher prices for homes, higher prices for food, higher prices for gasoline--for virtually everything we buy.

The recent example of the deregulation of the airline industry has demonstrated that the removal of outdated, overly restrictive government regulations can result in better products and services for consumers, lower prices, more jobs, more profits for business, and even more tax revenues for government. It is time to reexamine government regulation wherever it occurs--in business, in education, in the professions--and to dismantle those regulations that impede the competitive process and to modify those--especially those concerned with the environment, health, and safety--that are running up costs and prices unreasonably and unnecessarily.

The level of taxation in the United States has now become so high that it is stifling the incentive for individuals to earn, save and invest. Part of this increase comes from new taxes imposed by the government, and part of it comes from inflation.

Perhaps the most insidious tax we all pay is the one caused by inflation pushing us into higher and higher tax brackets. It is insidious because noone seems to be responsible. It happens automatically without any action by Congress. It happens slowly and steadily, day by day, so that we hardly notice it--until the tax bill comes due in April.

We must eliminate inflation, but while it is still with us, taxes should be based on real incomes, not government-inflated incomes. Federal tax brackets, as well as the amount allowed for exemptions, deductions, and credits, should be adjusted or indexed for both individuals and business to ensure that inflation does not continue to be an automatic tax collector for the federal government.

Indexing the federal tax system will only prevent further automatic, unvoted on, tax increases in the future. It will do nothing about the high taxes that burden us now. Tax rates that are too high destroy the incentive to work, they cripple productivity, they create unemployment, and, in the end, lead to more deficit financing and inflation. In my judgment our tax rates have become so high that they are counterproductive. We can go a long way toward restoring the economic health of this country by moving toward more reasonable, more fair levels of taxation.

We must have a program of selective reductions in effective tax rates for both individuals and for business, selective reductions that are designed to increase the incentive to work and to save and to increase productivity.

The federal tax rate on personal income should be systematically reduced over a period of years. I favor a reduction in personal income tax rates on the order of magnitude called for in the Republican supported Kemp-Roth bill--that is, an across-the-board reduction of approximately 30 percent over a period of three years.

Both for reasons of fairness and for providing an incentive to save, a portion of interest earned on savings accounts, treasury bills, and bonds should be exempt from taxation. Up to $200 a year of dividends from common stock is exempt from the federal income tax. That same exemption should apply to anyone who chooses to invest his or her money outside of the stock market. I will recommend that up to $200 a year of interest from savings accounts, U.S. treasury bills, and commercial and government bonds be exempt from the federal income tax.

The federal inheritance and estate tax often forces the breakup of family estates when someone dies. I have long felt that this is an unfair tax. Today it accounts for less than one percent of federal tax receipts. The federal tax collector should not profit by death, and I will seek the elimination of the entire federal inheritance and estate tax. This will strengthen the incentive of our citizens to work and save to build an estate to pass on to their children and to their grandchildren.

The business tax rate must also be reduced to increase productivity and to create new job opportunities. Here I favor tax rate reductions of a similar magnitude to those made for personal income taxes--30 percent--but scheduled over a period of five to seven years, with the reduction fairly small during the first two years, and substantially increasing in later years.

Many who believe that taxes are too high are concerned that any move to reduce them might cause a temporary increase in the federal budget deficit and further aggravate inflation. This is a legitimate concern, but it is far more dangerous to continue on the road to economic disaster we are now pursuing.

The tax reduction program I have outlined here, together with effective measures to control government spending, would not run up the federal budget deficit in the year it was enacted. It would carefully guard against fanning the fires of inflation. Such a program would have an immediate effect on the incentive of individuals to work and to save, and it would also release powerful forces to expand capital investment by business. Business investment decisions are heavily influenced by estimates of the future cash flow after taxes from investments. The certainty of a reduction in tax rates over a long period of time would be a powerful stimulant to investment, while the short term effect on government revenues from business would be small.

One of the fundamental causes of inflation, low productivity and high unemployment is uncertainty. The people who make the investments that lead to new jobs and higher pay in a free, private economy simply cannot operate effectively if the economic rules made by the federal government are subject to sudden, capricious change. As the 1978 report of the Federal Reserve Bank of Minneapolis aptly stated: "What policy makers must do to fight inflation is to eliminate, whenever possible, surprises in monetary and fiscal policies...the only way to make policy credible is to announce it, implement it faithfully, and avoid shifting it abruptly." We must have an administration in Washington that will set a steady course in economic policy and stick to it.

The most powerful cause of business uncertainty is the capability of the federal government to suddenly impose wage and price controls on the private economy. There is almost unanimous agreement among economists, and even among politicians, that such controls do far more damage than good. When first imposed they may appear to work for a very short period of time, with accompanying short term political benefits. But history has clearly proven, time and again, that their net result is to make things worse.

Unfortunately, the political pressures are often so intense that the urge to impose controls becomes irrestible, especially when an election is close at hand. It is time to explore very carefully the feasibility of a constitutional amendment that would prohibit the imposition of wage and price controls except in case of war or true national emergency.

If we follow the principles of the economic program I have outlined here the federal budget will move rapidly toward balance, and inflation will be stopped. To ensure that the federal budget stays in balance once we have achieved it, we should go further and make it impossible for the federal government to ever again routinely run the massive deficits that have brought us to the edge of economic disaster. We need to embody into the Constitution an amendment that will require a balanced budget, except in time of national emergency. This would best be initiated by Congress, but if Congress should fail to act I would be prepared to take the case to the people and call for a constitutional convention for the sole purpose of enacting such an amendment. Already, 30 of the required number of 34 states have already called for such action.

We must also support and encourage sound monetary policies. There are limits to the ability of any central bank to combat inflation in the absence of strong support from Congress and the Executive Branch. If our government's fiscal policy is irresponsible the Federal Reserve must either accomodate the deficit and create a flood of money that fuels inflation or drive interest rates to crippling levels that can easily precipitate a devastating recession or even depression.

As we return to a responsible economic policy I would urge our monetary authorities to pursue a primary goal--the restoration of the American dollar as the soundest and most stable currency in the world. I would urge them to create only as many or as few dollars as necessary to achieve this goal. The Federal Reserve system is, much like the Supreme Court, wisely independent of the Congress and the Executive Branch of government. This independence must be preserved. But the President has the responsibility of nominating the members who serve as the Governors of that system, and I would make every possible effort to ensure that those I nominate would be committed to following sound, responsible monetary policies that would achieve and maintain a sound dollar and reasonable, fair levels of interest rates.

For many years there was no general inflation in the United States. From 1800 to 1930--one hundred and thirty years--the average rate of inflation was zero. There were significant flucuations about this level, but wholesale prices were the same in 1930 as they were in 1800. The dollar began to decline only after 1933 when the federal government devalued the dollar and restricted the promise to exchange dollars for gold to foreign banks alone. Even so, the dollar remained the strongest currency in the world. After the Second World War, the dollar became the world's monetary standard by international agreement. The dollar was tied to gold, and all other currencies were tied to the dollar. This system, while not perfect, provided the stability for more than a quarter-century of unprecedented prosperity for both America and the rest of the world. In August, 1971 the dollar'a link with gold was formally cut. We officially suspended any gold backing of the dollar and continued its devaluation through the use of our government "printing press."

A return to some form of a gold standard will not automatically solve the overwhelming economic problems that face us today. But the reestablishment of the dollar's link to gold should be one of our first economic priorities once we have made substantial progress toward setting our economic house in order. While the restoration of gold backing for our dollars will not rescue us from our current difficulties, it will help mightily, once we have repaired our economy, to ensure that the economy stays sound.

Not too many years ago our paper money was as "good as gold." I look forward to the day when once again the words "United States of America" are stamped on gold coins bearing the symbols of liberty.

I believe the economic principles presented here constitute a program that can and will work if implemented. Such a program is going to be difficult and complicated to develop in detail and to implement, but that is how it must be for we are faced with a very difficult and complicated economic situation that has been

building for years.

To assist me in this task I have established an economic advisory group, comprised of some of the best and most experienced economic experts in our country. This group, headed by ____________, will carefully monitor the developing economic crisis during the campaign and election and then present to me their specific recommendations for implementing the comprehensive economic recovery program we must have in the 1980s.

There is one special assignment that I have asked this group to assume. As I have observed and studied the incredible series of irresponsible economic policies followed in recent years, I have become convinced that certain aspects of economic policy are so crucial and fundamental to the proper functioning of a free economy that they cannot be left to the political whims of any particular Congress or Administration--whether it be Republican or Democrat.

Certain guarantees of economic freedom should be embodied in our Constitution in the same way that certain personal freedoms are guaranteed by the Bill of Rights. Changing the constitution is a lengthy and difficult process, as it should be. Even under the most optimistic assumptions it would take several years to accomplish this goal, but if we want to assure future economic prosperity we must begin now.

I have asked my economic advisory group to carefully consider a single amendment to the Constitution that would set forth a number of guarantees of economic freedom. Specifically I have asked them to review and study an amendment that would include the following:

Section 1. Limit the amount the federal government can spend.

Section 2. Require the federal budget to be balanced.

Section 3. Prohibit the imposition of wage and price controls.

Section 4. Establish line-item veto power for the President.

Section 5. Require a two-thirds majority vote of Congress on all major spending bills.

I believe that such an "economic bill of rights" would go a long way to ensuring the future economic prosperity of this country for us, and for our children.

A Strategy for Growth:

The American Economy in the 1980s

Almost two months ago, in my speech accepting the nomination of my party as its presidential candidate, I spoke of the historically unique crisis facing the United States. At that time I said:

> "Never before in our history have Americans been called upon to face three grave threats to our very existence, any one of which could destroy us. We face a disintegrating economy, a weakened defense and an energy policy based on the sharing of scarcity."

Since I first spoke those words, no action has been taken by the President to change the grave, unprecedented situation.

I emphasize the word "action." Jimmy Carter has shown that he is ready to adopt the rhetoric of action. But it is rhetoric only.

It is in the field of economics that he has promised the most and delivered the least. This is part of a pattern going back to 1976.

In an interview with Fortune magazine in May 1976, he said: "I don't see any reason why the permanent level of inflation can't be as low as 2 or 3 percent."

Today we all know the reason the inflation rate isn't at 2%: Jimmy Carter.

In his latest version of the oldest established permanent floating crap game in government -- the Carter economy -- he tells us that if we give him four more years he just might be able to bring inflation down to 6%.

Only under Carter economics is it considered a triumph to aim for an inflation rate at the end of 8 years that is higher than it was at the beginning of those 8 years.

In an interview with Business Week Magazine, May 3, 1976, he said, "We can have a balanced budget if I'm President. There is no way not to estimate benefits to be derived from top competent management of government."

After four years of Carter economics, there still is no way we can estimate benefits from competent management because we haven't seen any.

At the end of that same interview he was asked: "How do you categorize your brand of economics...?"

His answer is one I cherish. He said:

"How would you describe me? I don't know."

We know now, don't we?

Two years ago he gave us his latest in a series of fatally flawed economic programs. This one is the fifth "New" Economic Program in the last 3½ years. It bears a striking resemblance to its predecessors: it is long on rhetoric and short on effective action.

There is a proposal for a $28 billion tax cut. But upon examination, half of that tax cut is an illusion by a master illusionist, made up of federal paper-shuffling, since it is a scheduled rebate on the new Carter social security tax increase.

There is a "new" depreciation schedule. But upon examination, ~~this~~ it isn't so new at all -- it is similar to those recently proposed by Republicans and by the Senate Finance Committee. ~~as part of a comprehensive package to revitalize the American economy. But~~ [redacted]ize [redacted]my.

The "new" refundable investment tax credit is obviously meant as a gesture to those industries undercut by Carter's previous "new" plans.

There is a proposal for job-training to train people for jobs that don't exist and are not likely to exist under his economic policies. Given his policies, the best training Jimmy Carter can offer American workers is advice on how to stand in unemployment lines -- because that's where he's been putting them.

If he is serious about this program, why doesn't he send it up to Congress now? Why wait until next year? Because these are not economic programs, but political programs. He knows this program doesn't have a chance of becoming legislation and won't even send it to the Hill.

Jimmy Carter has mastered some of the language of a free economy. He knows certain phrases that suggest to the casual listener that he is in favor of a free, growing economy.

But his actions show the <u>real</u> Jimmy Carter -- no matter how many "new" Jimmy Carters we are offered.

He has overseen a rise in government regulation that during his first three years has seen a 35.8 percent increase in the number of pages devoted to regulation of the federal government.

He is going to establish an Economic Revitalization Board and suggests that "a new partnership between government and industry and labor" can meet our needs. But when you become partners with the government, who becomes the senior partner? His words suggest that he would like our nation to follow the example offered by the relationship between government and industry in Japan.

Whatever else may be said about that model, and I for one do not believe it would or could work in the United States, the fact is that Jimmy Carter is not only wrong economically, he is wrong geographically. His views, if followed, would lead us not to the Japanese experience but to the British disaster, an endless series of bailouts, shoring up with tax dollars those big enterprises that have failed and in general stifling real growth by regulation and the inevitable inflation that would accompany this bailout philosophy. It is a philosophy rejected by the current British Government and -- in its last months -- by the previous government as well.

Despite all of the good intentions not to allow an economic revitalization program to become a vehicle to bail out failing business, it is just not possible to be otherwise. ~~The~~ New ~~[illegible]~~ growing businesses do not need government help -- it is only the failing ones, ~~-- threaten[illegible] job losses --~~ which will show up at the door of the White House for help. But experience both here and abroad amply demonstrates that the jobs that are "saved" are temporary, and the damage to the economy overall leads to far greater job loss -- or, more exactly, to failure to create jobs for a growing labor force.

Japan "works" because the government is not anti-business. We would have the same vitality if government stopped ~~withdrew from~~ its harrassment of business. We don't need a new partnership, we need only to have an Uncle Sam who will help, not hinder, the American economy.

When I hear Jimmy Carter use the rhetoric of free enterprise, I am reminded of the story told about Mark Twain. It seems Mark had a habit of using foul language. To shock him out of it, his wife came up to him one day and repeated every bit of the salty language she had every heard him say. Mark listened patiently and when she was finished he said, "My dear, you have the words, but you don't have the tune."

The same can be said about Jimmy Carter and his seemingly limitless capacity for new programs. He knows all the words, but he lacks something vital. Jimmy Carter's tragedy as a leader is that he has never known where he wants to go.

And because we will have endured this nonleadership for four years, it is our tragedy as well.

Today I want to speak to you of a different concept of leadership, one based on faith in the American people, confidence in the American economy, and a firm commitment to see to it that the federal government is once more responsive to the needs of the people. That view is rooted in a strategy for growth, a program that sees the American economic system as it is -- a huge, complex, dynamic system which demands not piecemeal federal packages of solutions, or pious hopes wrapped in soothing words, but the hard work and concerted programs necessary for real growth.

We must first recognize that the problem with the U.S. economy is too much inefficient government, too much needless regulation, too much taxation, too much printing press money. We don't need any more eight or ten point programs of government actions to "fix" the economy. It is the overdose of such initiatives which has been gradually sapping the vitality of the most productive economic system the world has ever known. I see a true revitalization of the American economy as a two-stage process:

First, we must stop the frightening erosion that now confronts our economy. Then we must increase our economic growth markedly.

The second stage will be relatively easy if we make the first stage work. At the heart of the first stage of this strategy are three fundamental policies, each of which is vital, each of which is dependent on the other two for success and all three of which, working in concert under effective leadership, can take us from the Carter economics of despair and stagnation to an economics of hope and of growth based on what we know the American people are capable of:

1. First, we must stop inflationary policies of the federal government. This means the necessary precondition of such action, a balanced budget.

2. Second, we must prevent rises in the tax burden now crippling the economy and savaging family earnings. Carter's tax cut program still leaves the ratio of total Federal revenues rising from 20½% of GNP in the current fiscal year, to 23-3/4% by fiscal year 1985. Under Carter's program, Uncle Sam will be taking 30% of additions to taxable incomes over the next 5 years. There is no way we can stop the economy's erosion with that level of taxation.

3. Third, we must restore our military capability in order to meet the challenges we face now and will face in the near future, during that five-year period in the '80's called the Soviet window of opportunity.

I am asked, can we do it all at once? My answer is: we must.

I am asked, can we do it immediately? My answer is: No, it took Mr. Carter 4 years of hard work to get us into the economic mess we are in. It will take years to get us out.

I am asked, is it easy? My answer is: No. It is going to require perhaps the most dedicated and concerted action ever taken on the part of the American people for their government. [redacted].

But we can do it we must do it, and we must do all three together: balance the budget, cut tax rates, and build our defenses. That is the challenge. Mr. Carter says he can't meet that challenge. He says he can't do it. I believe him. He can't. I refuse to accept his defeatist, pessimistic, unrealistic view of America. I know we can do these things, and I know we must.

Let us then examine how we can meet this challenge.

A fundamental priority of the strategy for growth is a reduction in the projected spending levels for FY 1981 by some 2 percent. This level of spending restraint, once achieved for the last half of FY 1981, would continue on through the succeeding years. Continued attempts to control government spending would result in a further 2 percent reduction in FY 1982, an additional 1 percent in FY 1983, and 1 percent more in both FY 1984 and FY 1985. Even these relatively modest reductions in the rate of increase of federal spending produce substantial increases in available funds that can be used for either increased spending or for reducing tax rates to stimulate economic growth. Beginning with an additional $13 billion in FY 1981, the number grows steadily to $63 billion by FY 1985.

And I think we can do even better. My goal is to ultimately reduce spending by 10%.

Crucial to my strategy of spending control will be the appointment to top government positions of men and women who share the same economic philosophy that is at the heart of my policies. We will have an administration in which the word from the top isn't lost as it gets to the various departments. That voice will be heard because it is, in this vital area, the voice that has for too long been absent from Washington -- the voice of the people.

I will also establish a national citizen's task force, as I did in California, to rigorously examine every department and agency. There is nothing better for effective government than to have its operations scrutinized by citizens with savings on their minds.

I already have as part of my advisory staff a Spending Control Task Force, headed by my good friend and former Director of the Office of Management and Budget, Casper Weinberger,that will report on additional ways and techniques to search out and eliminate waste, extravagance, fraud and abuse in federal programs.

If I may digress for one moment: the subject of waste, fraud and abuse in government programs is one so important that I will not even try to discuss its full implications in these remarks because it deserves a special speech all of its own. I intend to make such a speech soon. For the present, just let me say that when HEW alone reported over $6 billion lost, strayed or stolen, surely there is more reason than ever to see to it that tax dollars are used more effectively. The Office of Management and Budget estimates that the annual waste in federal government programs could reach as high as $25 billion and Jimmy Carter tells us we can't have a tax cut.

This strategy for growth does not require altering or taking back entitlements already granted to the American people. The integrity of the Social Security system will be defended by my administration and its benefits made once again meaningful because we will also be fighting inflation.

This strategy does require restraining the Congressional desire to "add-on" to every program and to create new programs funded by deficits.

This strategy does require that the way federal programs are administered will be changed, so that we can benefit from the savings that will come about when, in many instances, administrative authority is moved back to the states.

The federal programs that I believe should be carefully considered for transfer to the states (along with the federal tax resources to finance them) are those which are essentially local in nature, ~~The broad areas that include the most likely prospects~~ for transfer are welfare and education.

Programs that are national in nature, or that are handled by trust arrangements outside the general revenue structure should not be transferred. In addition to the obvious ones -- Social Security, national defense and space -- this group would include Medicare and other old-age assistance programs; the enforcement of federal law; veteran's affairs; certain aspects of agriculture; energy; transportation and the environment; the TVA and other multi-state public works projects; certain types of research; and possibly others.

Few would want to end the federal government's role in setting national goals and standards. And no one would want to rule out a role for Washington in those few areas where its influence has been essential: in crash efforts such as the Manhattan and Apollo projects, and in massive self-liquidation programs such as the Homestead Act and the land-grant colleges. And, certainly, the federal government must have an active role in assuring this nation and adequate supply of energy.

The systematic, phased transfer of some federal programs and federal revenue sources could save the taxpayers money. As federal programs were transferred to the states, federal revenue sources, sufficient to finance the programs, would be transferred at the same time. The amount of federal resources transferred should be more than enough to fund the programs transferred, making possible a net tax reduction for individuals and families. There are two basic reasons why this can be expected:

The first is the elimination of the "freight charge." When the taxpayer's money is sent to Washington, counted, then doled back to the states with the regulatory strings of the Washington bureaucrats attached, some of it is lost in the process. We don't know precisely what this "freight charge" is for any particular program, but regardless of whether it is five cents on the dollar, 10 cents, 25 cents or 50 cents, it is clear that the taxpayers will pay the bill.

~~The second is the increase in efficiency that would occur when administrative responsibility passes from federal hands to state and local hands. My experience in California, and that of others elsewhere, demonstrates how arbitrary and everchanging federal regulations can inhibit even the most strenuous efforts to achieve economy and effectiveness in government. Freed of the dead hand of federal regulation, state and local budgets offer the potential for considerable economies. Again, we don't know what the precise savings will be, whether they will be 5 percent or 50 percent, but we do know that there would be savings.~~

This brings me to "[redacted] MY Tax Rate Reduction" plan. This plan calls for an across-the-board 30% reduction in personal income tax rates -- 10% in 1981; 10% in 1982; and 10% in 1983. My goal is to implement these reductions in a systematic, planned manner -- 10% a year each year for three years. It is essential to move as rapidly as we can to reduce the dangerous growth in our tax burden.

High rates of taxation destroy incentives to earn, to save, to invest; cripple productivity, lead to deficit financing and inflation, and create unemployment. We can go a long way toward restoring the economic health of this country by establishing reasonable, fair levels of taxation.

Jimmy Carter says it can't be done. In fact, he says it <u>shouldn't</u> be done. He favors the current crushing tax burden because it fits into his philosophy of government as the dominating force in American economic life.

But official projections of the Congressional Budget Office show that by FY 1985, if current rates of taxation are in effect, with no additional Congressional programs, tax revenues should approach more than one trillion dollars.

Surely Jimmy Carter isn't telling us that the American people couldn't find better things to do with all that money than see it spent by the government.

Assuming a continuation of current policies in government, the CBO projections show a substantial surplus of $175 billion in FY 1985. These large and growing surpluses can be used in two basic ways: (1) the funding of additional government programs, or (2) the reduction of tax rates.

The choice is up to the American people. At least it should be.

It should be noted here that all economic forecasts -- including, most especially, those Mr. Carter has been making for four years -- do not have the degree of precision we would want. But the CBO figures do give us a reasonable look at what is feasible.

The most insidious tax increase is the one we must pay when inflation pushes us into higher tax brackets. While inflation is with us, taxes should be based on real incomes, not government inflated ones. Federal tax rate brackets, as well as the amount of exemptions, deductions, and credits, should be indexed to compensate for inflation.

The federal inheritance and estate tax often forces the breakup of family estates when someone dies. I have long felt that this is an unfair tax. Today it accounts for less than one percent of federal tax receipts. The federal tax collector should not profit by death, and I will seek the elimination of the entire federal inheritance and estate tax. This will strengthen the incentive of our citizens to work and save to build an estate to pass on to their LOVED ONES. ~~children and to their grandchildren.~~

~~I mention this only to underscore the fact that~~ ~~the~~ THIS strategy for growth is based on something more than forecasts. It is based on what we already know the American people can do. Economic policies must be based on facts -- as mine are -- but those facts must be seen in a context of REALISTIC optimism. When I am told that my view of the future is optimistic, I answer: it should be. ~~I will not stand~~ WE DO NOT HAVE TO ~~for~~ lower OUR expectations. I know the American people have always been a people of great expectations and I would not ask them to elect me as President if I did not share this historic view.

If we succeed in ~~Stage~~ the first stage of my strategy for growth, the 2nd stage ~~I,~~ [redacted] ~~II~~ is a natural extension, parts of which should be put into place before Stage I is fully effective.

It is important that we recognize that presidential veto power, no matter how judiciously and courageously used, cannot hope to meet the challenge to our ECONOMIC survival alone. We have developed over the years a built-in tendency to overspend our tax receipts. The Budget Act of 1974, which for the first time created a procedure for the Congress to limit total spending, has been only partially successful. More is needed.

I will ~~also~~ seek a presidential right to have a line-item veto, so that the President can reflect the people's will in a manner that is effective and responsible.

I will ~~accordingly~~ ALSO seek a constitutional amendment requiring that all money bills require a 60% majority of both houses of the Congress rather than the current 50%.

I will immediately ask for a study to be made in order to find the most appropriate language for a necessary constitutional amendment for a balanced budget. Pending such an amendment's passage, I would expect and would seek appropriate statutory authority for a balanced budget from the Congress. These measures should once and for all put an end to the irresponsible printing of money.

Moreover, even the extended tax RATE cuts which I am recommending still ~~create a rise in the~~ ? LEAVE AN INCREASING tax burden. ~~and hence~~ Therefore additional tax rate reductions ~~scheduled and in place for the~~ are needed in the second half of the decade ~~are needed~~ ahead. ~~I will outline these additional tax and other measures at a later time. They will address the issue of enterprise zones for our cities which I raised first in my address to the National Urban League; the need for tax code simplification; broad reduction~~

in the regulatory burden and a number of other items of our national economic agenda.

A fundamental part of my strategy for economic growth is the restoration of business confidence. If our business community is going to invest and build and create new, well-paying jobs, they must have a future free from arbitrary government action. They must have confidence that the economic "rules-of-the-game" won't be changed suddenly.

In my administration, a national economic policy would be established and we will begin to implement it within the first 90 days. And I will stick with it.

Thus, I envision a strategy encompassing many elements; each of which cannot do the job alone, but all of which, working together, can get it done. Such a strategy depends for its success on the will of the people to regain control of their government.

And, most importantly, it depends on the capacity of the American people for work, their willing ness to do the job, their energy and their imagination. For this strategy OF GROWTH INCLUDES THE GROWTH THAT WILL COME FROM THE COOPERATION RESULTING of business and labor ~~that will result~~ from the knowledge that government policy is directed towards jobs, towards opportunity, towards growth. That is why I fully expect revenues to the government to increase, not decrease, under such programs as I have outlined. We are not talking here about some static, lifeless model of econometrics -- we are talking about the greatest productive economy in human history, one historically revitalized not by government but by people freed of government interference, needless regulations, crippling inflation, high taxes and unemployment.

Does Mr. Carter really believe that the American people are not capable of rebuilding our economy? If he does, that is even one more reason -- aside from his record -- that he should not be President.

When such a strategy is put into practice, our national defense needs will be capable of being met because the productive capacity of the American people, free of government restraint, and the ability of the new administration to make government less wasteful and more efficient, will provide the revenues needed to do what must be done in defense.

All of this demands a vision. It demands looking at government and looking at the economy as they exist, not as words on paper, but as institutions guided by our will and knowledge, capable of growth, capable of restraint, capable of effective action.

When Mr. Carter first took office, he had sufficient budget flexibility to achieve these goals without too much difficulty. He not only threw away the security of restoring economic vitality and international security by a series of failed policies, but has now made the achievement of these critical objectives far more difficult.

Nevertheless, this nation cannot afford to back away from any of these goals. We cannot allow tax burdens to rise inordinately, inflation to take hold, or allow our defenses to deteriorate -- without severe consequences.

This task is going to be difficult and our goals are optimistic -- as they should be. It's going to take time as well as work -- but it will be time worth the effort.

(spending control section)

Let us not forget that how these programs are administered can have a significant impact upon the ultimate cost of these programs.

(across-the-board cuts favor the rich)

~~It is a mistake to think that programs which cut tax rates across the board [illegible] disproportionately favor the rich. On the contrary, t~~ The type of program I am proposing--because it will improve the economy significantly--will help those whose job security and earnings are most tenuously tied to the level of prosperity.

(cut back on transfer section)

MEMORANDUM

SEPTEMBER 5, 1980

TO: ED GRAY
BILL GAVIN
GREG NEWELL

FROM: LODWICK/LYNG
FARM AND FOOD DIVISION
ROOM 324; EXT. 3515

RE: RR SPEECH, 9 SEPTEMBER, CHICAGO, BEFORE INTERNATIONAL BUSINESS COUNCIL

Clayton Yeutter, announced by RR in 3 July press release as a RR domestic-economic adviser, offers this memo as possible speech material.

Yeutter was former assistant secretary of agriculture and deputy ambassador for trade negotiations, both in Nixon-Ford Administration.

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Clayton Yeutter
President

M E M O R A N D U M

DATE: September 3, 1980

TO: Reagan for President Committee

FROM: Clayton Yeutter CY

Governor Reagan will be in Chicago to speak to the International Business Council on September 9. To the best of my knowledge, nothing has yet been said on international trade issues in the campaign. If the Governor is ready to speak on that subject, the IBC affair would be a good opportunity for him to do so. I would suggest the following points for use by both Governor Reagan and Ambassador Bush during the campaign.

I. Trade Barriers - The basic point should always be one of aggressively seeking a reduction of trade barriers throughout the world, since freer trade should be mutually beneficial to all trading nations. It will be particularly beneficial to the United States if we enhance our productivity and, hence, our competitivenss during a Reagan Administration. Freer trade, an emphasis on productivity, and a reference to the competitive spirit of a dynamic, free enterprise society can all be a part of this basic discussion.

The Governor can point out that we have lost a great deal of our international competitiveness during the Carter years - a result of high inflation rates, the unwillingness of business to invest in an environment of vacillation and uncertainty, undue regulatory infringement, a steadily growing tax burden, etc. This has led to protectionist pressures in industries where we can no longer compete with other nations. The UAW, for example, has abandoned its earlier free trade stance and is now calling for restraints on automobile imports. In my opinion, the Reagan-Bush response should be to finesse the call for import restrictions by saying that the better answer is to increase our competitiveness so that such restrictions are unnecessary.

Governor Reagan may not feel comfortable with being very specific on trade barrier issues, but there are three areas in which the Carter Administration is vulnerable.

One of these is antidumping, a term which simply means that nations should not "dump" their products on the world market by selling at prices below those which prevail in their home markets. Economists are in wide disagreement with respect to the merits of antidumping codes but, so long as we have them (and we do, both in the U.S. and internationally), they ought to be enforced. The Carter Administration has been a most reluctant enforcer, continually dragging its feet on antidumping complaints. It has acted only when pushed hard by complaining domestic industries, and then has assessed duties that many consider to be inordinately low. In addition, some of the antidumping duties that finally were assessed on cases processed during their tenure are yet to be collected. Governor Reagan could score a lot of points with U.S. industries, and with labor for that matter, by asserting that he will aggressively administer all our trade laws, including the one on antidumping. A statement that we will not tolerate the dumping practices of other nations would be exceptionally well received by both business and labor groups.

A second issue is that of a safeguards code. The Carter Administration (meaning Bob Strauss and his colleagues in what was then called the Office of the Special Trade Representative) was unable to successfully negotiate a safeguards code in the recently completed Tokyo Round of multilateral trade negotiations. That failure has received very little attention in the press, which does not understand it, but it is very important.

A safeguards code simply says that nations need not permit themselves to be inundated with imports. If they have become uncompetitive in a particular area (an example for us being labor intensive industries such as footwear or textiles), they should phase out their uneconomic production and shift their emphasis to areas where they are competitive (in our case, higher technology products as an example). But that is a painful process, requiring the closing of plants, dislocation of employees, etc. As a consequence, a safeguards code permits such nations to apply import restraints while this adjustment process is taking place. We have a safeguards code in the U. S., which requires public hearings before import restrictions are applied, limits their time frame, their severity, etc. Unfortunately, most of the rest of the world has no such code, meaning that other countries can keep our competitive exports out, almost at will. The Carter Administration sought to correct that by negotiating an international code similar to our U.S. law, but was unsuccessful in doing so. Governor Reagan and Ambassador Bush could readily commit to giving this issue a high priority in international negotiations, thereby gaining significant protections for our competitive exports.

A third issue is one that is primarily agricultural in nature. That is the use of export subsidies by other nations, thereby undercutting our agricultural exporting efforts. The primary offender is the European Economic Community whose Common Agricultural Policy calls for very high price support levels on most crop and livestock products. Such supports make the EC's farm products uncompetitive on world markets, so the EC compensates with the use of subsidies. They have, for example, used wheat subsidies of as much as $3.50 per bushel during the past couple of years (which is as much as some of our wheat farmers received for their grain). As a consequence, they have been able to penetrate foreign markets that would otherwise be the domain of U.S. farmers. No matter how competitive our farmers are - and they are the most efficient in the world - it is impossible even for them to compete against the treasuries of other nations.

There is an international code on the use of export subsidies, and the EC is probably violating it, though the new code has not yet been tested. The Reagan-Bush stance should be that we will not tolerate the unfair trade practices of other nations, whatever they may be. In the case of export subsidies, our farmers and businessmen should not have to compete with one arm tied behind their backs. We should insist on strong enforcement of the international rules on this and other trade barriers and, if that enforcement is not forthcoming, we should take appropriate action under our own trade laws. (There are a number of retaliatory options, including restrictions on the offending country's imports to the U.S.)

II. Export Promotion - The basic point is that we should aggressively promote the export of U.S. products throughout the world. This is a "motherhood and apple pie" assertion that should appeal to any audience. Beyond that, it is a valid one if we are to stimulate our own economic growth. Our domestic market, large as it is, is just not sufficient to provide the kind of economic growth we would hope to achieve in this country over the next decade. We have to expand our exports to achieve that objective. Other nations, of course, have a similar objective, so it will not be easy.

Governor Reagan should indicate a willingness and desire to add his personal influence and prestige to American exporting efforts.

It is said that Valery Giscard carries one or more major French business proposals with him on all of his international trips. Governor Reagan need not become quite that much of an international salesman, but he can certainly give exports more personal emphasis than President Carter has done over the last 3½ years.

A second point is that a Reagan Administration will develop America's economic strength and use it as a positive force in foreign policy and international economic policy. The Carter Administration has taken the opposite approach, withholding American exports in an effort to rescue a failing foreign policy. A Reagan Administration will rebuild America's military, political and economic strength, and in so doing export much more aggressively. We will thereby make competing economic systems (meaning the Soviet Union, in particular) more rather than less dependent upon us, thus providing us with a lot more political leverage. Precisely the opposite has been occurring under the Carter Administration.

A third point is that antitrust laws often serve to impede U.S. export efforts. Our major business firms are forced to play by different rules in the export world than do their competitors from Japan, Germany, and elsewhere. Governor Reagan should say that he will carefully examine antitrust and other impediments to our export endeavors, and seek to remove those impediments if such can be done without adversely affecting the public interest. One segment of this issue relates to the formation of U.S. export trading companies which would be comparable to the Mitsuis, the Mitsubishis, and others. Legislation to authorize the formation of such companies is now pending in the Congress, and support is building. Governor Reagan need not take a position on the specific legislative proposals, but I believe it would be proper and politically advantageous for him to endorse the concept.

There has been a lot of discussion over the past couple of years re the establishment of a Department of Trade that would raise the profile of international trade within the U.S. government. This need not be a new department, like the Department of Education, for that would likely incur tremendous public opposition. A better proposal would be to strengthen the Department of Commerce and broaden its role by bringing to it a number of the international trade responsibilities of other departments. What might emerge would be a "Department of Trade & Commerce" similar to that of Japan's MITI. Such a proposal, however meritorious, would inevitably incur a great deal of opposition within the Federal bureaucracy. Since it will be so controversial, I would suggest that Governor Reagan steer clear of the matter even though it would be a sound idea if properly carried out.

One final point is that the Carter Administration has not been successful in negotiating a workable international agreement to reduce cutthroat competition in the lending programs of exporting nations. This is a bit like the export subsidy question mentioned earlier, except that it applies to interest rates, repayment periods, and other terms of loans made by entities such as our Export-Import Bank. It does little good for us to become competitive internationally if other exporting nations are able to offset that competitiveness through the use of government credit programs with terms much more attractive than what we can offer in our private banking system or our own government credit institutions. We ought to serve notice on our fellow exporters that we expect to deal with this problem. It is in the best interest of all exporting nations to avoid this unnecessary income transfer to our importing customers. Aside from that, it is unfair competition that ought to cease. This should be another of the negotiating priorities of a new Reagan Administration. (Some negotiating progress has been made in recent years, but the problem is far from solved and we are losing export sales as a result.)

III. Specific Industry Issues - There are two especially troublesome issues that will have to be confronted by a Reagan Administration in January. Both involve major industries, so they deserve special mention.

One is automobiles. I have already alluded to the pressure for import restrictions to protect the U.S. automobile industry. We have lost much of our competitiveness in this industry, which is partially the fault of unimaginative, indecisive management in American firms, but also partially attributable to regulatory demands beyond those applicable to other auto producers. As I implied earlier, this is a complex question. Governor Reagan and Ambassador Bush ought to empathize and perhaps even sympathize with U.S. firms - and especially their employees - but I question the wisdom of taking specific policy positions at this time. Let's hope we can in 1981 develop a sound solution without going the protectionist route.

The other is steel. This one is even more difficult than automobiles because just about every country of any consequence wants to have its own steel industry. In most, the private sector cannot possibly afford the billions of dollars of capital investment that are involved, so the government gets into the act. In some cases, the steel industry is simply nationalized; in others, massive government subsidies are provided to bring it into being, and to sustain it. This inevitably leads to excess capacity internationally and to dumping.

The Governor can properly make the point, alluded to earlier, that he will not tolerate the dumping practices of other nations, whether the product involved be steel, color TV sets, or anything else. The U.S. steel industry wants much more, of course, including import restrictions. The Carter Administration has responded by implementing a trigger price system, which is quite protectionist, but not as protectionist as the industry would prefer. Governor Reagan will probably be asked whether he will continue this program, and "improve" its administration. Again, I would recommend that he not make definitive policy commitments on this or any other steel related issue. He can commit to making this one of the high priority issues of his Administration (and can and should do so with automobiles as well), but he ought not take definitive positions now. There are many potential options, all of which should be thoroughly explored. The international ramifications are tremendous, and whatever is done, if anything, must be carefully coordinated with many other nations. In addition to the antidumping point made above, what he can say is that he is determined that the U.S. will have a strong and economically healthy steel industry, and that a way must be found to keep our industry from being competitively disadvantaged by the governmental intervention policies of other steel producing nations.

CY:SN