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CARTER ON ECONOMIC ISSUES

THE PRESIDENT HAS SEEN....



## CARTER'S GENERAL ECONOMIC GOALS

1. Carter's overall economic goals have fluctuated somewhat, but he generally states them to be:

-- "Modest growth in GNP of 4-6% a year over the next four years;

-- Unemployment rate of 4% to 4-1/2% by end of his first term;

-- Annual inflation rate of 4% by the end of his first term;

-- A balanced budget by 1980;

2. According to Carter's economic advisors, he originally wanted much tougher targets for unemployment and inflation (in the 2% range) but he has become more realistic.

3. In addition to his general goals, Carter has also promised that in his first term he would:

-- Institute zero-based budgeting, issuing an executive order "in my first week in the White House";

-- Reorganize the executive branch, cutting the number of agencies and departments from 1900 to 200 (He has carefully avoided saying how);

-- Have a sunshine law;

-- Restore harmony between the White House and Congress

-- Level off the proportion of GNP absorbed by the Government. This is his latest kick. Business Week reports on September 20 that in an upcoming speech, Carter may call for a ceiling on federal expenditures at about the recent historical average of 21% of GNP in order to emphasize his fiscal conservatism.

4. Carter is clever at stating general goals while avoiding attempts to pin him down on ways to achieve them. Even his chief issues man, Stu Eizenstat, has said: "We will continue to state goals. But we're not laying out a legislative blueprint, and we're not going to be forced into that." Among the apparent reasons for this approach:

-- Their belief that specific issues count less than general attitudes the candidate conveys to voters. Thus, Carter always stresses nonideological themes of trust and confidence in government.

-- Specifics always tend to alienate special interest groups, a point publicly acknowledged by Carter's press secretary.

. -- Specifics also reveal contradictions in a program.

5. Carter's gyrations on economic policy have been one of the most notable aspects of his campaign. In the early primaries, he consistently ran to the right of his Democratic opponents. He refused, for instance, to embrace Humphrey-Hawkins. But after his "ethnic purity" remark, feeling pressure from the Black Caucus as well as George Meany, he relented, giving lukewarm endorsement to H-H. He has since tried to avoid the bill, and it is not mentioned in the Democratic platform.

Carter moved more discernibly to the left on April 22, just prior to the Pennsylvania primary, when he issued his first economics position paper. It placed a heavy emphasis on jobs as a number one economic priority. While it stressed that most jobs should be created in the private sector, it also gave a clear indication that many jobs were also to be created in the public sector and through public tax inducements -- and it said little about how Carter would control inflation. Carter's perceptions as a liberal, big-spending Democrat were greatly magnified by the Democratic convention including the platform, the choice of Mondale, and the acceptance address. His subsequent endorsements of big labor added to the perception.

Then, on September 3rd in a news conference in Plains, Carter swung back to the right, making it clear that both inflation and jobs were twin evils that he intended to fight simultaneously. The expensive social programs that he embraced at the convention were still going to be

enacted, he said, but they would have to be phased in, compatible with his goals of controlling inflation and balanceing the budget by 1980. So, as of today, Carter is straddled between fighting unemployment and fighting inflation.



QUOTES FROM CARTER AND ADVISORS ON GENERAL ECONOMIC GOALS



Q. Republicans in Kansas City charged that five programs that you've talked about would cost more than \$100 billion and would cause personal taxes to rise by 50%. How do you respond to the charge that you're a big spender?

A. Well, I've never been a big spender. I've always been careful with my own money and careful with whatever taxpayers' money I had under my charge. They are trying to cover up their mistakes. I intend as President to achieve a balanced budget by 1980. With a modest growth in gross national product to about 5% to 6% a year, and an unemployment rate of 4% to 4½% at the end of that time, with careful planning and meticulous detail work, and phasing in the programs that we've evolved, we would have a balanced budget by 1980.

Carter Interview

Business Week, Sept. 20, 1976

Q. This talk of savings reminds us of the Vietnam "peace dividend." Is there a chance that these savings will also disappear?

A. The savings are there to be realized. I don't say that we're going to cut that much out of total spending and give it back to the taxpayers, but to help programs be more efficient. I think we have now some 300 programs in health, administered by about 76 agencies. There's no way now to decide in Washington who's responsible for errors, who is in charge of the management of government. A clear delineation of authority, a reduction in the number of agencies responsible for the same function, combined with a reassessment of priorities on an annual basis under zero-based budgeting would result in substantial savings. We figure that over a four year period we'll have at least an increased income for the federal government - not in savings, but in dividends - of about \$60 billion cumulatively.

You know, I'm a businessman ... and I'm very conscious always of costs, projections, balanced budgets, and that will be part of my consciousness as President.

Business Week

September 20, 1976

"There's no doubt in my mind that before I go out of office the budget will be balanced and we will have zero-based budgeting and the government organization will be proper and we'll have a sunshine law and the harmony between the White House and Congress will be restored."

New York Times

June 16, 1976

Carter said that he would strive for a balanced budget and full employment if elected President. Blaming the Nixon-Ford administration for the nation's economy ills, Carter said he would try to cut inflation to 4% by the end of his administration and seek a steady economic growth rate of 4-5%.

UPI  
July 29, 1976

Carter reiterated his goals of cutting the unemployment rate to between 4% and 4.5% and inflation to 4% or less within four years. Telling reporters about his Tuesday meeting with his economic advisers, Carter also said that as President he would strengthen the Council on Wage and Price Stability and make a greater effort to get labor and business to voluntarily curb prices and wage boosts. While criticizing President Ford's general economic policies, the Democratic presidential nominee said he would continue the Ford policy of limiting wages increases for federal employees.

Wall Street Journal  
July 29, 1976

Carter outlined his own goals as "full employment" for all who are able to work, an inflation rate of 4% by 1980, a balanced budget, a steady economic growth rate of 4-6% and leveling off of the proportion of the gross national product that is absorbed by government.

Washington Post  
July 29, 1976

Q. What should be the approximate balance between government and private shares of the GNP?

A. Well, the government share has been steadily growing. My inclination would be to attenuate the growth, at least. My hope would be that we could hold down or reduce the government proportion of the GNP compared to what it would have been if I wasn't in the White House. I can't promise you that I'll stop it or reverse it, but I'll do what I can to hold it down.

Fortune  
5/76



Q. How far down do you think you can get inflation?

A. "I don't see any reason why the permanent level of inflation can't be as low as 2 or 3 percent. If we get down below 4 percent unemployment, you would have very high inflationary pressures . . . "

Fortune  
May, 1976

Lawrence Klein, Carter's chief economic adviser said of Carter: "The man has a real feeling for the poor, he wants to distribute America's income better, the pie will be bigger and everyone will have a bigger piece of it; there will be a shift to the smaller man. Jimmy's a real friend of small business."

"Our main target is unemployment. Carter wants to cut it to 4-1/2% from 7%; he'll do it by more government spending - but with restraint - and more public service jobs, inducements to private industry to extend hiring practices and more expansionary fiscal and monetary policies. There might be a budget deficit, if necessary, but not for long."

"We don't have all the answers to the 'inflation problem' yet, but we're working on programs to step up productivity, increase competitive pricing and introduce stand-by wages and price controls if necessary."

Baltimore Sun  
July 25, 1976



## CARTER ON JOBS



1. General Approach: While Carter has recently shifted his emphasis toward a greater concern for inflation, he continues to impress upon audiences the need for much more aggressive programs to create new jobs. He is a constant critic of Ford Administration policies, and his own approaches and programs -- a melange of orthodox Democratic tools -- would be a sharp departure from current policies. For analytical purposes, Carter's job policies can be placed in three categories:

(1) Greater fiscal and monetary stimulation. Carter would rely on more spending (he has not said how much but his advisers have indicated support for a budget of \$412-420 billion for FY 1977), temporarily higher budget deficits (also undefined), and more expansive monetary policy (he has also failed to define monetary growth targets). Among his immediate priorities for new spending are countercyclical assistance to cities suffering from particularly high rates of unemployment, and greater assistance for the housing industry.

(2) Federal inducements to private industry. Carter frequently calls himself a businessman who believes in the virtues of free enterprise, so he says that many of his programs are tailored to stimulate--not substitute for--private employment. Among his concrete proposals:

-- More Federal money for on-the-job training;

-- Federal R&D assistance to develop promising technologies such as solar energy;

-- A plan whereby a company that was going to layoff some of its employees, say 10%, would agree to put all employees on a shorter work week--and the Government would share the extra cost.

(3) Federal hiring on public service jobs. Carter criticised the original version of Humphrey-Hawkins because, he said, it made government the employer of first resort; however, he does favor plans--such as the revised Humphrey-Hawkins--which makes the government the employer of last resort. He has made it clear that a first priority



should be more jobs for black teenagers. Among his other proposals:

--Provide 800,000 summer youth jobs and "double the CETA program from 300,000 to 600,000 jobs."

--Create "public needs jobs" as a supplement to private sector for housing rehabilitation, repair of railroad roadbeds.

Again, Carter flatly opposes the idea that Government should guarantee everyone a job through hiring for public service employment. And he knows that his endorsement of Humphrey-Hawkins makes him highly vulnerable. His chief economics adviser, Lawrence Klein, has even been back-pedaling: "The bill could become an albatross. But no bill goes through Congress without amendments, and I can envision ten amendments that would make this a good bill." Late last week the Congress began revising Humphrey-Hawkins once again--some thought at Carter's request.

2. Cost of Carter's Jobs Program: He has never provided any figures.

3. Carter's Latest Attack Line: "President Ford has turned the economy around all right. When he came into office, 5 million people were unemployed. Today 7½ million people are unemployed--a 50% increase in two years." As on inflation, Carter frequently harks back to the unemployment numbers under Truman, JFK and LBJ.

QUOTES FROM CARTER ON JOBS



GENERAL

"Jobs for Americans who want to work must be our number one national priority. We will never have a balanced budget, an end to the inflationary spiral, or adequate services for our people as long as we have 8.5 or 9 million people unemployed."

Indianaopolis News  
March 9, 1976

"When you spend a million dollars on better health care, education, day care center care for elderly, you get almost a million dollars worth of jobs. When you spend the same million on one more bomb, you don't get very many jobs."

Caucus of Black Democrats  
May 2, 1976

When other Democratic candidates were setting lower targets for unemployment and inflation, Mr. Carter said, "I can't outbid them; I'd put my emphasis on employment and take my chances on inflation." He has consistently kept to those priorities. He puts reducing unemployment first, reducing inflation second, thereby making this a sharp issue with the Republicans, who have consistently designated inflation as the top problem.

The New York Times  
July 14, 1976

"SPECIFIC " PROGRAM IDEAS ON JOBS

"I am committed to a dramatic reduction in unemployment, without reviving double digit inflation, through the following means:

- (a) We must have an expansionary fiscal and monetary policy for the coming fiscal year to stimulate demand

and production. This should mean spending simply for the sake of spending without specific aims and goals, but policy aimed at curbing both cyclical and structural unemployment, creating useful jobs, and solving national needs.

(b) Specific stimulation should be given to private industry to hire the unemployed through

- encouragement by the Federal Government to employers to retain workers during cyclical downturns including reforming the unemployment compensation tax paid by employers.

- public programs to train people for work in private sector jobs.

- incentives specifically geared to encourage employment, including incentives to employers who employ young persons and persons with lengthy records of unemployment, and to those employers who provide flexible jobs, to aid access by women to the market place.

(c) To supplement our effort to have private industry play a greater role, the Federal Government has an obligation to provide funds for useful and productive public employment of those whom private business cannot or will not hire. Therefore we should:

- create meaningful public jobs -- in cities and neighborhoods of the unemployed adjusted to solving our national needs in construction, repair, maintenance, and rehabilitation of facilities such as railroads, roadbeds, housing, and the environment.

- improve manpower training and vocational education programs to increase the employability of the hard-core unemployed.

- provide 800,000 summer youth jobs.

- pass an accelerated public works program targeted to areas of specific national needs.

- double CETA (Comprehensive Educational Training Act) program from 300,000 to 600,000 jobs, and provide counter-cyclical aid to cities with high unemployment.

--develop more efficient employment services to provide better job counseling and to match openings to individuals, and consider establishment of special Youth Employment Services especially geared to finding jobs for our young people.

Carter Economic Position  
Paper, 1976 Campaign

CARTER ON JOBS IN THE PRIVATE SECTOR

"We must recognize ... that almost 85 percent of America's workers depend on private industry for jobs. I would like to maintain or improve this ratio."

Los Angeles Times  
June 30, 1976

"I would explore the possibility of sharing with industry the employment of perhaps all of their employees for a shorter work week. The government and industry would then share the extra costs involved."

Business Week  
May 3, 1976

"I believe that specific stimulation should be given to private industry to hire the unemployed through an increased commitment by the federal government to fund the cost of on-the-job training by business."

"... the federal government has an obligation to provide funds for useful and productive public employment of those whom private business cannot or will not hire."

The Economy: An  
Economic position  
paper for now and  
tomorrow

"Pinpointed federal programs can ease the more acute pains of recession, such as now exist in the construction industry. We should consider extension of unemployment compensation,

the stimulation of investments, public subsidizing of unemployment and surtaxes on excess profits."

National Press Club Speech  
December 12, 1975

The former Georgia governor pointed out that there are "millions of jobs that need to be filled. For example, the design, manufacture, transportation and installation of solar heating units is a new industry which would provide employment, not for scientists, because the technology is already known -- but for plumbers, pipefitters, tin smiths, plastics workers, carpenters, electricians and others."

"We need to repair our railroads, complete our rapid transit systems, provide pollution control for cities, preventive health care on a national level, care for retarded children, alcoholics and drug addicts. We need to provide individualized remedial instruction in our schools, and we need better housing programs. These kinds of jobs will provide employment primarily in private industry. The cost of such an employment program would not exceed present federal spending limits."

Manchester Union-Leader  
January 21, 1976

"I would also like to try some things of an innovative nature that are working in other countries. One example would be if you had an area of high unemployment, a geographical area, and a company that had 1,000 employees, and they had to lay off 100 employees temporarily. I would like to see the government and that industry, on a competitive bid basis perhaps, for a short period of time, like six months, employ all the people there for a shorter workweek, and let the government and the industry share the extra cost."

Fortune Interview  
May, 1976



CARTER ON JOBS IN THE PUBLIC SECTOR

"I didn't approve of the it (Humphrey-Hawkins) the way it was originally written. With a mandatory total unemployment goal of 3 percent, taking in all age groups, most of my economic advisers thought that would mean double-digit inflation. And although in its original form the bill professed to make the government the employer of last resort, in effect it placed the government almost as an employer of first resort ... "

Business Week  
May 3, 1976

"I support, and as President I would sign, the Humphrey-Hawkins bill, as amended, given my current understanding of the bill."

Washington Star  
July 7, 1976, quoting  
Carter on April 8, 1976

Answering charges by Jackson that he was ignoring the jobs issue, Carter proposed a "massive WPA or CCC type program to put Americans back to work," a reference to the public works project of the Depression era.

"I would make jobs the number 1 priority of my administration."

Clay F. Richards (UPI)  
April 2, 1976

"We now have about a 40 to 45 percent unemployment rate among young people in the minority groups: Spanish speaking and black. And I would consider this my number one priority in the addition of government sponsored jobs."

Speech, Gary, Indiana  
May 3, 1976

"As a last resort, public employment jobs need to be created similar to the CCC and the WPA during the depression years, particularly for young Americans 18-20 years old who have an extremely high unemployment rate -- in excess of 40 percent for black young people."

"The net cost will be about \$20 per week for each young person hired."

Carter Campaign Issues  
Reference Book  
March 15, 1976

"Many workers in retardation, alcoholism and drug programs will come from welfare or from the chronically unemployed with little increase in overall cost."

"It costs about \$80 per week for an unemployed family for expenses not including medical care, versus \$92 per week for a 40-hour work week" and the differences " will be reduced by taxes paid, Social Security payments made and the productivity of the hired person during the week."

AP  
January 26, 1976

"I think I would favor that. If you mean the public service jobs bill that is now just barely passed that Ford is likely to veto. Yes, I would favor that."

WETA "Candidates on the Line"  
February 16, 1976

Q: Would you provide public jobs for people, other than those chronically unemployed, who weren't able to find jobs in the private sector?

A: "I don't believe we can afford that, on a permanent basis. This would create in our nation an inclination to circumvent the private sector, to depend on the federal government as a first supplier of jobs, and it would be extremely expensive. It costs about \$12,500 to supply a job for a person in the public sector. But there are many other things that could be helpful. For instance, a federal-

city guarantee of bond repayments for public-works construction is the kind of thing that could stimulate the construction industry. A guarantee by the federal government of home mortgage repayments would help a great deal. The construction of low-cost rental homes would help a lot. The guarantee or payment of interest subsidies above a certain level for home mortgages would have a direct impact on the housing industry. But I would not want to use massive public-jobs programs except in an extreme case, and I believe that as President I could avoid that circumstance."

Fortune Interview  
May, 1976

#### CARTER QUOTE ON JOBS

"Some people say it costs too much to put our people back to work. I think it costs too much not to put our people back to work."

AFL-CIO Speech  
August 31, 1976



## CARTER ON INFLATION



1. Shifting Emphasis: Throughout the primaries, Carter managed to stay slightly to the right of most of his opponents by refusing to embrace many big spending programs near and dear to liberal hearts. He always put jobs as his first priority for the next four years, but he blended that with a fairly strong emphasis upon "tough, competent" management and the need for a balanced budget. At the convention and in the early weeks thereafter, however, Carter moved perceptibly left by coming out swinging for main-line Democratic economics. Then on September 3rd, he tried to swing back to the right with his press conference in Plains, making it clear that inflation would share equal concern with jobs. The newest emphasis upon inflation apparently stems from:

-- Caddell polls showing that inflation was a major public concern (Business Week).

-- Lawyer Charles Kirbo and wife Rosalynn both fear the "big spending" label that the GOP was successfully pinning on him. They knew it might help to account for his slide in the polls. Bristles Kirbo: "Jimmy has made it plain that these (costly social programs) are goals that will have to be adjusted to the capabilities of the economy."

-- Feedback from Mondale's travels.

2. The Carter Program: Specifics are lacking, but Carter and his advisers generally offer a three-pronged attack on inflation:

-- Overall increase in supply. Carter and his advisers believe the key to lowering inflation is economic growth, generated in part by governmental stimulation. To them, by cutting employment, you cut inflation; to the Administration, using the wrong methods of cutting employment such as excessive government spending only causes more inflation and in turn generates more unemployment. Carter continually stresses that too little attention has been paid to the supply side of the equation. Among the measures he favors to increase productive growth of the economy are:

-- Greater government spending;

-- More expansive monetary policy;

-- Creation of food reserves;



-- Reform of governmental regulations, like the back-haul rule, which add unnecessarily to consumer costs;

-- Stricter enforcement of anti-trust laws;

-- Stimulation of capital investment.

-- Removal of bottlenecks in economy. Carter recognizes that some of the inflationary pressures in the economy during the early 1970s resulted from bottlenecks in key industries. He hasn't proposed specific solutions but has indicated a concern for clearing them up through better planning and targeted programs.

-- An incomes policy. Carter has continually talked about his desire for standby wage and price control authority, but he always adds that he would only use that authority as a last resort. Lately he has even shown some signs that he might not seek wage and price control authority. He has been talking with increasing frequency about voluntary approaches to restrain wage and price increases. Business Week says that his desire for voluntary cooperation between labor and business "bears a family resemblance to the 'social consensus' that West Germany uses to keep inflation in check." Others see more resemblance to the jawboning of the Kennedy-Johnson years. There is a dispute within the Carter economic camp on controls: George Meany hates them, but one of Carter's most influential advisers, Jasinowski, is a principal author of Humphrey-Hawkins and thinks that controls may be the only way to carry out the original intent of the Humphrey-Hawkins approach.

3. Inflation and Unemployment: A key disagreement between Ford and Carter is how much stimulation the economy can take without creating a new round of inflation. Carter frequently says now: "My advisers and I agree that until you get the unemployment rate down below 5 percent, there's no real danger of escalating inflationary pressures." Before his latest conversion to inflation, Carter was also quoted as saying: "I would put my emphasis on employment and take my chances on inflation."

4. Carter's Attack: His most frequent attack line is to compare the lower inflation and unemployment rates of the Truman, Kennedy and Johnson administrations with those of Nixon and Ford. Then he tries to tie "Nixon-Ford" back to Hoover. Says pollster Caddell: "I don't want him to attack Ford personally. But he can attack Republican policies, and to the extent the campaign is a referendum on the last eight years, we win."

# # #

QUOTES FROM CARTER ON INFLATION

- Q. Recently, we've detected from some of your staff that they are equating the fight against unemployment with the fight against inflation. How do you think that you can carry out these two apparently contradictory efforts?
- A. "I don't believe that they are contradictory as far as inherent characteristics are concerned. When President Truman went out of office, after enormous drains on our economy, with the Marshall Plan, with the Korean War, aid to Turkey and Greece, and so forth, we had an inflation rate of less than 1%. We had an unemployment rate less than 3%. Interest on a home loan was 4%. The budget, over his six or seven years in office, was balanced. There was an average surplus of about \$2.4 billion. Now we have had an average inflation rate of almost 7% under Nixon and Ford, and the highest unemployment rate we've ever had since the Great Depression. This shows that they're not necessarily countervailing forces. When inflation goes up, under Nixon and Ford, unemployment has gone up along with it, and there's such an enormous drain on our economy just to finance the cost of people not being at work. Presidents Nixon and Ford have tried to fight the evils of inflation with the evils of unemployment. This has brought the highest combination of inflation and unemployment in this century. So I don't think there's an inherent economic law that says when inflation goes up, employment goes down, or vice versa."

Business Week  
September 20, 1976

- Q. How would you deal with inflation then?
- A. "We need measures to increase the productive capabilities of our economy. We've been virtually ignoring the supply side of our economy. Increase productivity, and we can grow without inflation.
- "I'd like to see a reform of Government regulations that tend to drive up costs--for example, the rule prohibiting

a truck from carrying goods on its return haul. We ought to have stricter enforcement of antitrust laws and of consumer protection laws. And we need a monetary policy that encourages lower interest rates, so investment capital will be available at reasonable costs. "

U.S. News & World Report  
May 24, 1976

Excerpts from Latest Carter Position Paper

There are far more humane and economically sound solutions to curbing inflation than enforced recession, unemployment, monetary restrictions and high interest rates. Much of the inflation we have experienced was not caused by excessive demand, but rather by dollar devaluations, external factors such as the increasing oil prices, and by world-wide increases in food and basic material prices. Furthermore, high interest costs, and the final dismantling of the controls program in 1974 contributed to high inflation rates.

A consistent effort to battle inflation must accompany our drive for full employment. This requires measures to:

--increase the productive capabilities of our economy, with increased attention to the supply side of our economy, now virtually ignored.

--insure a better relationship between the availability of goods and the demand for them. In the agricultural area, the Federal Government should assume the primary responsibility for establishing reserves of key foodstuffs in the United States.

--reform those governmental regulations, such as the rule prohibiting a truck from carrying goods on its return haul, which unnecessarily add to prices.

--strictly enforce anti-trust and consumer protection legislation and increase free-market competition.

--adopt a monetary policy which encourages lower interest rates and the availability of investment capital at reasonable costs.



--effectively monitor excessive price and wage increases in specific sectors of the economy.

While I oppose across-the-board permanent wage and price controls, I favor standby controls which the President can apply selectively. I do not presently see the need for the use of such standby authority.

Carter Economic Position  
Paper  
1976 Campaign

View of Chief Adviser (Lawrence Klein)

Carter's chief economic adviser told Congress today that he favored an "easier" monetary policy by the Federal Reserve and budgetary stimulus for the economy, effective in 1978, amounting to \$10-\$15 billion.

First, a strongly expanding economy is the best cure for unemployment and also the most promising way of achieving a balanced Federal budget in "1979 or 1980."

Second, while the inflation rate might rise a bit next year to around 7%, there is little danger of its accelerating, and by the 1980s, inflation should be less than the rate of 5-6% that prevails now.

"A strong net export position for the American economy that comes about naturally through world trade expansion will be employment-creating, and there will not have to be added public spending, reduced taxation or any Federally sponsored initiatives to create this added demand."

Under questioning he disclosed his view that additional fiscal stimulus of \$10 billion to \$15 billion would probably be the right policy "for 1978."

New York Times  
July 29, 1976



General Inflation Quotes From Carter

As President, Carter says he would focus his economic policy on cutting unemployment "and take my chances with inflation, if I had to." He believes that "until we get down to the neighborhood of 4% to 4.5% in the unemployment rate, we won't have to worry about inflation."

He dismisses the liberals' campaign centerpiece, the Humphrey-Hawkins full-employment bill as too "rigid" and likely to revive "double-digit inflation."

Wall Street Journal  
April 2, 1976

"In order to reduce inflation and strive for a more controllable budget the single domestic economic thrust should be toward employment."

Associated Press  
January 26, 1976

"My economic advisers and I agree that until you get the unemployment rate down below 5 percent, there's no real danger of escalating inflationary pressures. I would also favor additional money supply. I don't see any reason why the permanent level of inflation can't be as low as 2 or 3 percent."

Fortune  
May 1976

"Most of my economic advisers--and I've got some darn good ones--tell me that you can come down to 4 percent unemployment or 4½ percent and not have a tremendous adverse effect on the inflation rate. Almost invariably, though, they will tell me that if you try to go down to a 3 percent unemployment rate the way we measure it in this country, that you will inevitably have double digit inflation--above 10 percent."

Capital Times (Wisconsin)  
March 29, 1976

Carter on Wage and Price Controls

- Q. Would you resort to wage and price controls under any circumstances?
- A. "I would like to have standby wage and price control authority that could be used for a limited period of time, but I doubt that I would ever use it. I know that Arthur Burns has advocated that this authority be permitted for a period of forty-five days. This would permit the President, or his surrogates, to try to reach an accommodation with management and labor to hold down peremptory increases in wages or prices. But I would not favor mandatory or permanent wage and price controls. My philosophic commitment is to a freer economy."

Fortune Interview  
May 1976

- Q. You have said that you thought that wage and price increases should be announced 30 or 60 or 90 days in advance and that labor and management should set voluntary price goals. What kind of mechanism do you have in mind to make this work?
- A. "I would like to keep the present Council on Wage and Price Stability intact. I would like to meet with business and labor leaders and ask them to exercise voluntary restraint. If they could communicate with each other on a regular basis, maybe through me, and just lay down some general voluntary guidelines that they would pursue, let the council be informed 30 days or 45 days ahead of time for projected, substantive price or wage demands, and let the pressure of public opinion be focused to see whether or not the need is justified--that in itself would have a greatly beneficial effect."

Business Week Interview  
September 20, 1976

Carter requested Nixon to reimpose wage and price controls to slow "unprecedented inflation."

Atlanta Journal  
April 19, 1973

"I would like standby wage-price controls. My guess is that I would never use them. But I would like them as a lever. I wouldn't hesitate to use them if I had to."

Business Week  
May 3, 1976

If elected, he said he would ask Congress to restore the power of wage and price controls to the presidency. "I don't intend to impose wage and price controls," he said, but added he wanted the power as leverage in bargaining.

Cincinnati Enquirer  
January 10, 1976

Latest Carter View on Controls

"On wage and price controls, Carter said he would adopt them only as 'a last resort' and that early in his administration he would not even seek standby authority to impose them. Such standby authority was allowed to lapse in the last days of the Nixon Administration."

Los Angeles Times Interview  
August 24, 1976



## CARTER ON MONETARY POLICY



1. Supports more expansive policy: Carter's key point on monetary policy is that it has been too restrictive in recent years, driving up interest rates and contributing to economic malaise. He would support more expansive policy on the theory that interest rates would drop, economy would expand, and as economy grows, inflation would abate.

2. Seeks greater coordination with Federal Reserve: While insisting that he wants to maintain independence of the Federal Reserve, Carter has also called for better coordination of monetary and fiscal policies. This is a pet theory of Henry Reuss and is thought to have been adopted from him. Under this approach, the Chairman of the Fed would be appointed by the President with the advice and consent of the Senate but his term would be co-terminus with that of the President. Carter has never said whether the President would have the right to fire the chairman.

There is disagreement within the Administration on the proposal regarding the term of the Fed Chairman. Arthur Burns has testified twice that he has no objection to the proposal and as a follow-up to that, Jim Lynn sent guidance to the Hill that we had no objection. However, Bill Simon feels strongly the other way and has recently blasted Carter on it, saying that Carter's proposal would politicize the Federal Reserve. "God help us," he has said, "if the politicians ever get their hands on the monetary controls." Simon also thinks Burns may be having second thoughts.

QUOTES FROM  
CARTER ON MONETARY POLICY

"The monetary restrictions of the last few years did nothing but slow down the economy. It wasn't a sensible way to counteract the price rises that were occurring. For instance, there was an absolutely unnecessary pressure placed on the housing market through the disappearance of mortgage money. The consumer became frightened and it mushroomed and became a general setback to the formation of industrial capital -- and, of course, the availability of jobs."

New York Times Magazine  
June 6, 1976

He said he favored retaining "the stabilization" of interest rates. He said he favored retaining "the independence" of the Federal Reserve Board and would not seek major statutory changes involving the board except to ask Congress to make the term of the chairman of the board "coterminus" with the term of the President.

New York Times  
July 29, 1976

"The difference between Republicans and Democrats concerning interest rates," Carter stated, "is that the Republicans are in favor of high interest rates, because they are rich and have the money to lend, while under Democratic administrations you always get low interest rates."

National Review  
March 19, 1976

Federal Reserve

Mr. Carter's earlier populism had led him to favor reducing the independence of the Federal Reserve System. His advisers have argued that there was much to be said for "separation of powers," not only of Congress, the Presidency and the Supreme Court, but also of the Federal Reserve and the Treasury.

Mr. Carter has satisfied himself, according to Dr. Klein,

by accepting the "mildest and least troublesome of reforms of the Federal Reserve" proposed by Representative Henry S. Reuss, Democrat of Wisconsin, the Chairman of the House Banking Committee. These are making the Fed chairman's four-year term coterminous with that of the newly elected President, with the President free to pick his chairman subject to confirmation by the Senate.

The New York Times  
July 14, 1976

"Better coordination between fiscal and monetary policy should be assured by:

- (a) giving the President the power to appointe the Chairman of the Federal Reserve for a term coterminous with the President's;
- (b) requiring the Open Market Committee of the Federal Reserve Board to state its objectives more clearly and publicly;
- (c) requiring the Federal Reserve Board to submit a credit market report on past and expected monetary conditions, to be included with the Economic Report of the President;
- (d) requiring the Secretary of the Treasury, the Director of the Office of Management and Budget and the Chairman of the Federal Reserve Board to show in a consolidated report that their policies are mutually consistent or explain the reasons they are not consistent."

Carter economic position paper





## CARTER ON THE FEDERAL BUDGET



1. Can the Carter Budget Be Balanced? One of the most persistent questions put to Carter is how he can ever fulfill his promise to balance the budget by 1980 and also fulfill his commitments to full employment, national health insurance, welfare reform, and the like. His most recent answer, given at the now famous press conference in Plains on September 3rd (when he came out strongly for control of inflation), boils down to:

-- Quick phasing out of programs that are no longer useful;

-- Gradual phasing out of new programs, delaying those that are most costly;

-- Tough, zero-based management;

-- And finally, he quotes his economic advisers to the effect that if unemployment and inflation were cut to 4%, annually and economic growth would increase to about 4%, this would increase Federal revenues so that by 1980, about \$60 billion would be available for new spending programs. Carter says he will "work back" from that year in planning the implementation of new programs.

-- Carter never mentions the idea that taxes might have to be raised considerably to balance the budget and hold down inflation. In a recent interview with the LA Times, Carter implied that the only program for which he would raise income taxes was national health insurance.

2. Immediate New Spending: Carter has indicated that he wants higher spending in the immediate future but has not been pinned down to a figure. This spring, his economic advisers indicated their support for a budget of \$412-420 billion for FY 1977.

3. Balanced Budgets Over the Business Cycle. While Carter believes in need for immediate stimulation, he has consistently said that he wants the budget balanced over the business cycle. He usually selects 1980 as the target date for balancing; sometimes he says 1979.

4. Three-Year Budget Planning: Another Carter theme is the need for greater long-range planning so that the business community can know what to expect. He wants to budget on a three-year cycle, with the first year just the same as today and the next two being "first approximation."

5. Zero-Based Budgeting: Carter regards his practice of zero-based budgeting in Georgia as the single most important innovation in State government in the past decade. Many others disagree--especially in the Georgia government--and there is a volume of scholarly testimony saying it won't work at the Federal level. Carter says he would institute zero-based budgeting in his first week at the White House.

6. Ceiling on Federal Expenditures: As noted earlier, there have been recent signals from the Carter camp that he would call for a legislated ceiling on Federal expenditures, keeping government spending close to its historical average of 21% of total GNP except in time of recession.

## MATERIALS FROM CARTER ON SPENDING

### The Newest Carter Position on Spending

(Plains Press Conference, Sept. 3, 1976)

To balance the budget by 1980, there must be "strict control over spending.... There will be no new programs implemented under my administration unless we can be sure that the cost of those programs is compatible with my goal of having a balanced budget by the end of that term. And this will require delay of the implementation of costly programs if they are proposed, the quick phasing out of those that have already served their useful purpose, the phasing (in) of programs to make the present programs work before new programs that are costly are implemented and tough, zero-based management of the budget." A "sunset" law would also be helpful.

Does this mean that new programs would be "keyed" to revenue, he was asked. He said that they would.

Does this mean the poor must wait a long time for redress? "No, as I said earlier, we'll carry out the promises I've made as aggressively and quickly as possible, but it doesn't help to give people a little more payment for Social Security or welfare or veterans benefits and then rob them with inflation."

New York Times  
September 4, 1976

By the time he presents his hoped-for balanced budget in January, 1980, Carter said he believes the GNP will be increasing at about 4% a year; unemployment will be down to 4.5% with only 3% for adults, and the inflation rate will have dropped to about 4%.

That, he said, would mean a \$60 billion increase in Federal revenues--enough to improve health care and reform the welfare system.

Los Angeles Times  
September 4, 1976

Mr. Carter is running away from the "big spending liberal" label that Republicans are trying to attach to him. Switching his position from a few months ago... 'The Republicans only hope is to picture Jimmy as a big-spending, McGovern-type liberal,' a Democratic strategist says. "We aren't going to let them get away with that."

Wall Street Journal  
September 6, 1976

A campaign official said that the change (toward greater emphasis on inflation) "reflected a political decision." Says Jerry L. Jasinowski, the campaign's economic coordinator, "As far as goals go, he regards inflation and unemployment as twin evils that have to be attacked simultaneously."

Carter will be focusing attention on his anti-inflation policies in a speech later this month (September). And he will take other steps to underscore his conservatism by emphasizing his desire to balance the Federal budget by 1980 and to place a ceiling on Federal expenditures at about the recent historical average of 21% of GNP. His adoption of the spending lid is relatively new.

While Carter points out that the 21% goal is flexible--and could be exceeded in a recession--he wants to show that his new programs will be phased in only if stimulative economic policies generate enough of a 'fiscal dividend' to fund them. "If revenues don't grow, expenditures don't grow," says Carter issues director Stu Eisenstat....

"I'm concerned about the public perception of our campaign," says a Kirbo associate in Atlanta. "There are endorsements by the ADAers, the labor people, and these are the most organized and vocal groups in the Democratic party. But in many cases their positions are not Jimmy's positions. We're going to emphasize the more conservative element of the campaign."

...Strategists like Caddell feel that Carter will be on firm ground attacking the Republicans as "the people that first brought double-digit inflation and unemployment together." But Carter must first defuse the GOPs big-spender attack.

Carter sets the tone himself. "I would be fairly conservative on economic matters. The tough management approach--striving toward balanced budgets, full-employment goals but heavy emphasis on controlling inflation, expanding overseas sales--these kinds of principles have been imbedded in my consciousness as a businessman all my life."

Business Week  
September 20, 1976

Past Statements by Carter on Spending

"There might be some increase on government expenditures. I don't see any massive spending increases that would derive from my promises to the American people. My projection, which has been confirmed by quite a number of competent economists, is that we can have a balanced budget by the end of my administration."

Free Press  
August 8, 1976

"Any new programs put forward by myself, with the Congress, I would estimate as accurately as possible the cost for at least a five year period and provide financing when the program was put forward."

Boston Advertiser  
July 25, 1976

He (Carter) bristled even more when I observed that his critics already were saying that if all the proposals that he had endorsed during the primary campaign were enacted--Humphrey-Hawkins employment bill, national health insurance, welfare reform, and the like--it would amount to \$300 or \$400 billion in additional spending.

"That's not true," he asserted, and said his programs essentially would rearrange the priorities of spending within the existing budget framework. "And I believe, according to my projections, that we will have a balanced budget at the end of four years of my administration, in contrast to the Nixon-Ford deficit accumulation of \$170 billion, the most red ink in peacetime."

Column by Jerry terHorst  
Chicago Tribune  
August 11, 1976

Several of Atlanta's top business executives said Carter was a difficult, aloof man to work with, but--on balance--an effective governor. In particular, they admire his budgeting techniques.

"I'd call him a fiscal conservative, but in terms of social needs I think he is a liberal," said W. T. Beeve, chairman of Delta Airlines.

Chicago Daily News  
August 5, 1976

Carter's economic advisors (have) proposed a budget for the coming fiscal year between \$412 billion and \$420 billion.

New York Times  
April 24, 1976

#### New Taxes

From a recent interview with the LA Times;

"Except in the area of medical care where he envisioned some transfer of expenditures from the private to the public sector, Carter stressed that he would increase government expenditures only by the amount of additional tax revenues generated by economic growth -- an implicit stand against general tax increases."

LA Times  
August 27, 1976

Zero-Based Budgeting

"I am going to institute zero base budgeting the first week I am in the White House as an executive decision. This does not require action by the Congress ... Congress has to face that we cannot continue to spend money in new programs without providing new mechanism for payment. We have got to have some inevitable increase in revenues built in, that occur on an annual basis, and those imcreases in revenues would be allotted by me to areas where I thought the need was greatest."

Boston Advertiser  
July 25, 1976

The one concrete proposal he's endorsed is "zero-base budgeting" (ZBB), a money-tracking and decision-making method he brought to Georgia in 1972. The idea was developed originally for Texas Instruments by business consultant Peter Phyr. In simple terms, it requires that an organization's functions be broken down into neat "decision packages," and that each package justify its value to the organization at regular budget intervals or get the ax.

How well does ZBB work in Georgia? That is a matter of continuing dispute. The former state auditor, Ernest Davis, said recently that ZBB was "an excellent exercise in a way": it taught the new governor how the state government works -- something he didn't understand the day he was inaugurated. But Davis didn't think it had reduced costs much.

The present state auditor, Bill Nixon, is less critical of ZBB, but he concedes that it's impossible to make any comparison between the efficiency of the present system and the one in effect before Carter's time.

There was another problem with ZBB. Although it worked smoothly enough at Texas Instruments, it proved a bit unwieldy when applied to an entire state budget like Georgia's, which is more complex than a corporate budget



and more diffuse in the purposes it serves. Former auditor Davis explained that when Texas Instruments' budget was carved into ABB chunks, only 200 or so "decision packages" were created. But when ZBB was applied to the state of Georgia, it produced thousands of packages. A single large agency grinds out hundreds of them each year.

It's not at all clear that carving up state functions to fit the ZBB scheme made the budget any easier to understand or control, or whether it slowed the waste of state funds. Carter has said that if he's elected president, he will issue an executive order requiring all federal agencies, bureaus and commissions to adopt the ZBB system. Imagine the paperwork.

Washington Star  
Eliot Marshall  
August 15, 1976

Allen Schnick, Library of Congress expert noted that "the few studies of ZBB in operation have suggested that it does not significantly affect the efficient allocation of a government's financial resources, that the content of the budget is not necessarily different after ZBB than before."

Paul O'Neill, Deputy Director of OMB, said ZBB and the "sunset legislation" establishing it "may lead to a paperwork process that is mind-boggling even by Washington standards."

Phil Hughes, Asst. Comptroller General in GAO, cautioned that experience with "sunset laws" and ZBB is "very limited" and warned of the "danger ... that it be regarded as some magical black box. A good many more people are writing books telling you how to do it than are actually doing it effectively."

William Gorham, President of Urban Institute, said that the review schedule envisaged in the Muskie bill would vastly overstrain "the capacities or potential capacities" of the executive branch and Congress and inevitably "undermine the credibility of the act."

Similar warnings came during Senate hearings from Roy Ash, Nixon administration budget chief; James Lynn, OMB Director; Alvin Rivlin, Congressional Budget Office and a dozen others who would not be considered soft on wasteful government spending by anyone.



As Peter Pyhrr, inventor of ZBB, said, "Some of Sen. Muskie's words at the time of the introduction of this legislation are most appropriate to such a "massive change as I think zero-base budgeting would produce." What Muskie said was: "In too many cases, we in Congress have satisfied ourselves with the rhetoric of legislation, leaving the hard work of implementation ... to the executive branch."

Washington Post Commentary  
August 8, 1976

Jody Powell: "It's our belief that if you can zero-base a political campaign budget, then doing it for HEW and the Pentagon will be duck soup."

LA Times  
July 26, 1976

Drs. Minmier and Hermanson conducted a survey of a number of state financial analysts and officials and questioned them about zero-based budgeting as applied in Georgia's 1972-73 fiscal year.

Carter, in an interview early in 1974, fully supported zero-base budgeting. "I think (it) is great for management's decision-making ... (it) has given me an extremely valuable method by which I can understand what happens deep in a department. Because of zero-base budgeting we were able to determine that seven different agencies had the responsibility for the education of deaf children."

But, of 13 department heads interviewed in the study, 11 indicated there had been no apparent reallocation of financial resources in their department as a result of implementing zero-base budgeting.

Atlanta Constitution  
August 16, 1976

"The first piece of legislation I will send to Congress will initiate a complete overhaul of our Federal bureaucracy and budgeting systems. By Executive Order, I will require zero-based budgeting for all Federal departments, bureaus, and boards.

"The second part ... would initiate the reorganization of our Federal bureaucratic structure."

Carter Campaign Issues  
Reference Book  

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March 15, 1976

Carter calls the "zero based" budget system he instituted in Georgia "the most remarkable thing that's been done in State government in the last decade."

He promises, if elected President, to use zero based budgeting to "strip open" sprawling department like Defense and Agriculture and combine 1900 Federal agencies into "200 at most."

Los Angeles Times  

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February 3, 1976

Carter on the General Budget Process

"The budget of the Federal Government should serve as an instrument of both economic and general governmental policy. It is a statement of the influence of governmental expenditures on the allocation of resources, and instrument for carrying out economic stabilization policy, and a demonstrative of our Nation's priorities. It should serve as a guide to a means of encouraging efficient and economical functioning of Government.

"For the current fiscal year, an expansionary fiscal and monetary policy is necessary. Social needs and the need for economic stabilization may require from time to time unbalancing of the budget. But, we should strive for budget balance, without an environment of full employment, over the long term. The surplus years should balance the deficits. I therefore call for balanced budgets over the business cycle. This can be achieved by 1979. At the present time, there is a clear need for stimulation in order to return the economy to full employment.

"A vigorous employment policy will enlarge the revenue base and will likewise reduce recession-related expenditures and will therefore do much to reduce the present deficit. My commitment is to achieve and maintain a high level of real growth in the economy, which will permit us to have a balanced budget without reductions in important social programs and within the context of full employment.

"Budget planning within the Federal Government is presently on a yearly basis. This does not allow sufficient long-range planning. Therefore, we should budget on a three year cycle, rolling forward three years at a time when the budget prepared each year. The first year ahead in a three year cycle should be the usual budget, the next two would be only first approximations, in an initial attempt to smooth out the budget process. The budget for the two latter years will normally be revised in the next year when a new third year is added for an initial approximation. The long range budgeting practice will roll forward from year to year.

"The three year rolling budget technique will permit businessmen and public officials to do a much better job in laying out their own plans, relying less on the need for more

elaborate proposals of comprehensive planning. Moreover, as we did while I was Governor of Georgia, we should predict the costs of programs over a long period of time so that proper long-term budgeting can be done. Also, we should attempt to implement new approaches to Government budgeting, such as zero-base budgeting, which insure that there is quality control over Government programs and that these programs accomplish their intended end."

Carter Economic Position Paper  
1976 Campaign

"There is no predictability about the degree of participation on the part of the federal government in education, social problems, health, transportation law enforcement, pollution control, and this would help a great deal. ...as I prepare my (federal) budget, it would extend 18 months in the future. I would like to freeze or approximately maintain the participation of the state and local governments in the costs of health care and welfare, then substantially reduce the contribution of local governments, and, over a period of time, reduce also the contribution of state governments on a percentage basis, maybe by holding their present dollar level constant. I personally believe that revenue sharing money should go directly to the cities, for programs that would apply to matched federal funds."

Boston Advertiser  
July 25, 1976



## CARTER ON TAX REFORM



1. Promises Sweeping Reforms: Carter has reserved some of his strongest language for the tax system, calling it "a disgrace to the human race". He is pledged to a total overhaul, but he has also carefully said that he won't come forward with the specifics until at least a year after taking office. Why? "It would be an act of political stupidity beyond belief" to propose specifics in tax reform and government organization, his press secretary has reportedly said. Specifics would only serve to make special interest groups angry. (Wall Street Journal, 6/10/76)

2. Wants to Close Loopholes, Shift Burden to Wealthier Tax-payers: Carter attacks the tax system in very populist terms, arguing that it discriminates against the poor and the working people while favoring big business, the wealthy, etc. It is clear that the major thrust of his program would be shift the burdens away from the lower brackets to the higher ones and if he follows the Democratic platform, it might well include a heavier rate for business. But as usual, Carter stresses different aspects of tax reform with different groups. At the 21 Club in New York City, he told assembled business that he would be very careful not to hurt business with his reforms and he didn't mention loopholes; outside at a news conference, he blasted the loopholes.

3. General Principles: In place of specifics, Carter says he has adopted 4 basic principles on taxes:

- To treat all income the same;
- To tax income only once;
- A progressive tax rate;
- To greatly amplify the whole system.

4. The Specifics, Such as They Are: Among the specific ideas that Carter has set forth:

-- He would eliminate the double taxation of corporate income so that the tax system would no longer tax both corporate profits and dividends; the Administration has already submitted a specific program to achieve this goal.

-- He advocates treating capital gains the same way as wages and salaries; this was a proposal that got McGovern in hot water in 1972.

-- He would reduce the tax on savings interest in order to stimulate capital formation.

-- He would leave the tax exemption on municipal bonds but would eliminate other tax preferences that "favor the rich".

-- Sylvia Porter reports, based on an interview, that he would leave the Social Security tax rate the same but would increase the amount of income subject to Social Security taxation from the first \$15,300 of income to the first \$20-22,000.

-- He would favorably consider tax incentives to encourage industry to locate in the center cities.

-- He has told businessmen that he would keep the foreign tax credit for multinational companies.

-- But he has been unclear about tax deferrals on overseas profits -- he told businessmen he would "have to address it" and he told a news conference later the same day that his "inclination would be to remove those deferrals".

5. Tax Policies on Housing: One of Carter's most controversial campaign mistakes was his statement in February that he would like to eliminate the tax deduction for home mortgage interest payments. The flak was very heavy, and he has been backpedaling ever since. He now says that he would never do anything to hurt the middle American wage earner. His point, he says, is that deductible mortgage interest and property taxes present the upper and middle-income homeowners with a Federal subsidy of about \$11 billion a year, while total Federal expenditures for subsidized housing amount to some \$2 billion. He would like to keep the general housing subsidy level around \$10-11 billion total, but would shift the benefit so that less of the subsidy goes to the wealthier homeowners and more would go to lower income taxpayers. No specifics have been forthcoming.

Carter has also begun speaking in recent weeks about an interest subsidy program for homeowners. Under this plan, the government would select a mortgage interest level -- say 7 percent. Says Carter: "On a long-term mortgage for 25 years, or more or less, any excessive interest charges that would accrue from government policies or worldwide economic circumstances would be absorbed by the Federal government." He has not spelled out more specifics.





7. Advisers: Carter's tax plans are being worked on by Joseph Pechman of Brookings and Stanley Surrey of the Harvard Law School, two leaders in the field. For years, both have been calling for lowered rates and enlargement of the Federal tax base by eliminating deductions and special treatment of various forms of income.

QUOTES FROM CARTER  
AND DEMOCRATIC PLATFORM  
ON TAX REFORM

The Democratic Platform

We pledge the Democratic Party to a complete overhaul of the present tax system, which will review all special tax provisions to ensure that they are justified and distributed equitably among our citizens. A responsible Democratic tax reform program could save over \$5 billion the first year with larger savings in the future.

We will strengthen the internal revenue tax code so that high-income citizens pay a reasonable tax on all economic income.

We will reduce the use of unjustified tax shelters in such areas as oil and gas, tax loss farming, real estate, and movies.

We will eliminate unnecessary and ineffective tax provisions to business and substituting effective incentives to encourage small business and capital formation in all businesses.

We will end abuse in the tax treatment of income from foreign sources; such as special tax treatment and incentives for multinational corporations that drain jobs and capital from the American economy.

We will overhaul Federal estate and gift taxes to provide an effective and equitable structure to promote tax justice and alleviate some of the legitimate problems faced by farmers, small businessmen and women and others who would otherwise be forced to liquidate assets in order to pay the tax.

We will seek and eliminate provisions that encourage uneconomic corporate mergers and acquisitions.

We will eliminate tax inequities that adversely affect individuals on the basis of sex or marital status.

We will curb expense account deductions.

The Democratic Party should make a reappraisal of the appropriate sources of Federal revenues. The historical distribution of the tax burden between corporations and individuals, and among the various types of Federal taxes, has changed dramatically in recent years. For example, the corporate tax share of Federal revenue has declined from 30 percent in 1954 to 14 percent in 1975.

Carter's General Views on Tax Reform

"It is time for a complete overhaul of our income tax system. I still tell you it is a disgrace to the human race."

Standard Speech Line

Carter has said the nation's tax system is "grossly unfair" and has a promise from Georgia Senator Herman Talmadge, ranking Democrat on the Senate Finance Committee, for movement on tax reform legislation. He also has said it would take "a full 12 months" to assess the specifics of what such legislation would entail.

UPI  
July 15, 1976

Last year Carter promised to reveal specific tax provision plans by the end of the year. Earlier this year, he pledged to do the same during the general election campaign. Now he insists it won't be possible until a year after he takes office.

Wall Street Journal  
May 13, 1976

"I think the nation is ready for comprehensive, total tax reform. This has been advocated by people from a wide spectrum of basic political philosophies -- all the way from the Brookings Institution to William Simon. There are four basic principles that I've adopted. First, to treat all income the same. Second, to tax income only once. Third, a progressive tax rate. And fourth, to greatly simplify the whole system."

Fortune Magazine  
May, 1976

He plans to resist demands that he get more specific on his proposals to reorganize the Federal government and overhaul the tax system. "It would be an act of political stupidity beyond belief" to propose specifics in these areas, Powell argues. The reason: It only would serve to make special interest groups angry.

Wall Street Journal  
June 10, 1976



"Another thing we need to do is to shift the tax burdens away from the low and middle income families on to the special interest groups that have been avoiding the tax burden for so long. This is a very good stimulus for the sharing of the wealth and also the creation of jobs."

Speech, Carter Campaign  
May 2, 1976

"The tax laws have ridiculous programs built in. The anti-grandmother clause, for instance, makes it illegal to take a tax deduction on the employment of a grandmother to take care of the children while the parents work. You can hire a stranger to do it. You can't pay the expenses of a grandmother."

Los Angeles Times  
August 4, 1976

"...in social programs, Johnson did an excellent job; but we still have a long way to go with national health care, reform of the welfare system, reform of the tax system. Those kinds of things would be my direct responsibility."

New York Times  
June 16, 1976

"I don't know how to be specific yet...I am just not qualified yet." He even talks of postponing a "tax reform package" for two years or more after he has entered the White House.

Washington Star  
July 15, 1976  
(Sylvia Porter)

"I do not favor a tax cut for 1976. I believe most American people would much rather see some control over excessive spending...than to have a tax cut at this time with deficits in the neighborhood of \$70 billion."

Carter Campaign Issues  
Reference Book  
March 16, 1976

Specifics, Such As They Are

Carter favors taxation of capital income and earned income in the same way, simplification of the tax system by removing many of the incentives that have been added over the past 70 years to cover transient circumstances, and having direct grants reconsidered annually. Carter also favors taxing income only once and wants to reconstitute a progressive tax rate.

Business Week  
May 3, 1976

Carter advocates taxing capital gains, such as profits on the sale of stock or real estate, as heavily as income from wages and salaries.

He believes it is unfair to tax corporate profits and then tax the dividends paid out of those profits -- so he would knock out all taxes on dividend income or stop taxing the portion of corporate profits that is paid out in dividends to shareholders.

Time  
June 28, 1976

Carter thinks all tax preferences that "favor the rich" should be eliminated, except tax exemption on municipal bonds and capital gains tax. The tax on interest on savings should be reduced to help provide more capital.

U.S. News and World Report  
September 22, 1975

"I would tax that income at the corporate income point or dividends -- I would like to keep that option open. I don't favor taxing the same income twice."

He would attack the Social Security system's financial problems by taxing your income at a higher level. Today, SS taxes are levied on only the first \$15,300 of your income, he would tax the first \$20-22,000.

Washington Star  
July 15, 1976  
(Sylvia Porter)

"I think we can learn a great deal from the cities like Savannah, Georgia, which had reconstituted the downtown areas of their own communities when they were destined for destruction 15 or 20 years ago or more.

"Another thing that can be done that would help would be to try to encourage, through tax incentives or otherwise, investments in the downtown areas. Now we have got a problem of trying to move the central city unemployed people out in the suburbs to work. I think with the persuasion of the White House, and possibly some tax incentives, industry would be encouraged to stay in the downtown area. Transportation allocation would help a great deal also."

Boston Advertiser  
July 25, 1976

Promises at the 21 Club Luncheon

At a luncheon, the Democratic presidential nominee... strongly suggested that, as President, he would keep the foreign tax credit that his valuable to multinational companies and pledged that he wouldn't attempt any hasty changes in the tax laws in general.

"I think it's a very serious mistake when the President or other leaders of our country permit, through incorrect knowledge or misapprehension or because of political expediency the turning of our peoples' opinions against the business community, or multinational corporations, or oil companies just as a scapegoat." Mr. Carter declared.

Wall Street Journal  
July 23, 1976

While he backed the present credit on United States taxes given to American corporations that pay foreign taxes, Mr. Carter said...that he opposed tax deferrals on profits of American companies earned overseas until the money is brought into the United States. "At this point, my inclination would be to eliminate these tax deferrals," he said.

In response to a question about his attitude toward multinational corporations...Mr. Carter responded: "I would continue, and strengthen if possible, American involvement in foreign countries and vice versa," adding, "I would not do anything to minimize this."

New York Times  
July 23, 1976

"At this point, my inclination would be to remove those tax deferrals," Carter said after telling business leaders a slightly different story -- that he merely will "have to address" the deferral question.

He assured the business leaders that he would not make "substantive changes" in tax laws for at least one year after assuming office -- to study how those changes might affect international trade.

Los Angeles Times  
July 23, 1976

Deductions for Home Owners

Carter said that the income tax deduction for home mortgage interest payments "would be among those I would like to do away with."

Boston Globe  
February 26, 1976

Carter was asked about his position on three tax loopholes, including investment credits on construction machinery, apartment projects and the home mortgage interest deduction. Carter replied, "I would say, along with elimination of other tax incentives, those would be among those that I would like to do away with."

Charlotte Observer  
February 27, 1976

Elimination of exemption for interest paid on home mortgages would have to be tied with other changes to insure that middle-income home owners would be more than compensated. "I would never, never do anything that would hurt the middle American wage earner."

Atlanta Constitution  
March 7, 1976

Carter promises through tax reform, eliminating many deductions and incentives for special purposes, such as home ownership and business investment, in return for an across-the-board reduction in rates. However he said that he cannot give specifics until he has been in the White House and studied the matter for a year.

Philadelphia Inquirer  
April 25, 1976

A reporter noted the candidate had advocated doing away with the tax deduction for home mortgage interest, and Mr. Carter testily interrupted to insist: "I did not." He added that he had said this was one "incentive I would consider modifying," and then without elaboration, asserted, "If I change the deduction it would be increased and not decreased."

Wall Street Journal  
April 26, 1976

"We must undertake a comprehensive review of the hidden ways in which our tax laws influence housing policy. Deductible mortgage interest and property taxes benefit upper and middle income homeowners in the amount of \$11 billion, while Federal expenditures for subsidized housing amount to approximately \$2 billion."

Carter Campaign Issues  
Reference Book  
March 15, 1976

"I would favor some sort of interest subsidy. We could set a level, I don't know exactly what level. I would say seven percent as an arbitrary figure. On a long-term mortgage for 25 years, or more or less, any excessive interest charges that would accrue from government policies or worldwide economic circumstances would be absorbed by the Federal government."

Boston Advertiser  
July 25, 1976

Q. What about the deduction for interest on mortgages that favors homeowners?

A. I haven't ever said I would keep it as an income-tax deduction. I've said I would keep the same amount of incentive for homeownership, or more. I think the \$10 billion figure to encourage private homeownership is a very good thing -- whether it would be done through the income tax structure or another mechanism, I don't know yet. If I make any change in it, it would be to increase the figure, or if I make any change in who gets the benefits, it would be to give low income and middle income families more benefits than they get now."



"I'm not qualified yet to say what specific aspect of a tax reform package I will maintain maybe two years in the future after I've had a chance to go into the concept."

Fortune Magazine  
May 1976

An Early Proposal: Cut Tax Rate in Half

The Tampa Tribune of July 28, 1975, reporting on a visit by candidate Carter to Plant City, carried the following on its front page:

"Presidential candidate Jimmy Carter said yesterday that, if he's elected next year, he will push a tax reform program to include the cutting in half of the Federal income tax rate ... "

He said the tax for the average working person has increased 60 percent in the past three years, while taxes for the wealthy have decreased through lobbying efforts.

"Carter said he did not want to discuss then the specifics of his program to overhaul the Federal tax structure. 'But we would have a simple structure that would permit cutting the rate 50 percent.'"

Tampa Tribune  
July 28, 1975

When Will His Tax Plan Be Ready?

On March 27, 1976, the Baltimore Sun reported that Carter had decided to put off his tax proposals until spending a year in the White House, thus altering a promise that he made earlier in 1976. "On February 23 in Mashua, N.H., for example, he said he would put forth a detailed plan in the interval between the convention and the election, so the country's voters could have a clear 'choice' between him and the Republican nominee."

Baltimore Sun  
March 27, 1976





## CARTER ON REGULATORY REFORM AND CONSUMERISM

1. Views very sketchy on regulatory reform: His views have been unusually vague -- even for Carter -- on regulatory reform. When he addresses the subject, he usually speaks in populist terms and he almost invariably sides with consumer interests (he tells consumer groups that he equates populism with consumerism).

2. A distinction: Carter draws a distinction between health and safety regulations versus economic regulations. In the health and safety area, he believes that the consumer is at a disadvantage so that regulations need to be strengthened. In the field of economic regulation, on the other hand, he thinks regulatory agencies have too often become the captives of industry so that economic competition has been reduced. In those cases -- especially the transportation and airlines industries -- he favors less regulation as a means of increasing competition. He cites the back-haul rules for truckers as a prime example of regulatory stupidity.

Consistent with his free enterprise rhetoric, Carter also stresses that he wants "minimal intrusion of government in our free economic system."

3. Sweetheart arrangements: Attacking sweetheart arrangements between industry and regulatory agencies -- a revolving door, he says -- Carter says he would ensure that his appointees are not so tainted and he advocates a law preventing any personnel transfers between agency and industry for four full years (he has also advocated a one-year block).

4. Champion of Consumers: Carter has said more than once that his appointments would satisfy Ralph Nader and that "I hope to challenge him in the future for the role of top citizen advocate in the country." Among Carter's specific proposals:

- He would create a strong Consumer Protection Agency;
- He would make class action suits for consumers more easily available;
- Strengthening and vigorous enforcement of anti-trust laws;

- Program of nationwide consumer education;
- More vigorous enforcement of regulations protecting consumers.

CARTER QUOTES ON REGULATORY REFORM AND CONSUMERISM

"We must stop the inbreeding which has grown to link regulatory agencies with industries being regulated."

Undated fund-solicitation letter  
from Jimmy Carter

"As an engineer, a planner and a businessman, I see clearly the value of a strong system of free enterprise based on increased productivity and adequate wages. We Democrats believe that competition is preferable to regulation, and we intend to combine strong safeguards for consumers with minimal intrusion of government in our free economic system."

Acceptance Speech  
Washington Post  
July 16, 1976

He praised pending legislation to create a consumer protection agency, said that he would work for its creation if President Ford vetoed the law and promised to work closely with its members.

New York Times  
August 10, 1976

Q: Do you feel that there's too much federal government regulation in the economy at the present time? In the transportation industry, for instance?

A: "I certainly do. I think that in the transportation industry some of the rulings of the regulatory agencies are counterproductive to what's best for the consumers. And my primary interest, almost exclusive interest, would be what's best for the consumers of this country. I think competition among the carriers is not adequate. Also in my appointments to regulatory boards, I would lean quite heavily toward appointments that would favor the consumers. And I would try to minimize to whatever extent possible, the sweetheart arrangements that exist between regulatory agencies

and the industries being regulated. I think there's kind of a revolving-door concept where people move freely back and forth between the regulatory agencies and the industries being regulated.

Fortune Interview  
May, 1976

Regulatory agencies, he says, need reform. "The sweet-heart arrangement between regulatory agencies and the regulated industries must be broken up, and the revolving door between them should be closed. Federal legislation should restrict the employment of any member of a regulatory agency by the industry being regulated." In a National Press Club speech, Carter said that no "personal transfers between agency and industry should be made within a period of four full years."

Capitol Hill News Service  
Summer, 1976

In a speech to consumer advocate Ralph Nader's Public Citizens Forum at the International Inn, the Democratic presidential nominee said he would seek by statute or executive order to bar members of regulatory agencies from returning to jobs they left when they joined government service.

By this, he said later, he meant a ban on regulators taking any job in the industry they had been regulating. He said he favors a ban of at least one year, probably longer.

But he opposed Nader-backed legislation authorizing government agencies to reimburse citizens who contribute to their decision-making, saying he preferred creation of a single consumer agency within government. He also said he would not endorse national no-fault auto insurance legislation until he assesses the 21 state programs now in effect.

On the issue of regulation in general, Carter said he favored strengthening controls governing "things which the consumer cannot adequately assess for himself," such as environmental quality and food purity.



Controls that impede competition and raise prices should be "drastically minimized," he said, citing interstate air travel fares and other examples used by President Ford in seeking deregulation of transportation and other heavily regulated fields. But he said a total lifting of controls would be too "drastic."

Carter said administration-opposed legislation now pending in a conference committee on Capitol Hill to create a consumer protection agency would "more than pay for" its estimated \$11 million to \$12 million cost by improving delivery of services and helping to weed out unnecessary agencies in government.

Washington Post  
August 9, 1976

CONSUMER PROTECTION

1. We must institutionalize the consumer's role through the creation of a Consumer Protection Agency.
2. We should establish a strong nationwide program of consumer education to give the consumer the knowledge to protect himself in the market place.
3. We should make class actions by consumers more easily available.
4. We must vigorously enforce the anti-trust laws.
5. We must guarantee quality standards, where feasible for food and manufactured items; Warranty standards to guarantee that consumers are not cheated by shoddy or defective merchandise; Full product labeling of relevant information affecting price and quality and price-per-unit labelling; and strict truth-in advertising measures to require that manufacturers are able to substantiate product performance claims.
6. Consumers must achieve greater protection against dangerous products. I recommend: strong enforcement of existing laws, enforcement of stringent flammability

standards for clothing; adequate research programs to anticipate potential hazards; additional automobile safety research; expanded pre-market testing for all new chemicals to elicit their general characteristics and environmental and health effects.

The Democratic Platform

"I would like to see all the major consumer protection agencies concentrate as one agency with a lot of power, a lot of authority, a lot of visibility, and absolute total backing from the White House."

Speech, Consumer Federation  
of America  
January 23, 1976

He reiterated his pledge, made early in the campaign, to make appointments that would satisfy Nader and said, "I hope to challenge him in the future for the role of top citizen advocate in the country."

Carter said administration opposed legislation now pending in a conference committee on Capitol Hill to create a consumer protection agency would "more than pay for" its estimated \$11 million to \$12 million cost by improving delivery of services and helping to weed out unnecessary agencies in government.

Washington Post  
August 10, 1976

"I want to be sure," he said, " we have a minimum of interference of government in the affairs of business." But he qualified this by adding "provided we can assure that consumers are adequately protected from a violation of the competitive commitment that's got to be part of all our lives."

New York Times  
July 2, 1976





## CARTER ON NATIONAL ECONOMIC PLANNING



1. Need for Planning: Referring to himself as an engineer and businessman, Carter often says he knows how important it is to plan ahead. He says that in place of the roller-coaster approach to economics of recent years, the government ought to create an atmosphere in which there is reliability and predictability. To him, that means national economic planning -- not of the rigid type incorporated in the Humphrey-Javits bill -- but through better coordination of governmental policies on a comprehensive scale.
2. Expanded Role for the CEA: To achieve this goal, Carter says he would not create a new bureaucracy but would give the CEA expanded responsibilities. They would help to set general economic goals.
3. Not to Dominate Private Enterprise: Because planning sends shivers up the spines of the business community, Carter always hastens to add that his planning would not be coercive for private enterprise. Conservatives still have plenty of fears about the Carter approach.
4. Part of Broader Effort: Carter's call for economic planning is consistent with a broader policy approach. He also calls for 3-year budget planning and for closer coordination of fiscal and monetary policy by making the Federal Reserve chairman more subject to Presidential direction.

CARTER QUOTES ON  
NATIONAL ECONOMIC PLANNING

"I am a firm advocate of the private enterprise system. I am a businessman myself. I oppose the type of rigid bureaucratic centralized planning characteristic of communist countries.

"But better general economic planning by Government is essential to ensure a sensible, fair, humane, economic policy, without the roller-coaster dips and curves we have faced in the last eight years. Government must plan ahead just like any business. Planning is widely practiced in the private sector of the American economy.

"I favor coordinated Government planning to attack problems of structural unemployment, inflation, environmental deterioration, exaggeration of economic inequalities, natural resource limitations, and obstructions to the operation of the free market system.

"I believe that this type of planning can be carried out without the creation of a new bureaucracy, but rather through well defined extensions of existing bodies and techniques. I propose that the role of the present Council of Economic Advisers established under the Full Employment Act of 1946, be expanded to include this type of coordinated planning and to deal with long range problems of individual sectors fitted into an overall economic plan for the economy as a whole, as well as to deal with considerations of supply, distribution, and performance in individual industries.

"Many of the economic shocks of the past eight years have come on the supply side of the economy. It is imperative that we study ways to anticipate problems rather than await their arrival and once again react with ill-conceived solutions in a crisis environment. Such detailed studies will be an important new task for the Council of Economic Advisers.

"We have no discernible economic goals. Goals must be established and clearly enunciated, so that our programs can be developed within a planned, orderly context.



"The techniques I have outlined can and will be carried out within the framework of our present private enterprise system, free market institutions and administrative structures.

"It will be my responsibility as President to ensure that this Nation has a coherent, coordinated, short and long-term economic policy, geared to achieve full employment, low rates of inflation, and cyclically balanced budgets. To these I am committed. These goals will be achieved."

Carter Economic Position  
Paper  
1976 Campaign

"I don't like the prospect of government planning that would be binding on private industry, but my own experience in government is that planning ought to initiate at the executive level, with the President and his office, or with the governor of a state. Secondly, the goals and policies established ought to be publicly divulged. And they ought to be constantly amended as goals are reached or priorities are changed so that the private sector--business, industry, agriculture, and so forth--can cooperate with the government in the evolution of their own long-range plans. I don't favor government domination of private industry with government plans."

Fortune Interview  
May 1976

"I believe in long-range planning so that government, business, labor, and other entities in our society can work together if they agree with the goals established. But at least it would be predictable. I don't favor the federal government making plans for the private sector mandatory."

Business Week  
May 3, 1976



CARTER ON ANTITRUST AND DIVESTITURES



1. Pledges more vigorous antitrust policy: Carter argues that he will do more for economic growth and more for economic competition than the Ford Administration by stepping up antitrust enforcement. Among his specific ideas:

-- Insulate the Attorney General from politics so that he will have a free hand in antitrust enforcement (at an early stage in the campaign, Carter suggested that the Attorney General might be made independent of the President);

-- Shortcut the antitrust enforcement proceeding so that major cases don't drag on for years;

-- Give State AGs the right to bring class action suits for antitrust violations (parens patriae);

-- Strengthen powers of the Justice Department to block corporate mergers thru injunctions until the legality of such mergers is determined.

Note that Carter has said he would not try to break up companies just because they are large -- only when they restrain trade.

2. Oil Company Divestitures: A closely related matter -- and one of considerable controversy -- is the question of breaking up the oil companies. Carter says he is not in favor of breaking them up and has stopped short of endorsing the Bayh bill; he says he was the only Democratic candidate not in favor of divestitures. But he has gone much further than the companies would like:

-- He does not favor vertical divestiture in the areas of exploration, extraction, refining, "maybe even the pipeline distribution areas." It is not always in the consumer's interest to limit a company to one phase of production, he explains.

-- But at the wholesale and retail end, he "would probably favor divestiture requirements to ensure competition, which I don't think exists now."

-- He also favors getting oil companies out of ownership of other energy areas (horizontal integration). He worries that such integration reduces competition and also may discourage oil companies from producing more coal in order to keep oil prices high.

He said an effort would be to do "everything we can do to increase competition within the business sector by the rigid enforcement of antitrust laws" and by placing more emphasis on government regulation that protects consumers while removing "unwarranted regulation that protects industry."

New York Times  
July 29, 1976

. . . Mr. Carter endorsed the principles behind two major pieces of antitrust legislation pending on Congress that have been vigorously opposed by President Ford.

One bill would give state attorneys general the right to bring lawsuits on the behalf of all the citizens of a state for damages caused by antitrust violations such as price fixing. Large corporations fear this could bring very large damages assessments.

The other bill would strengthen the powers of the Justice Department to block corporate mergers through injunctions until the legality of such proposed mergers was litigated.

He said he believed that government regulation of industry that tended to elevate or prop up rates charged to customers, as in the case of transportation and freight charges, should be "drastically minimized." He criticized what he termed "sweetheart" relationships between industries and the government agencies meant to regulate them.

New York Times  
August 10, 1976





Q. How would you go about applying that emphasis?

A. "Well, one way would be through enthusiastic enforcement of the present antitrust laws. I would like to get the Attorney General out of politics, and not have any constraint on the Attorney General about which antitrust laws are enforced. I would also like to abbreviate the procedures through which the antitrust laws are administered. It takes too long now for the courts to reach a final determination. There are some areas of antitrust laws that I think are inadequate -- both in the procedural approach and also in the exact measurements of a lack of competition. The food-processing industry is one that concerns me very much."

Fortune Interview  
May 1976

Mr. Carter said he favors giving the Attorney General a chance to obtain injunctions to halt proposed corporate mergers before they're completed in cases where the Justice Department suspects the combinations might violate antitrust laws. He also backed new powers for state attorneys general that would let them file class action suits on behalf of a state's residents.

Mr. Carter also:

--Urged legislation that would override Supreme Court rulings of recent years that have made it difficult for individuals to file class action suits.

--Declined to back Mr. Nader's proposal to require federal chartering of big corporations, but said he'd like to see shareholders have greater control over corporate actions than they currently have.

--Reiterated his concern about oil industry control of coal, uranium and geothermal energy sources and said he would favor antitrust action if some alternative way to provide adequate competition couldn't be found. He said he didn't favor a sweeping break-up of big oil companies, but again said he might back divestiture of wholesale and retail distribution by the producing companies.

Wall Street Journal  
August 9, 1976, page 5

Agreeing with a questioner that previous Democratic administrations had often been lax in moving against corporate mergers, he endorsed a bill to give the attorney general power to seek injunctions to prevent mergers before they occur, which is now beyond his authority.

Washington Post  
August 9, 1976, page A-3

- Q. Several months ago you told us that breaking up General Motors would not be one of your goals. Does that still represent your thinking?
- A. Yes, it does. There are a lot of other things that I would devote my time to doing rather than trying to break up a company just because it's large. I might discover as a candidate, or as President, that General Motors was constraining trade or was monopolistic in its attitude, in which case I would publicly demand that antitrust be enforced in that particular area. Or if I thought that antitrust laws were inadequate, I would do all I could to get new laws passed.

Fortune Interview  
May 1976

OIL COMPANY DIVESTITURE

"I support restriction on the right of a single company to own all phases of production and distribution of oil," Carter said in a campaign statement. "However, it may not always be in the consumer's interest to limit a company to one single phase of production."

The statement stops short of endorsement of the controversial bill (S. 2387) sponsored by Sen. Birch Bayh (D. Ind.), currently before the Senate. The Bayh measure would require the nation's 18 largest oil companies engaged in production, marketing, refining and transportation to divest themselves of all but one phase of the business.

On the related question of "horizontal integration" in the oil companies' holdings, where oil companies seek to diversify into other energy areas, Carter said: "I support legal prohibitions against ownership of competing types of energy, oil and coal for example."

He noted possible exceptions, however. "Fuel oil and some propane, for example, are produced from crude oil. Their production clearly cannot be separated..."

Mondale. The Minnesota Democrat voted October 22, 1975, to require major oil producers to divest themselves within five years of their petroleum refining, transportation and marketing interests. He also voted that day to require major oil companies to divest themselves within three years of their interests in alternative energy sources. Both votes came on unsuccessful amendments to S. 2310, an emergency natural gas bill.

Congressional Quarterly  
July 24, 1976, Page 1980

Reiterating his opposition to the breakup of vertically integrated oil companies, Carter tentatively embraced an idea advanced by Oklahoma Gov. David Boren -- to force oil companies to disclose their profits at every stage of business, from extraction to retail sales.

Boren, describing what he called "vertical accountability" as an alternative to the vertical divestiture bitterly opposed by the oil companies, has said it would force companies to be accountable to public opinion and open them up to antitrust action at every level of production.

Washington Post  
August 18, 1976

(More on divestiture policy in energy section).



CARTER ON FOREIGN TRADE



1. Mixed Approach: Carter has established a decidedly mixed record on foreign trade policy. During the primaries he frequently criticized the loss of U.S. jobs resulting when U.S. companies locate abroad. But in his lunch with businessmen at the 21 Club in New York City, he said he thought foreign investment by U.S. companies was "very healthy" and he pledged he would not do anything to subvert or minimize the inclination of U.S. foreign investments.

Carter is specifically on the record on the following:

- He supports aggressive promotion of U.S. goods overseas;
- He would keep foreign tax credits;
- He is inclined to eliminate the tax deferral on income earned by U.S. multinationals abroad;
- He favors more long-term commodity agreements, especially with developing nations;
- He is opposed to indexing in such agreements;
- He is "leery" of multinational commodity agreements;
- He is highly critical of the Ford Administration's new anti-bribery proposals, asserting that "confidential disclosure" and corporate "permissive criminality" are "contradictions in terms".

CARTER QUOTES ON FOREIGN ECONOMIC POLICY



He criticized legislation proposed by the Ford Administration to seek corporate reporting to the government of bribes made abroad, asserting that "confidential disclosure" and corporate "permissive criminality" are "contradictions in terms."

Washington Post  
August 10, 1976

...during the primaries he frequently criticized the loss of U.S. jobs resulting when American companies locate abroad. But yesterday, he said he thought that foreign investment by U.S. companies was "very healthy" and that it was "sort of a toss-up" between the jobs lost from U.S. investment abroad and the jobs gained from more foreign companies located in the U.S. and he pledged that he wouldn't do anything to subvert or minimize the inclination of (U.S.) investment in foreign countries."

The foreign tax credit, which permits multinational corporations to subtract directly from their U.S. tax liability any foreign taxes paid, is one tax preference, "I'll probably decide to retain," he said. During the primary campaigns, Mr. Carter has everely criticized tax laws that "encourage companies to locate abroad."

...Mr. Carter did tell the business leaders that another provision in the laws that permits multinationals to defer U.S. taxes on a portion of their foreign earnings until that income is directly brought back to this country is something "I will have to address." ...when questioned about possible inconsistencies between the speech and his campaign rhetoric, he toughened his stance and said that his "inclination would be to remove tax deferral."

Wall Street Journal  
July 23, 1976

You said you favor joining certain international commodity agreements -- why? "I favor long-term agreements with other nations, particularly those in the developing world, to stabilize their markets and the amount they ship. I don't favor indexing, and I would be much more leery of multinational commodities agreements."

"If you establish price supports for domestic crops equivalent to production costs, I don't consider that inflationary. The inflationary aspect comes in when you have wild fluctuations in price. Whether you could call price supports equivalent to production costs a domestic carter, I don't know. I'm not talking about international price supports. I'm talking about a multiyear trade agreement that would involve a relatively fixed price, with some flexibility, and a guaranteed purchase of a certain quantity of commodity, again subject to fluctuations. If demand were greater than the amount for which we had contracted, then the price for the increased commodity might be higher or lower."

Business Week  
May 3, 1976

I would also promote the aggressive sale of American products overseas. We don't do this nearly so much as other countries do. I spent a lot of my time as governor traveling around in foreign countries trying to see Georgia products. When I've been on these trade trips, I've seen small countries, like France or Germany or Russia, with delegations comprised of government, industry, labor and agriculture, saying, this is what we have to offer you, what can we do to make you our customer. Right on the spot, they can trade with those potential buyers for delivery schedules, the quality of merchandise, the price, interest rates, and repayment terms. As governor, I was never able to get any sort of answer from Washington on those same questions. It really incapacitates our ability to sell American products overseas.

Fortune Interview  
May 1976





## GENERAL CARTER CRITICISMS OF THE FORD ADMINISTRATION

### Excerpts from Carter's Address to AFL-CIO on August 31, 1976

We have a great vision for our country, but in recent years that vision has been dimmed. It's been dimmed because we have seen our factories standing idle, and it has been dimmed because we have seen individual human lives with great innate, natural productivity given to us by God going to waste.

We've had a government in recent years of limited ability. We've had a government with timid leadership. We've had a government that has been afraid of the future. We've seen a government try to fight the evil of inflation with the evil of unemployment and which has brought on our nation the worst combination of inflation and unemployment at the same time that we've had in the 20th Century.

That's what we face, and that's what we've had to accommodate in our great country. We've had an Administration that talks about fiscal responsibility; we've had the lowest rate of growth in over 30 years. We've had budget deficits greater than any in the 200-year history of our country.

I watched the convention in Kansas City and I heard the President say that he was proud of his economic record. Well, no one can deny that this Administration has put new entries in the economic record books of our country. The unemployment rate is 7.8 percent, higher than that under Harry Truman, Eisenhower, John Kennedy, Lyndon Johnson, even Richard Nixon. The unemployment rate under this Administration set a new record. In the last two months, we've had 500,000 more people out of jobs now than two months ago.

We've had an average over these last eight years of a 6 percent inflation rate; a steady quiet, insidious, all-pervasive robbing of the American family; an inflation rate greater than that under Eisenhower or Kennedy or Lyndon Johnson. President Nixon and President Ford have to share that entry in the record books.

Because of low productivity and high unemployment, we now see our own national economy losing \$150 billion in the production of goods and services for the American people each year. That's a \$2,500 loss for every family in this country. That is another record. Under President Ford and the budgets that have been prepared under his Administration, we've had an increase in our national debt of \$210 billion, which equals one-third of the total in the history of our country. That's another economic record.

When he went into office in August of 1974, the unemployment rate was 5.5%. In nine months it was 8.9%, the fastest rate of growth in unemployment in our history. Layoffs in this country have affected one-third of all the families in the United States. And the rate of inflation has tripled for food and for medical care and for fuel.

So I can tell you that the economic record of this Administration is not indeed, but we're going to change that record beginning next January with your help (Applause).

Now this record is bad enough, but perhaps even worse is the loss of spirit and loss of direction in our country. We've been convinced that there are so many things that we cannot do. It's time that we start reminding the American people of all the great things that we can and must do. We need to have unity in our country and not division. Unity between the White House and the Congress, that has almost been completely eliminated. Unity between our people and the government.

I don't believe any other human being in the last two years has traveled more than I have, met with more groups, talked to more people, answered more questions, listened more, shaken more hands. And there is a sense that this wall that has been built around our own government and that the people have been excluded from the decision-making process. So we need to provide an opportunity for new unity between people and our own government leaders. And, of course, as you well know, we need also to have strong unity between business, labor, industry, agriculture, education, science and government.

Another point that I want to make is this: we must reject the dogma that has been put forward by the Republican Party that events are out of control, that the government of free human beings can't correct mistakes, can't answer difficult questions, cannot deal with human needs and cannot be effective.

We Democrats know that government can provide for our needs. But we insist that we control the government and not the other way around. (Applause) And, of course, we also reject the dogma that government can do everything and knows all the answers. And we know that the repository of power and intelligence and commitment and idealism and patriotism and compassion and competence and unity exists among the people themselves.

Now, there are four basic ingredients that must go into the correction of our economic woes: One is balanced and sustained growth. The second one is full employment. The third is stable prices. And the fourth is a well-managed government that's efficient, economical, purposeful, working toward balanced budgets in normal economic times.

I've already noticed, in Kansas City and since then, there is going to be a lot of tough talk during the campaign about inflation from the Republicans. But tough campaign talk cannot hide the fact that there has been a 70 percent increase since 1968 in food costs — 70 percent. In health costs, since 1968 there has been a 60 percent increase; in the cost of a home there has been a 70 percent increase; in mortgage interest rates 30 percent.

Our housing industry is now suffering in the depths of a depression. We have 17 percent unemployment or more among construction workers, and last month alone we had a 9 percent drop in housing starts, and in multi-family units the drop was almost 35 percent in one month. We are now experiencing the worst inflation rate in more than 50 years: three times under Nixon and Ford what it was under Johnson and Kennedy. The 1968 dollar is worth 60 cents, and I can see why the Republicans have had to turn to the \$2 bill, which has not been very well received by the American people. (Laughter and Applause)

In the last 8 years, the deficits and the debt that has been accumulated are almost equal to all other Administrations combined in the 200-year history of America. And the interest on the increased debt that's come in this Administration is \$350 per family in the United States -- perpetually.

That kind of mismanagement has got to be changed. There's no incompatibility between meeting the legitimate needs of our people, being compassionate, concerned, sensitive on the one hand, and having a tough, well-managed government on the other.

But we must have a President who will lead this country. One who is not timid. One who treats Congress with the respect. One who deals with the sensitive and important needs of our people. Who doesn't let this nation drift and who restores the spirit and the hope and the dreams and aspirations and confidence of the people of this country. There's only one place for that leadership to come, and that's from the White House. And the absence of that leadership is no leadership, and the country's drifting. And next year we are going to turn that around and change that too (Applause).

AFL-CIO Speech (as delivered)  
Washington, D. C.  
August 31, 1976

Carter charged the Nixon-Ford administrations with having tried to control inflation by "small recessions" that "eventually degenerated into a very large recession."

New York Times  
July 29, 1976

Striking what may be a key theme for his campaign, Carter said Republican economic policies had led to the highest unemployment level in 24 years, record peacetime budget deficits, increased reliance on foreign energy sources, soaring interest rates and a shrinking trade balance. Only the Democratic controlled Congress, said Carter, kept the situation from being even worse.

New York Times  
July 29, 1976

"Our nation now has no understandable national purpose, no clearly-defined goals, and no organizational mechanism to develop or achieve such purposes or goals. We move from one crisis to the next as if they were fads, even though the previous one hasn't been solved."

Carter campaign brochure

"In reference to regulatory agency appointments, Carter charged that in the past eight years of Republican administrations half the appointments to nine major regulatory agencies came from the industries being regulated. Many appointees have not served out their terms 'because of the free movement back into the industry,'" he said.

"I'd like to stop that if I'm elected President," he said. "I would like to see Congress pass a law to make it illegal for the movement of members of regulatory agencies back into the industry from which they've come under the present administration."

Washington Post  
August 10, 1976





The New York Times/Don Hogan Charles

Prof. Lawrence R. Klein of the University of Pennsylvania with Jimmy Carter during an April news conference. Dr. Klein is Mr. Carter's chief economist.

## Carter's Economics

### Advisers Say Georgian Will Aim For Wide 'Achievable' Social Goals

By LEONARD SILK

What are the economics of Jimmy Carter? The question has become a hot one, with critics of the virtually certain Democratic Presidential nominee charging that he is vague or contradictory on the major economic issues. Mr. Carter's advisers—led by Prof. Lawrence R. Klein of the University of Pennsylvania—concede that he has not been particularly concrete about his economic plans or programs. Even when his advisers have suggested specific numbers—as Dr. Klein and Charles L. Schultze of the Brookings Institution have done on changed priorities for the Federal budget—Mr. Carter has deleted the numbers from his on-the-record responses to questions.

#### Economic Analysis

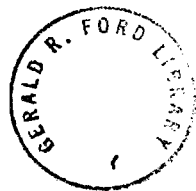
Yet his advisers insist that, far from being vague, the former Georgia Governor is "professional and pragmatic," seeking the best technical advice he can get to help him realize his broad social goals. Dr. Klein characterizes those as being "to give the common man a better break, to make this a better society." He adds that Mr. Carter has an engineer's approach and an analytical mind—that he listens to his advisers before deciding.

#### Original Aim Rejected

Within a political philosophy closely in line with New Deal Democratic Party thinking, Mr. Carter intends to aim for what his advisers call "achievable goals." It was on that basis that Governor Carter rejected the original goal of the Humphrey-Hawkins Bill of cutting unemployment to 3 percent within four years.

Mr. Carter accepted the judgment of his advisers that 3 percent unemployment for the labor force as a whole would be inconsistent with an acceptable rate of inflation (3 to 4 percent).

When other Democratic candidates were setting lower targets for unemployment and inflation, Mr. Carter said, "I can't outbid them; I'd put my emphasis on employment and take my chances on inflation." He has consistently kept to those priorities. He puts reducing unemployment first, reducing inflation second, thereby



## Carter's Economic Aims

Continued From Page 51

making this a sharp issue with the Republicans, who have consistently designated inflation as the top problem.

Mr. Carter has learned much of his economics during the Presidential campaign. Dr. Klein says Mr. Carter's original goals were 2 percent unemployment, 2 percent inflation and a 2 percent rate of interest.

### Realistic Target

Mr. Carter subsequently decided that those were not compatible numbers and designated 4.5 percent unemployment as a realistic target for economic policy.

That 4.5 percent overall unemployment figure now is considered consistent with the modified Humphrey-Hawkins target of 3 percent "adult unemployment."

The Carter logic is that there is enough slack in the economic system to permit considerably stronger fiscal and monetary stimulus than that followed by President Ford or the Federal Reserve under its chairman, Arthur F. Burns.

But Mr. Carter's advisers have warned him that with unemployment at 4.5 percent the economy is likely to bump up against capacity ceilings. It would then be a good idea, they say, to have standby wage-and-price controls in place, for use if needed.

### Both Are Represented

Mr. Carter's instincts seem to be to seek reassurance from conservative as well as liberal economists. Both are represented on his committee of economic advisers. Dr. Klein says that Mr. Carter was impressed with the desirability of an "incomes policy"—a program to keep the rate of growth of wages and other incomes in line with the growth of national productivity—and by the support given the concept by Dr. Burns, the conservative chairman of the Federal Reserve.

However, Mr. Carter's earlier populism had led him to favor reducing the independence of the Federal Reserve System. His advisers have argued that there was much to be said for "separation of powers," not only of Congress, the Presidency and the Supreme Court, but also of the Federal Reserve and the Treasury.

Mr. Carter has satisfied himself, according to Dr. Klein, by accepting the "mildest and least troublesome of reforms of the Federal Reserve" proposed by Representative Henry S. Reuss, Democrat of Wisconsin, the chairman of the House Banking Committee. These are making the Fed chairman's four-year term coterminous with that of the newly elected President, with the President free to pick his chairman subject to confirmation by the Senate.

Neither Mr. Carter nor his advisers are monetarists—believers in the doctrine espoused by Prof. Milton Friedman of the University of Chicago that calls for emphasizing slow and continuous growth of the money supply. Mr. Carter and his economists view fiscal policy at least as important as monetary policy and favor as much attention to interest rates as to the money supply.

Mr. Carter favors more "sunshine" upon the workings of the Fed. He would also seek to insure better planning by both the Federal Government and private industry through a requirement that the Fed state its objectives more clearly and publicly.

### Freedom for Business

Mr. Carter has stressed the importance of longer-term planning, but has sought to combine this with freedom for private business. He wants the Government to budget on a three-year cycle, "rowing forward three years at a time when the budget is prepared each year."

This rowing-budget technique, he thinks, would permit businessmen and public officials to do a better job in laying out their own plans.

Mr. Carter does not want to rely on "elaborate proposals of comprehensive planning" and appears to be rejecting detailed models that would give excessive control to the Federal Government.

Yet he says that a greater degree of Government planning, which he would do through an augmented Council of Economic Advisers, is necessary to attack problems of structural unemployment, inflation, environmental decay, exaggeration of economic inequalities, natural resource limits and "obstructions to the operation of the free market system."

Thus, he combines his support of planning with a promise of stricter application of the antitrust laws to increase competition.

Mr. Carter leans toward both vertical and horizontal divestiture of major oil companies. He thinks the problem in the oil industry is at the wholesale and retail end. He has said he would not favor divestiture of exploration, extraction, refining or even pipeline distribution.

Similarly, he has expressed his belief that the present movement of oil companies into ownership of coal mines is "not good for the country." He has said he would favor divestiture to the extent that he felt it was necessary to provide for "continuing and very enthusiastic competition" and would encourage more coal production.

Professor Klein says that in

a Houston meeting with oilmen, Mr. Carter "did not give in on divestiture."

Counterbalancing such a tough but not unqualified stand, Mr. Carter has emphasized his respect for the private sector of the economy. He has been lukewarm on creating more public jobs as the main means of attacking unemployment and stresses that there would be a greater "magnification" of benefits from public monies going to the private sector for job creation than by increasing Federal employment.

### Long List of Measures

But he has proposed a long list of measures the Federal Government should take to reduce unemployment, including more money for financing on-the-job training by business, better employment services to match people to jobs, improved manpower training programs, and as needed, more public jobs, such as housing rehabilitation and repairing railbeds. He has attacked President Ford's veto of the \$6 billion public works employment bill, and his subsequent veto of a scaled-down \$4 billion public jobs bill.

On international economic policy, Mr. Carter initially worried about the employment impact, as on shoe or textile workers, of liberal trade and investment policies. His economic advisers have urged him to regard both trade and investment as two-way streets, and they have said the best way to help workers to be sure of keeping their jobs is not protectionism but making sure the United States has "a good strong domestic economy."

On international monetary reform, Mr. Carter appears to have accepted the advice of Prof. Richard N. Cooper of Yale University, who has counseled against any effort to return to fixed exchange rates. Mr. Cooper—and presumably Mr. Carter—are not dissatisfied with the present quasi-floating international monetary system.

#### Pieces of the Package

Mr. Carter has sometimes disregarded the advice of his tax advisers—principally Joseph A. Pechman of the Brookings Institution—not to take pieces of the package out for display, lest he be attacked by adversely affected groups. He has indicated that he favors eliminating the tax deductibility of mortgage interest-rate payments, taxing capital gains in the same way as ordinary income and eliminating the double taxation of corporate profits and dividends.

As his advisers predicted, Mr. Carter has been attacked for these specific proposals by different tax-paying groups and political opponents. He has gone back to emphasizing that there must be a "sweeping" tax reform but that this will be a highly complex job.

Mr. Carter says it will take at least a year before a complete tax program can be developed. There is apparently no secret plan for that sweeping tax reform. It appears likely, however, to seek to eliminate as many special deductions as possible and at the same time to scale down income tax rates.

It will also lean toward greater progressivity in the tax system, with rates rising proportionately with higher incomes.

#### Few Welfare Details

Mr. Carter has disclosed few of the details of his plan for reforming the welfare system. In brief, he speaks of getting welfare recipients into jobs—at least those who are capable of working — but not penalizing those who cannot work.

He wants to be able to permit those on welfare who can supplement their income by working to do so. However, he is against anything resembling Senator McGovern's \$1,000 "demogrant" program that hurt the South Dakota Democrat so badly in the 1972 campaign.

Mr. Carter comes on as a strong friend of the cities. He would use funds to strengthen the inner city by creating more jobs for black teenagers, whose unemployment rates range up to 40 percent. He proposes creating urban "C.C.C.'s" (Civilian Conservation Corps, such as those that existed during the New Deal) as well as federalizing much of the welfare bill, building more public housing, increasing counter-cyclical revenue sharing, building better urban transportation systems, and other measures.

Without overall budget details, it is impossible to say how much President Carter's programs would cost if he were elected or how he would achieve his promise to balance the course of the business cycle.

He is promising more efficient government, not smaller government. This appears to be his basic reconciliation of his "common man" social philosophy with his pledge to clean up the Federal bureaucracy.



# The Contradictions in Carter's Budget Policy

By EDWIN L. DALE Jr.

WASHINGTON—Is Jimmy Carter a big spender?

This is the most relevant question about his philosophy on economic matters. The prospective candidate of this week's Democratic convention has spoken in some detail on such questions as sweeping tax simplification and reform, standby powers to control or delay major price and wage increases, and devices to induce private employers to hire more workers or to retain them during recessions. All of these are important as parts of economic policy.

But the underlying state of the economy four or five years from now—how much inflation, how high the rate of interest, the sufficiency of capital formation for new investment—is likely to depend more than anything else on the magnitude of the Federal budget. Here Mr. Carter's various positions may be seen as contradictory.

On several occasions, including his economic policy paper issued in Pennsylvania in late April, Mr. Carter stated his aim of a balanced budget by 1979 "within the context of full employment."

In an interview with *Fortune* magazine he cited as a goal "a complete reorganization of the structure of government, the institution of zero-based budgeting which would screen out old and obsolescent programs, and a heavy emphasis toward a balancing of the budget."

There is no reason to doubt the sincerity of these goals. The questions arise from other positions of Mr. Carter on specific areas of Federal Government programs and spending. The most comprehensive statement of his positions has come in his presentation last month to the

Democratic platform committee (and the platform about to be adopted is very close to the Carter prescriptions).

There are no dollar figures for the various proposals. But the Carter list is much longer than generally realized. Here is a brief rundown:

**EDUCATION:** The Federal share of financing of public education, which was 10 percent in 1974, "must be increased."

**TRANSPORTATION:** "The task of rebuilding the existing transportation system is so massive, so important and so urgent that private investment will have to be supplemented with substantial direct public investment" including "entirely new programs" in some areas such as the railroads and "increased investment levels" by government in local transit.

**THE CITIES:** There should be "countercyclical assistance" at times of substantial unemployment; an increase in general revenue sharing to allow for inflation and a new "public needs employment program" funded by the Federal Government.

**WELFARE:** Although Mr. Carter opposes complete Federalization of welfare, he favors "one fairly uniform, nationwide payment" to be "funded in substantial part by the Federal Government." The cities would be absolved of all welfare costs, with the entire burden to be borne by the state and Federal Governments.

**HEALTH:** He supports a "national health insurance program" which would be "financed by general tax revenues and employer-employee shared payroll taxes."

**HOUSING:** There should be "direct Federal subsidies and low interest loans to encourage the construction of lower and middle class housing" plus expansion of the present subsidized program of housing for the elderly.



**SOCIAL SECURITY:** Here there is an unspecific proposal for "an increase in benefits in proportion to earnings before retirement," which could be enormously expensive.

**JOBS:** Here there is a fairly long shopping list, including incentives for private sector jobs, funding the cost of on-the-job training by private business, doubling the public service jobs program from 300,000 to 600,000, and the new program of "public needs jobs" in such areas as housing rehabilitation and railroad repairs.

In addition to all of this, Mr. Carter supports, at least nominally, the Humphrey-Hawkins Full Employment

Act, of 1976, whose cost would be large although impossible to precisely calculate. Support for the bill—whose aim is a 3 percent adult unemployment rate in four years—is prominent in the draft Democratic platform.

The prospective candidate, it is important to note, has explicitly opposed perhaps the key feature of the bill: making the Government, if necessary, the employer of last resort in order to make good the guarantee of a job for everyone.

Whatever finally emerges with respect to Humphrey-Hawkins, however, it is evident that Mr. Carter's commitments in all the other areas add up to a very expensive list.

What is to be made of this?

Ronald Reagan took one view last week. He warned the voters in a television address: "You don't discipline an irresponsible and wasteful Congress by putting an indulgent friend in the White House."

Another view is that campaign promises are not to be taken too seriously and that Mr. Carter's stated aim of "attenuating the growth" of Federal spending as a proportion of the gross national product is probably a clearer expression of his philosophy.

Still another possibility is that Mr. Carter's much-touted revamping of the tax system could turn out to be a means of raising a good deal more money, which might make possible his many spending programs in a budget in balance or near balance. The difficulty with this proposition is that Congress has shown no willingness whatever to raise taxes, except in wartime. For the last 30 years every peacetime tax change has been a net reduction.

As things now stand, the Carter positions taken together lead to a question mark, not an answer to the question of whether he is at bottom a big spender.

Vagueness and All That

THE WALL STREET JOURNAL

7/13/76

Our national tax system is a disgrace. The income most certain to be taxed is that which is derived from manual labor. Carefully contrived loopholes have created a regressive system which lets the total tax burden shift more and more toward the average wage earner. Some of our largest corporations with extremely high profits pay virtually no tax at all. When a business executive can charge off a \$50 lunch on a tax return and a truck driver cannot deduct his \$1.50 sandwich — when oil companies pay less than 5% on their earnings while employees of the company pay at least three times this rate — when many pay no taxes on incomes of more than \$100,000 — then we need basic tax reform. A piecemeal approach to change will not work. Basically, I favor a simplified tax system which treats all income the same, taxes all income only once, and makes our system of taxation more progressive.

George McGovern, vintage 1972, right? Wrong. Jimmy Carter, in his 1976 presentation to the Democratic Platform Committee. Fascinating, because if George McGovern had uttered this rhetoric, no one would have the least doubt about what kind of policies he would propose as President. Coming from Jimmy Carter, the same rhetoric only adds to the mystery of what he would do if elected. It is another item in the vagueness that has marked his campaign. The difference is that when George McGovern spoke, people believed.

A great deal of the Carter campaign has a similar tenor. Above all it is evident in his appeal as a centrist Democrat. He is moderate, we are invited to believe, because he would not smash the oil companies up as completely as Fred Harris would. Because he would not slash the defense budget as much as George McGovern would. Because he is telling us a lie when he says he supports the Humphrey-Hawkins bill.

If we are entitled to take Mr. Carter's positions seriously, there is nothing centrist about them, even by the standards of his own party. The Democratic Congress is not really going to smash up the oil companies, even moderately. This year the Democratic Congress cut the defense budget not by Mr. Cart-

but not at all. The Democratic Congress has not let the Humphrey-Hawkins nonsense take it by storm.

We are probably right, though, in not taking these positions too seriously. For along with these standard Democratic-liberal themes Mr. Carter also has a lot of rhetoric about free enterprise. Along with his complaints about low business taxes and the need for making the tax system more progressive, he has talked of ending double taxation of dividends. Along with talk of national health insurance, new counter-cyclical aid to the cities and more spending on education, welfare, housing and mass transportation, he offers a pledge to balance the federal budget by 1979.

From all of these there emerges no identifiable direction in which a President Carter would take the nation. The vagueness does not result so much from a lack of specifics, as from a lack of rhetorical emphasis suggesting how Mr. Carter would resolve the seeming conflicts among the specifics he has already offered. Thus in trying to discern what he would do as President, people fall back on psychoanalysis. Would he harken to his experience in the South, in the Navy, in a successful business career? Or would he start running for President-of-the-century with a burst of bold new activism? Who can trust any such guess?

Representative Barbara Jordan, a convention keynote speaker, confesses that she doesn't know enough about Governor Carter to develop any impression about this man. She was reduced to attesting, "I believe that Governor Carter is telling the truth when he says he can run on the Democratic platform; that he will do the things the platform calls for to be done." If the keynote speaker doesn't know the presidential candidate and isn't quite sure about his platform promises, what are the American people to believe?

Mr. Carter's calculated vagueness has served him well so far, but it seems to us that as the campaign goes on he will have to come down somewhere, to stand for something, to give us some notion of the depth of his convictions, to give us some clear idea of where he would take the nation. We do not see how he can succeed as a candidate talking constantly about honesty, integrity and openness in government, but at the same time refusing to let the American people know what policies they are voting for if they

THE ECONOMY TODAY by Herbert Stein

Mr. James Earl Carter, Jr.  
Plains, Georgia 31780

Dear Jimmy:

I hope you don't mind my calling you Jimmy. Everyone does it. I suppose it is a sign of friendship. Isn't it amazing how many new friends you get when it seems you might become President of the United States?

Anyway, I write to you as a friend. I think there may be a fatal flaw in your campaign, and I want to warn you about it.

I have read many of your campaign documents, including your statement on the economy and your long submission to the Democratic platform committee. I have watched you on more television talk shows than I can count. I have read hundreds of thousands of words of reporting and analysis of your positions in several newspapers. In all of this I find admirable the care with which you touch all the bases. There seems to be something for everyone, or at least for every segment of the American population, in your proposals and promises.

I suppose that all candidates have always tried to adapt their programs so that they were attractive to as large a fraction of the voting population as possible. But I can't believe that many, if any, can have been as successful as you have been at it.

I can see in your statements something for the unemployed, for the welfare recipients, for the producers of food and for the consumers of food, for the sellers of housing and for the purchasers of housing, for the ill and the healthy, for the cities and the country, and so on.

Sometimes it might seem that these promises are inconsistent, but always you find a means to reconcile them. For example, there are to be both higher food prices for farmers and lower food prices for consumers. The way both of these objectives are to be achieved at the same time is by reducing the take of the "middlemen." But most of the costs of the middlemen between the farmer and the consumers are the wages of teamsters, and railroad workers, and butchers and retail clerks, and so on. But it is obvious from other things you say that you don't intend to squeeze down these labor costs. So we are left with doing something about "speculators", which can't cost many votes since hardly anyone thinks of himself as a speculator.

But I have had an uneasy feeling for several weeks that you have overlooked someone. I have finally decided who it is. You have overlooked the Great American Taxpayer. They are the millions of people who pay the bills for the things the government does and the additional things you want it to do. You do not promise them anything.

You have described as one of the three main themes of this election, "The need to restore a compassionate government in Washington, which cares about people and deals with their problems". For a vast number of Americans, their most acute and most problem-ridden relation with the government in Washington comes when they pay their taxes. Many of them get quite a shock each April 15 when they discover how much tax they have paid and how much tax they still have to pay.

Even with the tax cuts enacted in 1969, and the temporary cuts enacted in 1975, Federal personal income taxes now are as high as they were ten years ago, relative to the incomes people earn. That is mainly because inflation has raised the tax burden. You haven't said

whether you want to continue the temporary tax cuts enacted last year. You haven't suggested whether anything should be done to keep future inflation from raising the tax burden further.

Some of your proposals involve increasing taxes. You have suggested that wage earners should pay social security taxes on their earnings up to a higher limit. And you have suggested new taxes to pay for health insurance.

It is true that you have suggested tax reform. However, as far as I can see the reform proposals all consist of ways to make somebody pay more; they don't provide for anybody to pay less.

So I think this is the big hole in your program. There are lots of taxpayers out there, and an awful lot of them vote. You ought to hold out some hope for them, and the thing they would like most is to get their taxes down.

I know it won't be easy to promise tax reduction, along with all the other things you have promised. And I realize that you must be very busy. Maybe you could get some of your experts to work on it. I'm sure it would help a lot.

Sincerely yours,



# AGENDA FOR THE CAMPAIGN

## The economic debate begins

The coming election is likely to be the first in 16 years in which no Americans are at war, and that almost automatically pushes economic issues to the fore. But there is nothing particularly surprising about the way in which the parties are framing their ideas. The elephant and donkey are moving toward their Nov. 2 collision along traditional party lines.

The Democrats tend to favor a more stimulative, more interventionist government policy, believing as they do that economic growth is the great solvent of economic problems and government can foster rapid growth. The Republicans, by contrast, traditionally prefer a world in which government does less so that the private sector can do more. To them, the social cement is found in fiscal and monetary prudence.

The way in which the parties relate these principles to specific issues is, of course, shaped by the circumstances that prevail at election time, as a comparison of their stands on the six key issues of the campaign—inflation, unemployment, tax reform, energy policy, urban problems and foreign economic policy—shows.

### INFLATION: A big headache for both parties

Stubborn, persistent inflation is the wild card in the election as it is in the U. S. economy. Compared with 2% in the 1950s and 2.3% in the 1960s, the U. S. inflation rate has been running at 6.6% in this decade.

It is unreasonable to expect either party to have come up with a totally credible program to bring the rate of price increases back to an acceptable level. For while modern industrial democracies know how to reduce unemployment—they simply run bigger deficits and print more money—they do not know how to keep people at work while at the same time keeping prices from rising.

This fundamental dilemma of the mixed economies of the West forces politicians to choose and pray. While Jimmy Carter is no longer saying that jobs are his No. 1 goal, it is nevertheless true that the Democratic candidate has chosen to try to get employment up, and to pray that he can design a program to prevent inflation from getting out of hand as a consequence. Similarly, the Republicans have chosen to make price stability their No. 1 campaign issue and to pray that unemployment will not get out of hand. **U. S. strength.** For their parts, President Ford and his economic advisers will go to the public with a remarkably simple program to contain inflation, one that is singularly free of gimmicks and also singularly free of the promise of quick results. "Our anti-inflation policies basically view the problem in the longer term," says Alan Greenspan, chairman of the Council of Economic Advisers. "Inflation is something caused by excess liquidity, and excess liquidity is in turn a function of excess federal borrowing. Our program is gradually to reduce the amount of liquidity in the economy. But our goal is to do this while not depriving business of the liquidity necessary to finance expansion," he says.

And that's it. Greenspan and other Republican economists have a strong belief in the internal dynamism of the U. S. economy, believing that it has the strength to move back to full employment provided that it is not subject to any sudden shocks from erratic changes in federal economic policies. A strong element of what President Nixon's CEA chairman, Herbert Stein, called the "old-time religion" is still to be found in President Ford's White House.

Candidate Carter and his advisers, by contrast, offer what appears to be a three-pronged attack on inflation.

They begin with the belief that economic growth generates an overall increase in supply that itself imposes a limit on price pressures. The Democrats have set a 4% unemployment target for 1980. University of Pennsylvania economist Lawrence R. Klein, Carter's chief economic adviser for the campaign, believes that those policies needed to get the economy to this level will also help

curb inflation. "The key to our program," he says, "is growth, which will increase the supply of goods and services and increase productivity. We should use the current period of slack to give every possible stimulus to capital spending, and that may mean boosting the investment tax credit and speeding the acceleration of depreciation."

Klein argues that an overall increase in supply must be supplemented with policies to prevent inflationary bottlenecks from appearing in specific industries. "We want to generate a view of the economy that will enable us to trace the flow of goods and services on an intermediate level. This will enable us to spot bottlenecks in advance in order to take the appropriate action." Klein would do this by relying on an input and output analysis to track the flow of goods through the economy. "We want to make business more farsighted," he says.

**Conflicting policy.** Finally, a Carter Administration would rely on some form of incomes policy to contain the price pressures that could crop up in an economy that is on a relentless march toward full employment.

Democratic pronouncements on the nature of that incomes policy do not yet point clearly in a specific direction. The Democratic platform is not averse to direct controls on prices and wages, at least as a last resort. One plank calls for "a strong domestic council on price and wage stability . . . with particular attention to restraining price increases in those sectors of our economy where prices are 'administered' and where price competition does not exist."

In more recent statements, however, Carter has talked little about using controls as a last resort, and much about a voluntary approach to restrain price increases. The policy outlined in his most recent interview with *BUSINESS WEEK* (page 94)—voluntary cooperation between labor and business—bears a family resemblance to the "social consensus" that West Germany uses to keep inflation in check.

President Ford's White House obviously believes that this complicated Democratic program to prevent inflation and to move unemployment down to 4%



Propelling Jimmy Carter to his Nov. 2 collision are his principal economic advisers: Michael L. Watcher, Jerry J. Jasinowski, and Lawrence R. Klein. Powering President Ford's elephant are L. William Seidman, William E. Simon, and Alan Greenspan.

folly. The President himself has frequently said that inflation is itself the cause of unemployment. And more formally, Greenspan has argued that the double-digit inflation of 1973 and 1974 has built large inflation premiums into wages, interest rates, and the cost of capital.

**An irony.** Until these premiums are sweated out of the economy, or at least people are persuaded that they will be sweated out of the system, says Greenspan, there is simply no way that the private sector will undertake the investment needed to move back to full employment. Since investment is critical to the economic growth that provides jobs, Republicans think that reducing inflation will also cut unemployment.

There is something of a historic irony at work on the Republican side. Two of the best Republican economists—Arthur F. Burns and Henry C. Wallich—are now on the Federal Reserve Board, which strictly circumscribes their role as political advisers. Both men have been strong advocates of some form of incomes policy to contain inflation. This inevitably raises speculation on what President Ford would now be saying if Wallich and Burns were in the White House and Greenspan and Treasury Secretary William E. Simon were on the Federal Reserve Board. ■

## UNEMPLOYMENT: Will recovery alone supply the solution?

On no issue is the difference between Carter and Ford more clearly defined than on how to reduce unemployment. The differences between the two candidates cut to the heart of their philosophies of government and the role of government in the economy.

The problem is obvious enough. Since the trough of the recession, total employment has increased by 3.5 million to a new record level. But that improvement has been barely enough to absorb the addition of 2.9 million workers to the labor force in the same period. As a result, 7.5 million workers are still unemployed, and the unemployment rate has fallen only from 8.9% to 7.9%.

Ford's position is that inflation limits the rate at which new jobs can be created. By the Administration's projections, unemployment will remain above 6% through 1977 and will average 4.8% in 1980. Beyond its emphasis on steady economic recovery, the Administration's only other campaign initiative on employment is likely to be an attack on government regulations—such as some

job health and safety rules—that “induce” unemployment by hindering business expansion.

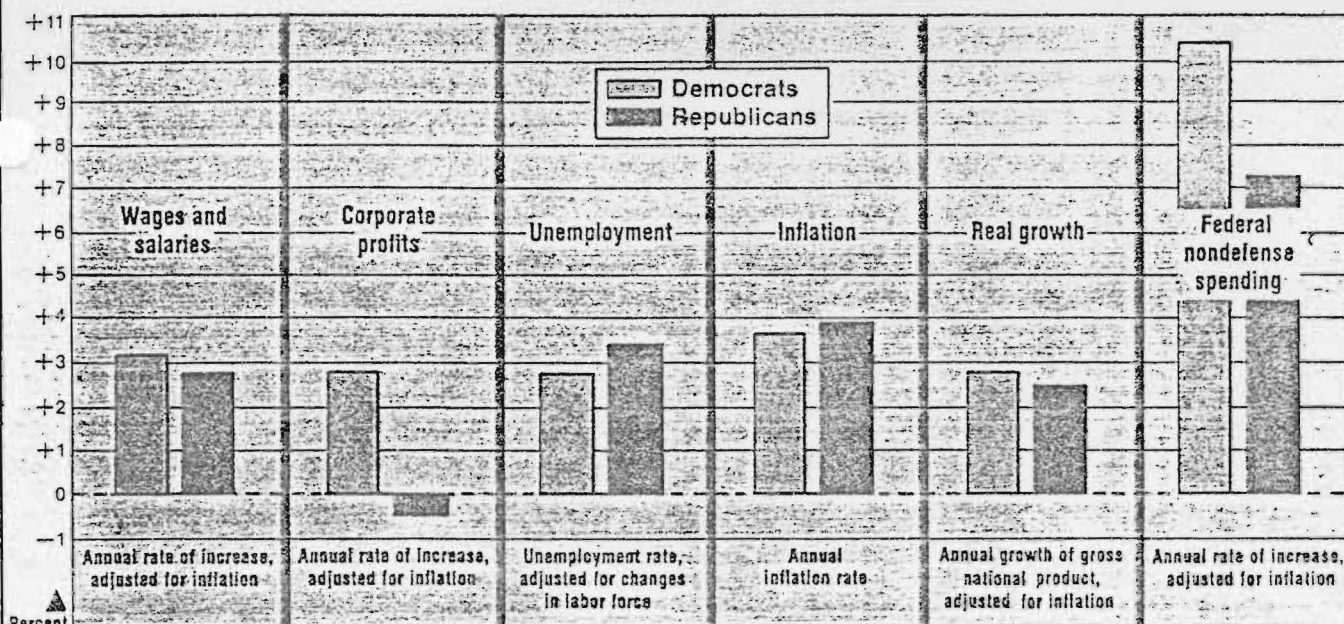
Carter believes that a speedier recovery than Ford proposed is necessary. He also feels that greater government intervention in labor markets can bring down unemployment while actually reducing the pace of inflation. He has set a target of 4% unemployment by the end of his first term.

**Broad efforts.** To reach his goal, Carter favors the use of a broad range of labor-market efforts targeted to reduce unemployment in key sectors. This, he says, could lower the rate a full percentage point below the level that can safely be achieved through macroeconomic monetary and fiscal stimulus alone. Carter says that the overwhelming majority of new jobs must be created in the private sector, although he is more willing than Ford to make last-resort use of public jobs.

The Ford Administration takes the position that high unemployment rates will simply have to be tolerated for several years. Burton Malkiel, a member of the Council of Economic Advisers, says that demographic and social changes have increased the number of young and female job seekers. “It stands to reason that the greater the number of new entrants and re-entrants you have,



# The economic record: Democratic vs. Republican Administrations



Average of 1944-52 and 1960-68 for Democrats, 1952-60 and 1968-76 for Republicans

Data: Commerce Dept., Data Resources Inc., BW estimates

On the evidence of the past 32 years, which split evenly between Republican and Democratic Administrations, the parties are also close in terms of how their policies affected the performance of the economy. According to many broad indicators, though, what slight edge there is goes to the Democrats (chart). Their inflation rate is lower, on the average, and their real growth rate higher. Unemployment tends to be higher under GOP Presidents—very rapid growth of the labor force has put the Nixon-Ford Administrations at a disadvantage in this regard. But the Democratic record still looks better even if each year's unemployment rate is adjusted by subtracting the labor force's growth rate.

Nonetheless, such distinctions provide a basis for endless disputation. At the policy level, government tends to be somewhat more activist under Democratic Presidents than under Republicans. Real nondefense spending at the federal level, for instance, rose slightly faster under

Kennedy and Johnson, averaging 7.7% growth annually, than under Eisenhower, Nixon, and Ford (7.3%), and it rose much more rapidly during the Truman years (13.2%). Democrats will argue that this activism produced faster growth and all its benefits, including the surprise that profits, as well as wages (adjusted for inflation), have performed better during Democratic than Republican Administrations, both before and after taxes.

But the GOP can argue quite plausibly that this activism, which has been accompanied by extensive global military commitments, has too often been overdone. Republican Presidents, who have almost always inherited Democratic majorities in Congress, have also inherited wars in Korea and Vietnam, and wartime spending generates inflationary pressures that can be massive. So the GOP will contend that Democratic excesses have forced the last four Republican Administrations to devote much of their time to deliberate programs of restraint, often leading to recession.

Robert McAdams—DW

the higher unemployment has to be," says Malkiel. "This is consistent with free labor markets, and it may not be too great a social problem."

Carter and his advisers unequivocally reject that conclusion. The 20% unemployment rate for teenagers—40% for nonwhite youths—means "our teenagers start adult life believing they are not worthy," Carter says.

The major Democratic vehicle for reducing unemployment is the proposed Humphrey-Hawkins Balanced Growth & Full Employment Act. Its goal is to reduce adult unemployment to 3%. While Carter has reservations about some specifics of the bill, he supports its major thrust: increased government economic planning, increased coordination of monetary and fiscal policy, targeted programs to create private-sector jobs for the hard-to-employ, and as yet vague

programs to deal with any resulting inflationary pressure.

**Likely elements.** Carter has not yet outlined a comprehensive manpower program. But Michael Wachter, Wharton School of Business economist, a member of Carter's economic task force, and a rising economic star in the Carter camp, gives an indication of some likely elements:

- A formal acknowledgment that the traditional 4% "full employment" unemployment target is unattainable at an acceptable rate of inflation without "a heavy emphasis on structural problems in labor markets." Wachter says it is necessary to deal directly with the quality of the labor supply to bring joblessness below 5½%. Other Carter advisers put the level at 5%.

- Minimal use of the government as an employer of last resort. "I view that as

straight fiscal stimulus," says Wachter. In Wachter's view, public-service jobs should be provided only as temporary training positions, designed to qualify the most disadvantaged workers for private-sector jobs.

- Concentration of manpower training efforts on preparing unemployed youths for semiskilled entry-level jobs, with heavy participation by business in the training effort.

- Encouragement of flexible work schedules to promote job opportunities for women with families.

- Payment of temporary subsidies to employers who hire and train low-skilled workers to make up the loss of productivity such hiring would cause.

- Geographical concentration of employment programs in areas of greatest need, such as the older cities.

An attack on the Carter program is

likely to be a centerpiece of the Ford campaign. "I am obviously against the Humphrey-Hawkins bill and all of the other schemes to give Washington more and more control over our lives," the President says.

Ford's own positions are minimalist. He favors tax law changes designed to increase the flow of investment funds because, as Malkiel puts it, "if we want to get to full employment, we have to increase the amount of capital investment in place." The Administration's capital formation proposal includes special incentives for investment in areas of high unemployment. Ford also favors continuation of the current manpower programs under the comprehensive Employment & Training Act.

**Regulatory reforms.** Administration economists are also studying a variety of regulatory reforms that would reduce unemployment through elimination of constraints on business. One possibility is the provision of a lowered minimum wage for youths, which is called for in the Republican platform.

But the main Ford weapon against unemployment will continue to be steady economic growth and constant vigilance against inflation. "The major stress is in getting a good recovery," says Malkiel. ■

## TAX REFORM:

### Politics favors loopholes as usual

Judging from the rhetoric, there seems to be a broad consensus developing in American politics today over the need for basic tax reform. Both Ford and Carter have pledged major reforms, and their respective party platforms, in some areas, have carried that pledge even further. But the rhetoric of this year's election campaign, like that of past campaigns, is deceiving.

For nearly two decades now, Presidential candidates have been promising tax reform. Their basic thrust has been that, if elected, they would simplify and make equitable a federal tax code that has swollen to nearly 40,000 pages. This year's candidates are no different.

"A major objective [of tax reform]," Ford said recently, "should be to simplify the tax system as well as make it more equitable." Carter, in a position paper issued on the eve of his nomination, said, "Basically, I favor a simplified tax system which treats all income the same way, taxes all income only once, and makes our system of taxation more progressive." The similarity between Ford and Carter on tax reform ends with their basic pledge for simplification and equity, however.

Ford, for his part, has proposed a

radical change in tax policy with his plan to end double taxation on business by integrating corporate and shareholder taxes. The Ford plan, which he first proposed more than a year ago, calls for a combination of dividend deductions and stockholder credits that would ultimately cost the federal government more than \$13 billion a year in tax revenues. The proposal, which is also at the heart of the President's jobs program, is designed to spur long-term investment and is seen by the White House as a step toward eliminating the corporation as a taxable entity. The Ford program has basically been rejected by congressional Democrats as too costly and too pro-business.

**Ford tax-cut package.** The integration plan was part of a broader tax-cut package outlined by Ford in his State of the Union message last January, calling for overall tax cuts of \$28 billion accompanied by \$28 billion in spending cuts. The overall Ford program also has basically been ignored by Congress.

Carter, for his part, has no tax reform program at all. Instead, Carter has pledged to spend a year studying the tax system before coming up with any specific recommendations for reform. "I would not make any substantive changes in our tax law, or propose any as President, until at least a full year of very careful analysis," Carter told a group of businessmen in New York last July. And that, according to his aides, will probably remain the foundation of Carter's stand on tax reform at least through the campaign.

But while Carter has been extremely light on specifics, he has indicated some general themes on the question of tax reform. Calling the nation's tax system a "disgrace," Carter says he is considering a "drastic simplification of the income tax system that would lower taxes on the middle- and low-income families" through elimination of tax breaks for individuals. This, he claims, would enable the federal government to reduce the tax rate by as much as 40%.

In the business area, Carter has indicated at least some possible support for the idea of integrating corporate and shareholder taxes with a pledge to tax capital and earned income the same way. Carter also indicates his support for continuation of the system of foreign tax credits for U. S. corporations operating overseas but says he leans toward elimination of the tax rules that allow these corporations to defer taxation of overseas profits until the money is actually brought back to the U. S.

**Political pressures.** Any consideration of the chances of meaningful tax reform next year, regardless of who is elected, must take into account Congress and the political pressures that are brought to bear—pressures that often blur party and ideological lines. For more than two

years, Congress has been grappling with the question of tax reform. But the promise of major reform from congressional Democrats has all but evaporated under the intense lobbying of a broad cross-section of special-interest groups.

In the Senate, which just recently completed action on the reform measure, the special-interest groups were so successful in turning what started as a reform proposal into a political Christmas tree that tax reformers called on the Senate to reject the entire tax bill. The Senate voted overwhelmingly for the Christmas tree package.

Carter has indicated his awareness of the special-interest pressures on tax reform, but at the same time there are indications that he has already succumbed to at least some of these pressures himself. In his policy statement on tax reform, Carter warns that "The only people who have anything to fear from any Carter tax reform plan are the special interests who do not pay their fair share of taxes and who are responsible for the disgracefully unfair tax system we now have."

Carter himself demonstrated how the political pressures build from these groups. Last February, Carter listed the tax deduction for home mortgage interest payments among the tax incentives he would like to abolish. Just a week later, however, Carter had already begun to back away. Clarifying his earlier statement, he said that elimination of the interest deductions would have to be tied to other changes designed to help the homeowner. "I would never do anything that would hurt the middle American wage earner," he said. A month and a half later, Carter said that he did not advocate elimination of the deduction for mortgage interest.

**New political dimension.** In addition to the pressures from special-interest groups, a new political dimension has been added to problems of tax reform: the new congressional budget process. Republicans take note of this in their party platform, with the statement that "tax policies and spending policies are inseparable." Under the new budget control process, Congress is required to instruct the tax-writing committee exactly how much revenue to raise in any given fiscal year to help cover the cost of government spending. Although tax reformers lost this summer when they tried to use the budget process to force the Senate Finance Committee to raise revenues through reforms, the new budget process is beginning to gain the type of support that may force future tax-writing committees into compliance.

The outlook for major tax reform is not bright. If Ford is elected, he will still be faced with a hostile Democratic Congress. Even his most ardent supporters make no claim that the Republicans will gain control of Congress in the

November elections. For Carter, the dilemma is basically time. By waiting a year before he presents his tax reform proposal, Carter risks ending any honeymoon period he might have with Congress. Carter will be asking Congress to pass major reforms just as it is gearing up for the mid-term elections. And Congress has never voted a major tax reform bill in an election year. ■

## ENERGY:

### A consensus may finally be forming

Three years of divisive and often confusing debate over energy policy have had one surprising impact on the Presidential race: The candidates seem to be arriving at a consensus. Although they differ on many specifics, Jimmy Carter and Gerald Ford share a remarkable number of goals, among them increased reliance on coal, more conservation, and greater protection against another oil embargo by stockpiling crude.

In part, the similarities of their views reflect the gradual convergence of opinions between the Ford Administration and the Democratic Congress over such key issues as natural gas price controls. Democratic moderates have steadily edged closer to the Administration's position that controls should be lifted on "new" gas. Carter stops only slightly short of that, favoring new gas decontrol for five years to see if higher prices do, in fact, bring forth new supplies.

But the underlying reasons for the emerging consensus are rooted in some inescapable realities. After a brief pause caused by the dramatic jump in oil prices and the recession, U. S. energy consumption is again on the increase and, with it, dependence on imported oil. With both sides now disabused of the notion that the oil cartel will unaccountably collapse or that new sources of cheap domestic supplies will magically appear, the limits of the energy debate have been severely circumscribed.

**Government aid.** Originally, the foundation of the Ford program was the potpourri of proposals collectively known as Project Independence. Chief among these were plans for a \$100 billion Energy Independence Authority that would provide massive government assistance to industry. The money would be used for developing new energy sources, such as solar and geothermal, and updating old energy sources, by encouraging coal gasification and liquefaction, for example. Congressional leaders quickly dismissed the EIA as impractical, however, and Ford has quietly let the proposal die. But he still favors some government subsidies, such

as loan guarantees, for developing alternate fuels.

So does Carter. Though he has dismissed Project Independence as "a farce," he nonetheless seems willing to embrace the principle of federal support for new energy development to aid in the transition to "a coal-based economy." Carter has attacked Ford plans to spur synthetic fuels development in the West, but it is mainly the location, not the concept, that he opposes. He argues that the West has neither the water nor the markets to make a major development program feasible.

The most substantial differences between the two candidates are in the area of nuclear power. Ford flatly favors nuclear power; Carter is queasy about it. Despite his nuclear background, Carter has vowed to pull back from the White House's long-standing commitment to the breeder reactor, which represents the single biggest energy research program under way in the U. S. today. And he favors "minimum necessary" dependence on nuclear power.

**Oil price controls.** On oil pricing policy, the most divisive issue of the past three years, Carter is somewhat at odds with both Ford and the current Congress. His views are still a bit cloudy, but he has argued that old-oil prices should remain controlled and that all U. S. oil should sell for less than the world price. Ford originally sought to decontrol oil completely, then later accepted congressional proposals to phase out controls on new oil by 1979 and to lift controls on so-called stripper wells immediately.

But lower prices for oil products would not be guaranteed if Carter became President. He strongly favors standby authority to impose excise taxes on petroleum products and is apparently ready to use such authority.

The President's energy policies have been notably weighted on the supply side through most of his two years in office. Under congressional prodding, however, the Administration has gradually stepped up research in energy conservation, and Ford has now endorsed many of the conservation measures supported by Carter. Even so, Carter would probably be tougher on the conservation side than Ford.

**A choice.** Finally, on the controversial issue of oil divestiture, the two candidates more and more seem to be offering voters a choice. Ford remains convinced that breaking up the oil companies, either vertically or horizontally, would not solve any problems. Carter, on the other hand, has given tentative support to spinning off marketing operations, although he remains opposed to splitting production, refining, and transportation. He has also indicated that he might favor horizontal divestiture, supporting restrictions on oil companies owning competing energy sources. ■

## THE CITIES:

### Where the economy's ills are magnified

The crisis of the cities, shoved into the background for a few years by the environmental and energy crises, leaped back into the spotlight last year, courtesy of New York City's financial mess. The political fight over whether the federal government should or should not help the Big Apple insured that the problems of the cities would be prominent elements of both President Ford's and Jimmy Carter's campaign agenda. Says Carter: "If our cities fail, so will our country." Acknowledges Ford: "The cities of this nation and the neighborhoods which are their backbone face increasingly difficult problems of decay and decline."

Yet it is clear that the politics of less is more has taken hold of both candidates. Bold, sweeping programs for redeveloping and revitalizing declining cities, for rationalizing and redirecting urban growth—what has been termed a national urban growth policy—are out of fashion this year. Carter's proposals for more jobs and more housing in the cities are more specific, at least on paper, than are Ford's. The President stresses curbing inflation and stimulating the economy as the best way to help cities, along with consolidating more federal grant programs into block grants that give local officials greater authority over how money is to be spent.

But in the light of how the experts understand the basic urban ills and what needs to be done to cure them, neither Ford nor Carter is offering much so far that is new, innovative, or likely to stir fundamental changes in the patterns of growth and decline of the nation's cities and metropolitan areas.

**The programs.** To hammer out specific proposals, both Ford and Carter have urban policy task forces at work. Ford's committee, headed by Housing & Urban Development Secretary Carla A. Hills, will recommend expanding block grant programs initiated in the Nixon Administration, mostly through consolidating categorical grants, which require federal approval of how local officials spend federal money, into block grants that carry far fewer federal strings.

Hills says there are some 103 grant programs, totaling about \$50 billion, that have impact on cities. Of these, 59 are categorical grants, only four are block grants, and the rest direct services and loan guarantees. She wants to find ways to lump as many as possible together. Ford has already asked Congress for consolidation of this sort. And he will be looking for ways to lump together HUD's \$3 billion block grant program

with two others in the Labor and Justice departments.

Ford's task force may also recommend altering the benefit formulas of block grant programs to put more weight on poverty and other social problems. This would give older, needier cities a better break than at present.

Carter's task force on urban policy is headed by Julius Edelstein, dean for urban policy and programs at City University of New York, and one on land use, housing, and community development by Charles M. Haar, a former assistant secretary for metropolitan development at HUD. These task forces, as well as other experts, are hammering out a dozen or so papers on a wide range of urban issues, everything from land use to urban-suburban relationships to reorganizing HUD. These papers, of course, could generate new Carter positions. But a Carter aide says bluntly, "We've had a lot of 1960 suggestions coming in, and we're not going to go that way. There is no Hubert Humphrey Marshall Plan for the cities in the cards at the moment." What Carter wants, says this aide, are program options with political and economic costs clearly spelled out.

Against this background, the salient proposals from Ford and Carter on issues that affect the cities are these:

**HOUSING.** Carter wants to return to the production subsidies that Nixon and Ford discarded. His aim is "to fulfill our national commitment to build 2.5 million housing units a year." He plans direct federal subsidies and low-interest loans for low- and middle-income housing. Further, he proposes expansion of housing programs for the elderly; "greatly increased emphasis" on rehabilitation of existing housing, using it as a way to create jobs in the cities; "greater effort" to direct more mortgage money into private housing; "more attention" to the role of local communities; and outlawing redlining.

Ford, far from proposing production subsidies, is seeking ways to shift the housing assistance programs into block grants consolidated with community renewal grants.

**WELFARE.** Carter labels welfare reform "the single most important action we could take" toward helping the urban poor. He wants a uniform national program of benefits, with strong work incentives for the employable poor and income supplements for the working poor, who would not be penalized for working by having benefits reduced. Except for mothers with preschool children, anyone able to work who refused a job or training would be denied benefits. Cities would be relieved gradually of all welfare payments. City officials would applaud this, of course, but a recent study by the Urban Institute in Washington, D. C., points out that with the

notable exception of New York City "the bulk of welfare expenditures have already been transferred to either the state or federal level."

The Republican platform opposes "federalizing" welfare. But if elected, Ford will offer a welfare reform plan to consolidate some existing welfare payments and institute new work requirements to cut welfare eligibility.

**REVENUE SHARING.** Carter wants a five-year extension of the present program, which is funded at something above \$6 billion a year, with an escalator clause for inflation, and changes to permit cities to use the funds for health, education, and social services. Payments would go directly to localities rather than to states for pass-through. He plans to "study" the program to see if benefit formulas should be changed to give needier areas more money. Carter also will consider creating a new agency to help localities sell their securities.

Ford favors extending revenue sharing, plus annual increments for inflation, and would consider formula changes to provide more help to needier localities.

**MASS TRANSIT.** Carter intends to make more money from the Highway Trust Fund available for public mass transportation, and he will study whether it is feasible to create a total transportation fund for all modes of transportation. Ford's position is similar. Transportation Secretary William T. Coleman Jr. recently increased aid to city mass transit, though the Ford Administration has spent little from the highway fund on such transit. In using mass transit funds, Ford wants to retain the 50-50 balance between operating subsidies and capital projects; Carter favors spending "greater amounts" on operations.

Carter also calls his jobs program (page 77) a vital element of his urban policy. Both he and Ford say they will deal strongly with urban crime.

The two candidates offer some help to the poor living in cities and to hard-pressed city officials. But measured against broader urban problems, neither goes very far.

The root problem of cities today is that they are losing their attractiveness to that part of society that can support them: the middle class and business. Restoring the cities to self-sufficiency means enabling them to compete with the suburbs for those groups and their resources. Nobody knows just how to do this, except that it would require federal, state, and local efforts, as well as large investment, the kind of investment that has reproduced pieces of the city, including whole business districts, in the suburbs over the past several decades. Neither Carter nor Ford is talking about such investment. Anything less is not likely to make much difference to cities as centers of business, social, and cultural life. ■

## FOREIGN ECONOMIC POLICY: Living with an aggressive Third World

In international economic affairs, Ford and Carter differ more in style and emphasis than in the specifics of their policies. Both favor liberal trade and the system of floating currencies—with adequate safeguards against cheating. Both see a potential need for arrangements to bail industrial countries out of financial crises such as those that hit Italy and Britain, although Carter has not commented on the Ford-Kissinger scheme for a \$25 billion financial "safety net" that is currently hung up in Congress.

The contrasts between the two men show up most clearly in their approach to economic relations with the Third World. The Ford and Nixon Administrations, according to Carter, have concentrated too much on big-power diplomacy while neglecting potentially explosive "North-South" confrontations. Carter is basically more sympathetic than Ford to poor countries' clamor for a "new international economic order." But even in this area, differences between the candidates lie more in the strength of their commitment to specific objectives than in their overall approach.

**Commodity agreements.** A case in point is U. S. participation in international commodity agreements. Carter says the U. S. should join schemes for such products as tin, coffee, and sugar. He implies that Ford, by contrast, is cool toward commodity agreements. But, in fact, Ford has already won Senate approval for U. S. participation in coffee and wheat accords, and he seems assured of favorable Senate action on tin.

The difference, Carter aides maintain, is that the Democratic candidate would push harder for progress on such accords. Ford, they claim, has allowed Treasury Secretary William E. Simon and Alan Greenspan, chairman of the Council of Economic Advisers, to sabotage Secretary of State Henry Kissinger's initiatives on commodities.

A similar picture emerges on the issue of foreign aid. Carter blames Ford for a \$500 million shortfall in appropriations for U. S. contributions, under international agreements, to agencies such as the Inter-American Development Bank. The fact of the matter, however, is that the Democratic Congress balked at Ford's requests for funds. Still, Carter aides charge, with some justice, that the Ford Administration made only languid efforts to defend its aid requests.

An even more basic difference with Ford shows up in Carter's populist and

moralistic attitude toward aid. "Bilateral aid ought to be destined to reach people who may need it, not to buy another Cadillac for tinhorn dictators," Carter said recently. He insists that "our people will expect recipient nations to undertake needed reforms." Such language harks back to President Kennedy's Alliance for Progress, observes a Ford official. "Carter will quickly find, if he becomes President, that you can't buy democracy or economic justice," the official says.

**Two emotional issues.** Issues such as these are unlikely to stir much emotion among the voters. But two issues that generate strong feelings are restrictions on farm exports and on trade between the U. S. and the Soviet Union. Midwest farmers are still seething over temporary Administration curbs on wheat sales to the Soviet Union. And American Jews oppose steps to expand trade with the Soviet Union as long as the Russians continue to restrict emigration of Soviet Jews.

On both issues, the candidates are carefully trimming their policies to suit the special-interest groups. Carter and Ford both promise not to limit exports except in an emergency. Carter proposes to use U. S. economic leverage to obtain political concessions from Moscow. But he is cautious so far about repealing the 1974 U. S. trade act's Jackson-Vanik amendment, which bans trade concessions to Moscow unless Jews are allowed to emigrate freely. Ford Administration officials maintain, by contrast, that the amendment, in fact, robs the U. S. of economic leverage on the Soviets.

**Multinationals.** A more significant Democratic vs. Republican ideological cleavage appears in policies toward multinational corporations. Carter would go farther than Ford, though not beyond the present Congress, in slapping legal sanctions on U. S. companies that pay foreign bribes and comply with the Arab boycott against Israel.

Like Ford, Carter would continue to give U. S. companies a credit against U. S. corporate tax liabilities for the taxes they pay to foreign governments on their overseas operations. But Carter has doubts about the deferral of U. S. taxes on foreign profits. At present, the U. S. does not tax such earnings until they are actually brought back to the U. S. from overseas. The reason for Carter's stand, says economic advisor Robert Ginsburg, is that "tax deferral is not fiscally neutral; it encourages companies to reinvest foreign profits abroad rather than in the U. S." That argument, of course, is pleasing to the AFL-CIO, which wants U. S. companies to invest less overseas and more at home to create more jobs for American workers. ■

*For more on Carter, turn to page 90.*

## Interview with Jimmy Carter

# COMBATING THE BIG SPENDER LABEL

*Republicans in Kansas City charged that five programs that you've talked about would cost more than \$100 billion and would cause personal taxes to rise by 50%. How do you respond to the charge that you're a big spender?*

Well, I've never been a big spender. I've always been careful with my own money and careful with whatever taxpayers' money I had under my charge. They are trying to cover up their mistakes. I intend as President to achieve a balanced budget by 1980. With a modest growth in gross national product to about 4% to 6% a year, and an unemployment rate of 4% to 4½% at the end of that time, with careful planning and meticulous detail work, and phasing in the programs that we've evolved, we would have a balanced budget by 1980.

As to welfare reform cost, I think our total net cost would be much less than the roughly \$17 billion that we're spending this year on welfare payments and unemployment compensation. Health programs? I don't think the net cost to our country would be any substantially greater figure.

I would be very careful in phasing in programs in accordance with available income. I think eliminating gross waste in government, duplicative programs, excessive numbers of agencies, would save a great deal. So there would be no disturbance to our national economy, no need for an increase in taxes to carry out the promises that I've made.

*We've heard that you are considering holding government spending to around 21% of GNP, near the current level. How would you impose this restriction and still fund the programs you've talked about?*

Well, that's a goal for me, and I'm not sure about the 21% figure. The existing percentage of federal government spending compared to GNP has been fairly stable over the last couple of decades, and that would be a goal that I would set for myself. There will be very careful pacing of initiation of new programs as old ones are phased out.

*This talk of savings reminds us of the Vietnam "peace dividend." Is there a chance that these savings will also disappear?*

The savings are there to be realized. I don't say that we're going to cut that much out of total spending and give it back to the taxpayers, but to help programs be more efficient. I think we have now some 300 programs in health, administered by about 76 agencies. There's no way now to decide in Washington who's responsible for errors, who is in charge of the management of government. A clear delineation of authority, a reduction in the number of agencies responsible for the same function, combined with a reassessment of priorities on an annual basis under zero-based budgeting, would result in substantial savings. We figure that over a four



Oran Compton—BW

year period we'll have at least an increased income for the federal government—not in savings, but in dividends—of about \$60 billion cumulatively.

You know, I'm a businessman . . . and I'm very conscious always of costs, projections, balanced budgets, and that will be part of my consciousness as President.

*Recently, we've detected from some of your staff that they are equating the fight against unemployment with the fight against inflation. How do you think that you can carry out these two apparently contradictory efforts?*

I don't believe that they are contradictory as far as inherent characteristics are concerned. When President Truman went out of office, after enormous drains on our economy, with the Marshall Plan, with the Korean War, aid to Turkey and Greece, and so forth, we had an inflation rate of less than 1%. We had an unemployment rate less than 3%. Interest on a home loan was 4%. The budget, over his six or seven years in office, was balanced. There was an average surplus of about \$2.4 billion. Now we have had an average inflation rate of almost 7% under Nixon and Ford, and the highest unemployment rate we've ever had since the Great Depression. This shows that they're not necessarily countervailing forces. When inflation goes up, under Nixon and Ford, unemployment has gone up along with it, and there's such an enormous drain on our economy just to finance the cost of people not being at work. Presidents Nixon and Ford have tried to fight the evils of inflation with the evils of unemployment. This has brought the highest combination of inflation and unemployment in this century. So I don't think there's an inherent economic law that says when inflation goes up, employment goes down, or vice versa.

*To fight inflation, you said that you would like to attack the supply side. How do you get the private sector to go along and get involved in the supply side, to prevent capacity bottlenecks?*

It's hard for me to answer that question. There are supplies of different types. One would be automobiles. Another would be food, another would be recreation, and so on. Some of those are determined directly by the government at all levels; others

are almost exclusively the prerogative of business. I don't see how the federal government could tell the business sector to produce more autos, or more motor scooters, or more bikes, but I think at the same time a more predictable government policy on taxation, transportation, regulatory agencies, energy, exports, imports would have a greatly beneficial effect on the confidence of the business community as it made plans for the future. . . . As a matter of general philosophy, my own belief is that the best way to control inflation is not to make money scarce, not to try to drive interest rates up, and not to try and keep people out of work and depend on welfare and unemployment compensation benefits to meet those hardships, but rather to put our people back to work, to hold interest rates down, and keep our economy growing, at a reasonably high rate.

**You have said that you thought that wage and price increases should be announced 30 or 60 or 90 days in advance and that labor and management should set voluntary price goals. What kind of mechanism do you have in mind to make this work?**

I would like to keep the present Council on Wage & Price Stability intact. I would like to meet with business and labor leaders and ask them to exercise voluntary restraint. If they could communicate with each other on a regular basis, maybe through me, and just lay down some general voluntary guidelines that they would pursue, let the council be informed 30 days or 45 days ahead of time for projected, substantive price or wage demands, and let the pressure of public opinion be focused to see whether or not the need is justified—that in itself would have a greatly beneficial effect.

**Do you foresee then, in addition to this notification procedure, voluntary price or wage guidposts?**

Yes, what I would like to do, and what we are doing now in an embryonic way, is to talk to business and labor leaders to find out what sort of guidelines they would self-impose. I think the President can induce business and labor leaders to say publicly: "We'll try to hold down our price increases, our wage increases, to this level."

Now, I can't tell you what the figure would be. I want them to be involved in the initial decision about what their voluntary restraints might be.

**In a recent speech you promised to maintain farmers' income while insuring stable prices for consumers. How do you do this and how much would it cost?**

It wouldn't cost any more than it costs now. All of the target prices, all of the loan prices that prevail now in the agricultural industry are substantially less than prevailing prices for farm products. The thing that we have suffered under with Agriculture Secretary [Earl L.] Butz and lack of leadership in the White House is unpredictability—the farmers don't have any idea what we're going to do next.

We oversold wheat in '73 because Butz didn't know how much the Russians were buying, and he didn't realize that our own reserves were so low. This was a major inflationary factor. But the farmers want to produce, they want to sell. The average American thinks that if we sell a bushel of wheat to Russia, you're taking bread out of their kids' mouths. But we are now exporting 60% of our total wheat production. We export 50% of all our soybeans, 50% of all our rice, 25% of all our corn. And if this were predictable, if the markets were a little better, if our customers knew they could buy good quality goods from us, it would help a great deal.

The other point I make is this. We've had disgraceful performance in grain quality inspection because Secretary Butz and President Ford have blocked the professionalized inspection service. They still permit private inspectors, representing companies whose directors serve on the boards of the

grain exporters, to be responsible for the quality of wheat that we ship overseas. Butz and Ford are blocking the shift away from private grain inspection for export. This is the kind of thing that really disturbs the farm community.

**In your acceptance speech, you said: "It's time for a nationwide, comprehensive health program for all our people." What kind of program do you have in mind, and how much will that cost?**

As I said earlier, the net cost probably won't be substantially greater. My own inclination is to have a package of basic health care that's available to all Americans. Whether it's financed by large groups in a major corporation like Kaiser or U.S. Steel or through private insurers, or through general revenues, that's not very important to me. Coverage to indigents would be furnished by the government. But there would be an emphasis on preventive health care, which we don't have now. There would be a tight control over



I would like to keep the present Council on Wage & Price Stability intact



any sort of charges for hospital care or doctor's care under reasonable levels of cost. But to participate in the program, doctors would have to adhere to peer review, doctors checking on doctors' prices.

Another thing that we need to do is to use more medical personnel in addition to medical doctors, and have a broader distribution of medical care for people that don't get it now. Along with the initiation over a period of time, three or four years, of the kind of health programs that I've described to you, with the private sector doing as much as possible, I think that we could have no substantial increase in overall health care cost. There might be some additional cost to the federal government, maybe \$10 billion.

**In the low countries that have comprehensive health insurance, the usage of the health services has gone up. Have you thought about what that would do to costs?**

I have, a great deal. There have been studies made by the Rand Corp., the Brookings Institution, by governmental agencies, that show that this is not necessarily the case. We now have tremendous pressure on the part of doctors, hospitals, insurance companies, to put people in long-term care. I read some statistics the other day that show that a person who goes to the hospital in Brooklyn, the average stay is 13 days. The person who goes to a hospital in San Diego with the same medical problems has an average length of stay of four days. You have twice as much chance of being operated on if you go into the hospital in Brooklyn as you do if you go into the hospital, say, in Michigan. Many insurance policies won't pay off if you get outpatient care. You've got to be an inpatient, with tremendous additional cost, before you can get coverage.

**Many of the suggestions you have made concerning U.S. relations with the Third World have been tried by the Ford Administration. Do you believe that commodity price deals can be negotiated with the less developed countries?**

Yes. I can't guarantee that I've got the answer to every question. But I do think that the best approach is to have a better bilateral relationship toward developing nations, and not treat them as a homogeneous group, which they aren't. Let them know that we understand their problems and send

top diplomatic officials to represent us in their nations. Treat them with respect, jointly search the trade items that might be exchanged more readily. Lower the barriers to their finished goods, keeping in mind all the time that we have to keep our people employed, and have long-range trade agreements with them, arranged through the private sector.

I strongly believe that the best approach to the developing countries is in increased trade, building up their own economies, long-range mutual agreements, and some increase in our stockpiles of basic commodities, which will tend to level out the wild fluctuations in price.

**One of the first problems you may face if you're elected is a 15% hike in oil prices by the OPEC countries. How would you handle that?**

Well, we can't go to war over it. The one thing that we can do is to reduce our consumption of oil. Hopefully, by next year we'll have the oil pipeline from Alaska in operation, which will help. [So will a] shift toward coal and a shift of . . . our oil purchases as much as possible to more stable suppliers.

**You have spoken of the need to stabilize or reduce the present worldwide consumption of oil. How can this be done without interfering with economic growth?**

Lots of ways. We now use about 70 or 71 quads of energy [1 quad = 1 quadrillion Btu] in this country. It's estimated by several independent groups that the total consumption will be in the neighborhood of 100 quads by the end of this century. So the growth is going to be fairly modest compared with what we've experienced in the past.

We can [also] shift toward coal. At the present rate of



There needs to be a better long-range commitment to housing



consumption, we've got about 300 years of coal in this country alone. [But] we don't have any strict conservation measures yet. Conservation has got to be implemented regardless of what else we do about energy.

So to summarize, I think we need to shift from oil to coal, have strict conservation measures, have an additional emphasis on solar power. The Oak Ridge people, who primarily are into atomic power, say anywhere from 2 to 8 quads can come from solar power by the end of this century. The Federal Energy Administration says as much as 20 quads—I think that's probably too optimistic. And then whatever energy needs we can't make up with those methods, we'll have to make it up with atomic power.

**You appear to oppose the deregulation of natural gas prices immediately. How would you stimulate the exploration for natural gas in the U. S.?**

I have advocated the deregulation of new natural gas for a limited period of time—four to five years—and [said that] at the end of that time we should reassess to see if the deregulation should be extended. This would involve continuing the present contract prices and commitments for the delivery of natural gas and the renewal of those contracts as they expired at the existing price. This deregulation of newly discovered natural gas would be an incentive to explore. We are wasting too much natural gas because of the extremely high intrastate prices and the very low interstate prices. I favor the increased price of natural gas in the interstate market.

One other adverse factor is the unwarranted shift of industry that uses natural gas as a heat source or as a basic raw material toward those few states that produce natural gas. This robs New England, it robs all the other states of a

fair competitive chance to get those kinds of industries.

**You told the AFL-CIO that housing is in a slump, and you talked at great length about the high cost of construction. How would your program of guaranteeing mortgages and subsidizing a portion of mortgage interest rates cope with the problem of high housing costs?**

One of the reasons that houses cost so much is that there are so few of them being built. In multifamily home units in July alone, there was a 30% decrease in housing starts. Overall, there was a 9% decrease in that month alone. Ordinarily, we've been producing about 2 million houses per year. Last year we only produced about 1 million new home units. We've got about an 18% unemployment rate in construction. We don't have any government programs that are predictable except the Section 208 program, which subsidizes rent. Inevitably, we're going to have to shift toward more condominium dwellings, multifamily dwellings, a tighter concentration of home locations, closer correlation between job location and where people live to minimize use of transportation. I would also concentrate on reducing interest rates. I think there needs to be a better long-range commitment to housing programs, with some last-resort government payment of interest rates if they exceed a certain level.

But the main thing about the housing industry is predictability—similar to farming. You have to know three years, four years, five years ahead of time what the government is going to be doing, and the hit-or-miss approach to better housing construction is one of the things that exacerbates inflation.

**Have you done any refining on the specific programs that you proposed earlier to solve the structural unemployment problem among young people, women, and minorities?**

In general, when unemployment goes up in this country, the people most severely affected are minors, minority groups, women. I believe the present unemployment rate among young black Americans is about 40%. The first step would be to have a general emphasis on employment through business incentives and [incentives] for better housing construction, [with] public-service jobs as a last resort. I would favor a CCC-type of program, similar to what we had during the Depression years, for young people, and I think it should be oriented toward urban areas, instead of rural, as much as possible.

**Will organized labor go along with this?**

Yes, but it would have to be designed as much as possible to be noncompetitive with regular jobs. I'm talking now about additional employment, and as you know we now have a substantial amount of federal budget revenues going for this purpose. The federal share of the narrowly defined welfare budget is about \$5 billion, and I think the total amount of money now spent in CETA [Comprehensive Employment & Training Act] programs, job training, is around \$14 billion.

**Some of the businessmen who had lunch with you at the '21' in New York the week after the Democratic convention believed that what you told them about business' role in the economy is not compatible with the tone of the speech you made before the Ralph Nader meeting in Washington shortly thereafter. How do you reconcile this difference?**

The audiences were different, but I don't think what I said was different. I responded in both instances to questions, and when the businessmen asked me a question about international trade, [said I'm] for international trade. When the consumers ask what I think about a certain emphasis on appointing members to regulatory agencies that would be oriented toward consumers, I said that's what I favor. And in both instances my statements were accurate and reflect my long-standing positions. It would be suicidal for me, politically speaking, to make a different kind of answer to the same question. But the tone might very well be shaped by the origin of the audience or the type of questions I get.