

Carter package: same old business

By Tim Frasca
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After weeks of speculation and debate, President-elect Carter unveiled the new administration's economic stimulus program, designed to ease the combined high unemployment and inflation that put him in office.

Initial responses to the plan, most of which was agreed to in principle by the Democratic leadership of Congress, generally were favorable from business. But the AFL-CIO called the package a "retreat" from Carter's campaign pledge to reduce joblessness.

A stimulus program gained wide support after the natural recovery from recession turned alarmingly sluggish at the end of 1976. A troupe of powerful bankers and industrialists met Carter in Plains soon after the election to encourage such a program. They recommended around \$15 billion-worth of tax cuts and spending programs to rekindle the upturn. Labor called for a \$30 billion program.

The announced plan will cost between \$12 billion and \$16 billion in expenditures and revenue losses in this year's budget. Unexpectedly, Carter and his advisors proposed extending most of the measures for a second year into fiscal year 1978. The second round could be adjusted after observing the economy's performance during 1977.

The launch of Carter's economic policy was noteworthy for its moderation of earlier announced goals. Although Carter just weeks ago spoke of reducing unemployment from the present rate of 8.1 percent to 6.5 percent in one year, Charles Schultze, his chief advisor on the economy, now points to 7.0 percent unemployed as the new goal. Schultze said unemployment would drop to at least 7.5 percent even without any stimulus.

►Tax rebate sharply criticized.

A one-time rebate on 1976 taxes will be the costliest portion of the package, reducing revenues by between \$7 billion and \$11 billion. The rebates—return of already paid income taxes—are intended to stimulate demand for consumer goods and spark the economy's tendencies to expand at this stage of the business cycle.

The idea has been sharply criticized by some, however, on a number of counts. Critics maintain that one-shot tax cuts are often saved by recipients or used to retire old debts. As little as 20 percent, according to one economist, is spent, and very little demand is created. Others disagree,

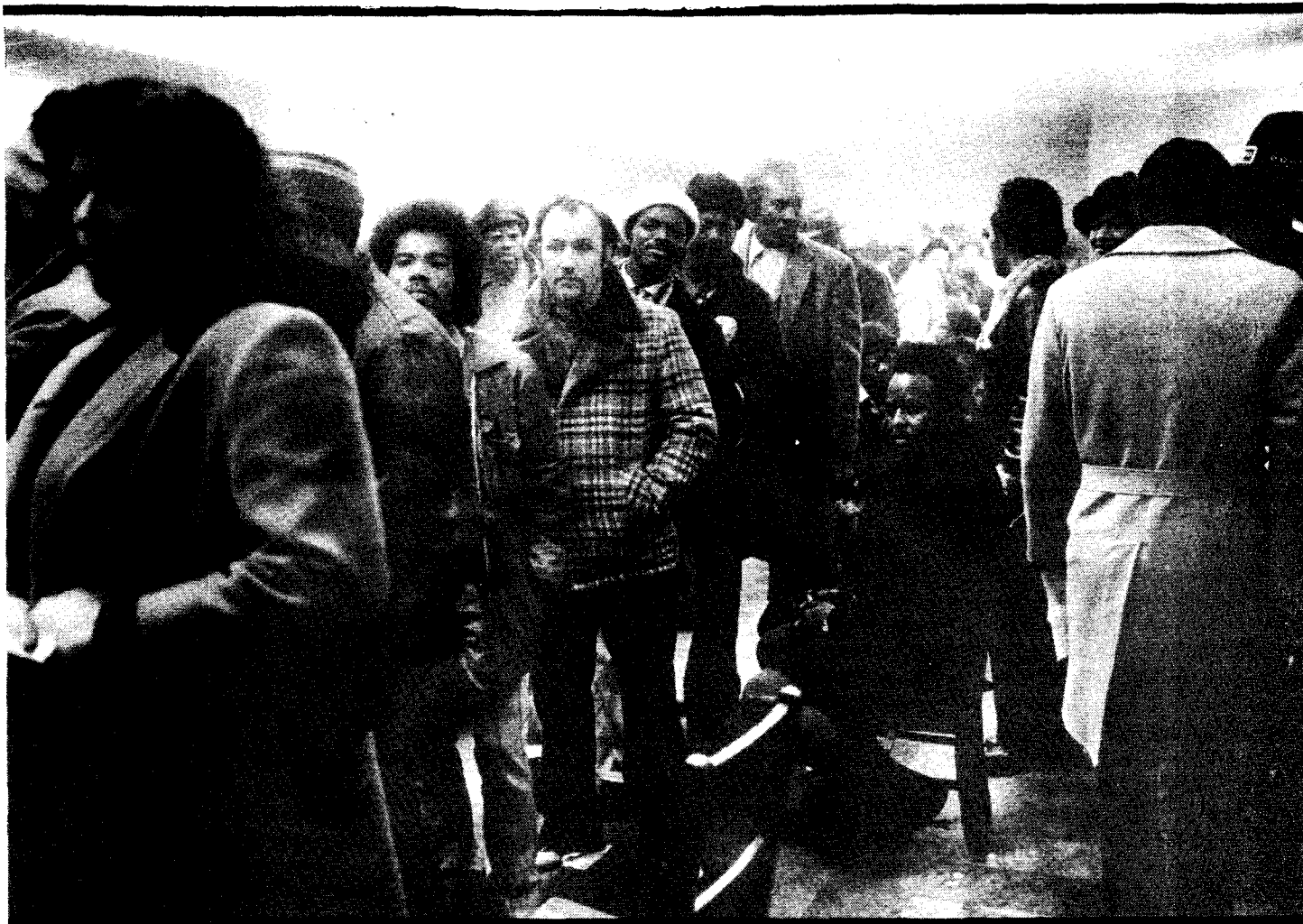


Photo Cidne Hart/LNS

Unemployment office in east-side Detroit.

saying the Ford rebate in 1975 helped end the worst recession since the 1930s.

Another criticism is that those with the lowest incomes who would spend all their bonanza on necessities are cut out of the program because they are too poor to pay taxes in the first place. Carter rejected a proposal to include these workers by absorbing a portion of Social Security payroll taxes. Retirees collecting their Social Security will be included, however.

Employers, on the other hand, will receive a cut in their Social Security payroll taxes of about 5 percent. The resulting reduction in labor costs is intended as a spur to hiring. No one has challenged the implications of government intervening directly to help companies pay their workers' wages and thereby increase corporate profitability from that labor, although the AFL-CIO did denounce the proposal as a "wage subsidy for already tax-pampered corporations."

A permanent income tax reduction will

be instituted to aid workers ranging from those just barely paying taxes to those earning \$17,000 a year.

Finally, public service employment will be increased from its present 300,000 to 500,000 this year. An additional 300,000 jobs in public service would be created in 1978 if deemed necessary and non-inflationary.

A doubling of the public works program to \$4 billion is also contemplated, with authority for a later hike to \$6 billion to be held in reserve, pending observation of the effect.

►Keeping expectations down.

A sense of keeping expectations to a minimum dominates the Carter program and official statements on it. Although the economy is generally presumed to need a shot in the arm to prevent a new slide, business fears that too much of a fix would renew inflationary pressures. Carter needs above all the confidence of the

business community that inflation will be checked. The expectations of higher prices could easily prompt major producers to hike their own prices and beat the rush.

Carter would be essentially helpless in such a situation, as shown by last month's price increases in steel during a period of declining demand. His heavily business-oriented cabinet appointments (including three directors of IBM) have been calculated to reassure business circles that the job expansion needed to satisfy his election coalition will not threaten the present relatively low-inflation growth.

The new chief executive's strict care not to outpace significantly the system's own present expansionary tendencies will mean an agonizingly long wait for most of the nation's destitute. By next Jan. 1st only 1-1.5 million of the 8 million officially out of work in the U.S. will be earning a weekly paycheck.

For the rest, there will be only Carter's promise of better times ahead. ■

"A mosquito on an elephant's rump"

In These Times interviewed an authoritative Washington observer and economist, who asked to remain anonymous, about Carter's economic proposals.

What do you think of Carter's proposal for a \$15 billion economic stimulus in 1977?

Basically, Carter's package is timid, inadequate, wasteful and misdirected.

Timid in the sense that he's very frightened of the business community politically.

It's inadequate in the sense that it is very small—measured by moderate economists like Alice Rivlin [of the Congressional Budget Office], or liberals like Walter Heller [Kennedy's chairman of the Council of Economic Advisers] or conservatives like Paul McCracken [Nixon's chairman of the Council of Economic Advisers] or as against the standards of the Kennedy-Johnson years.

It's wasteful in that it is largely tax rebates for middle class people who will spend it on things that are not needed when there are many needs in the econo-

my and in the society that ought to be fulfilled.

And it's clearly misdirected because it does not aim sharply and clearly at fulfilling the kinds of social and economic goals that we ought to have.

Within Carter's own framework of simply trying to stimulate employment, it's minuscule. We're moving into an economy that will be over \$2 trillion next year and we're talking about \$15 billion—that's about as much kick in economic stimulation as a mosquito on an elephant's rump.

Has Carter regressed from a more ambitious program?

Well, Carter's initial impulse two years ago was to talk about getting unemployment down to 1 or 2 percent levels—in other words, levels that are common in most advanced industrial countries or have been until recently—and he was talked out of that by several of his economic advisers, as inherently too inflationary.

Who talked him out of it?

Well, Klein and the entire economic establishment. They take an extremely conservative view by any other western standards.

Why this route instead of a more stimulative one?

He's extremely politically cautious. It doesn't have much to do with economics. It has to do with maintaining the political allegiance of the business community, which I think is something he's not going to be able to do for long anyway.

It's a very short term point of view, though. The thing that will do him in—just as it did Ford in—is that the economy is in a disastrous state now. Ford tried exactly the same approach, which was mild, careful stimulation in order to maintain business confidence and what happened was that he lost the election. The real factors in the economy did not respond and he started getting big slippages and, by and large, no president can

handle that for very long.

What would you recommend if you were able to get Carter's ear?

Basically, there are enormous unfilled needs. There's absolutely no housing stimulation in Carter's package and that is the first place to begin a serious program. It's not expensive to stimulate housing at the federal level. You could also do it in a way that could both produce low-skilled jobs and conserve energy if you used the housing programs to build in new forms of insulation and better heating systems, solar energy.

You could begin rebuilding the transportation systems—both the rails and the mass transit systems in a way that both puts people to work and conserves energy and also helps redesign our disastrously failing cities.

A program could be focused and directed and designed in a way that met basic needs rather than a timid and inadequate and generalized stimulative package. ■

Food & Land



Photo by Ken Friesmore

By Cary Fowler

Bob Bergland—farmer, three-term congressman from Minnesota, and national vice-chairman of the Carter-Mondale Task Force on Food and Agriculture—is Jimmy Carter's choice for Secretary of Agriculture.

Early in the presidential campaign, Carter promised to replace Secretary Earl Butz with a "real farmer." To many consumer, minority, and environmental groups, Butz had become an offensive example of policy-making based on prejudice and privileged interests. He had served as director of Ralston Purina,

tural affairs and kept his ties with farming interests back home.

In 1968 he made his first try for Congress, announcing during the campaign his intention to run again in 1970 if unsuccessful. After falling 4,000 votes short in the '68 election, he hired people to farm his land and kept right on campaigning. Two years later, Minnesota's seventh district, a relatively poor, overwhelmingly rural district covering nearly half the state, replaced its conservative Republican incumbent with Bergland, who had steadfastly criticized Nixon's farm policy.

The secretary-designate's record in Congress clearly places him in the liberal camp. The Americans for Democratic Action (ADA) gave him an 83 percent favorable rating in 1974 and upped that to 95 percent in 1975. In 1976 Bergland voted for legislation supported by the Friends Committee on National Legislation 80

his work cut out for him. The present farm bill expires on the last day of 1977. Congress will begin hearings on the new farm bill in January or February and will work closely with the new secretary in writing it. With a sympathetic president in the White House, new farm legislation with increased price supports and a system of grain reserves is likely to become law. Expansion of food aid abroad and modifications of the food stamp program at home will also compete for Bergland's attention in 1977.

There are some 200 "political" positions at USDA that could be refilled. All of the current assistant and undersecretaries will be replaced. "Bergland's true colors will be seen in his appointments," asserts Susan DeMarco of the Agribusiness Accountability Project. "We'll know he means to shake things up if he appoints someone like Jim McHale (form-

must support full farm production within the U.S. and must work to expand American agricultural sales abroad, regardless of the effects on Third World economies or U.S. food prices.

Butz's and Bergland's positions on the AFL-CIO's refusal to load grain bound for the USSR in September 1975, for instance, were indistinguishable. The AFL-CIO claimed the sales would shoot up domestic food prices. Butz fought them vehemently while Bergland attacked the union's actions as "totally inconsistent with our principles of government by law."

Significantly, *Feedstuffs: The Weekly Newspaper for Agribusiness* noted that during a press conference at the Michigan Farm Bureau meeting in late November 1976, "Bergland stressed that he would not differ greatly in most policy areas from former secretary Earl Butz."



Photo by UPI

Agriculture secretary-nominee Bob Bergland testifying before the Senate Agriculture Committee, headed by Georgia Sen. Herman Talmadge (on right).

Stokely Van Camp and International Minerals and Chemicals before becoming Secretary of Agriculture. After resigning in disgrace in October, Butz quickly re-entered the corporate world, becoming a director of ConAgra, Inc. in December. The appointment of a new secretary untainted by agribusiness affiliations was a foregone conclusion.

Bog Bergland fits the bill. The son of Norwegian immigrants, he owns a farm in Roseau, Minn., 20 miles from the Manitoba border. The congressman's 600 acres are devoted to small grains and lawn seed. The farm is not large by mid-west standards and, like many family farmers, Bergland has had years when he suffered losses.

► In the liberal camp.

After graduating from the University of Minnesota School of Agriculture in 1948, Bergland became a field representative for the Minnesota Farmers Union, a position he held until 1950, when he began farming in Roseau. The following year, he became secretary of the Roseau County Democratic-Farmer-Labor Party and in 1953 served as its chairman.

During much of the 1960s, Bergland worked as the midwest area director of the USDA's Agriculture Stabilization and Conservation Service. According to the program's deputy director, the job was essentially "political"—the future congressman developed expertise in agricul-

percent of the time. He voted to restrict funds for the Vietnam war and the CIA and has voted against amendments to ban busing for desegregation. He opposed funding of the B-1 bomber, opposed imports of Rhodesian chrome, and voted to override President Ford's veto of the strip-mining bill.

The voting record, however, is not necessarily indicative of who Bob Bergland really is. Log-rolling is a Bergland specialty and he readily admits that he casts many votes to please northern, urban liberals in exchange for their support for his farm legislation.

► New laws likely.

On farm issues, Bergland has compiled a record of support for measures aimed at helping small farmers—including opposition to Butz's nomination as Secretary of Agriculture. As a member of the House Agriculture Committee, Bergland has worked for increases in price supports and aid to rural areas. He has supported increases in food stamp allotments and the replacement of private with federal grain inspectors. Significant in light of recent baby-food scandals, he recently co-sponsored a bill to investigate the "nature, scope and extent of effects of infant formula use in developing nations," and to determine which U.S. corporations are involved and what advertising and promotional techniques they are employing.

The new Secretary of Agriculture has

er Pennsylvania Secretary of Agriculture) to head up Agricultural Marketing or Rural Development." On the other hand, rumored appointments like that of management consultant E.A. Jaenke as Assistant Secretary for International Affairs will indicate a shift to the right.

► Different atmosphere, similar thrust.

Despite whatever good intentions and power Bergland takes with him to the USDA, his actions will be seriously constrained by general economic and political factors. In 1971 the U.S. experienced its first trade deficit of the century. Imports exceeded exports and government expenditures on the war in Vietnam swelled the outward flow of dollars and threatened to bring down the entire international monetary system.

Faced with this crisis, the Nixon administration avidly promoted increased agricultural exports under the philosophical banners of "free trade" and "free market agriculture." By tripling agricultural exports between 1970 and 1974 the country was able to pay increased oil prices and continue its adventures in Southeast Asia.

The importance of agricultural exports still remains and serves as the principal force behind the formulation of domestic farm policy and much of American foreign policy, from detente to the trade and tariff negotiations. Any Secretary of Agriculture, whether Butz or Bergland,

Bergland and Carter both recognize the role agriculture has to play. In a speech before Congress in October, Bergland pointed out approvingly that "Carter supports a full production agriculture as necessary to compete on world markets. In fact, he would work hard to expand foreign markets into new geographical areas and for new crops."

Providing more security for U.S. farmers through increased price support levels would help keep farmers afloat in years of low international prices while helping to guarantee abundant supplies for export. And while Bergland is reluctant to support internationally-held grain reserves, fearing a loss of U.S. control over them, he endorses government-supported farmer-held reserves to help moderate the price swings dangerous to both farmers and consumers. New and more liberal domestic farm programs such as these may have become necessary to insure the plentiful supplies for export on which the U.S. continues to be dependent.

Bergland, a popular, unassuming farmer/politician, will bring fresh air to the USDA. The atmosphere will differ markedly from the Butz days. Many domestic policies will surely change, but the thrust and direction of American agriculture and its place in the world may be little disturbed in the process. ■

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