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Corporate Representatives

The following major points were made by corporate representatives.

- o Should legislate tax cut this session, now, before election
- o Strong support in general for 10-5-3
- o Suggestion for tax credits for "Buy American"
- o Concern about unfair competition from foreign subsidized industries, particularly in the steel industry
- o Strong support for the Gephardt proposal
- o Fifty percent of the tax cut benefits should be for business, the rest for individuals
- o Need for better dialogue between business and and government
- o Hope for extension of EPA deadlines (steel)
- o Need to do more to promote export (i.e. tax incentives)
- o Need to pass the Regulatory Reform bill

Corporate Representatives

Stan Hidalgo	GTE
W. S. Johnson	IBM
John Stinson	National Steel
John Klocko	duPont
Don Smiley	Exxon
Claude Hobbs	Westinghouse
Bill Wickert	Bethlehem Steel
Jim Johnston	GM
Phil Peter	GE
Jerry Guth	Armco
George Esherick	U. S. Steel
Jim Rowland	Union Carbide
Gene Rowan	J. C. Penny
Tim Porter	A T & T
Hugh Smith	American Express
Myra deLapp	Security Pacific Bank
Sam Pickard	Monsanto
Bob Scheerschmidt	Xerox
Ned Breathitt	Southern Railway
Bob Buehler	Goodrich
Bob Healy	Anaconda
Dr. Stanley Malcuit	Alcoa
Burns Stanley	Ford
Rudy Vignone	Goodyear
Tom Hart	Wheelabrator-Frye
Lloyd Duxbury	Burlington Northern

STATE, LOCAL, URBAN
OFFICIALS

State, Local, Urban

Summary

The meeting was lively and generally supportive to our efforts. The major suggestion related to the impact of federal tax reduction on state and local revenue collection and the need for federal investment in infrastructure revitalization. These two issues could perhaps be tied by providing additional federal dollars for highways, public transit, water systems, and ports and alleviating the burden on local jurisdictions. The major negative concern expressed related to costs mandated by regulations.

The following major points were made:

o Investment

-- Liberalized depreciation on tax credits will adversely affect the collection of state/local revenues because their tax structures are based on federal. State revenues are already suffering because of decreased collection in gasoline taxes. The National Governors Association says that 10-5-3 is a particular anathema to states.

-- Infrastructure revitalization

Highways, railroads, public transit, and ports were cited as investment targets, especially in light of increased use of coal. The National Governors asked if the cuts in the highway fund could be restored. Utilities were also mentioned as needing grants, loan guarantees, and expedited construction permits through EMB. Housing was cited as another area for public investment, but weatherization was not mentioned.

-- Federal capital budgeting

To assure adequate implementation of capital investment projects, participants suggested that the federal government adopt separate operating and capital budgets, similar to what many state and local governments have.

o Tax Burden

-- Social security tax credit

The National League of Cities recommended a one year Social Security tax credit for individuals and employers. The National League of Cities would also propose reduced taxes on capital gains and personal savings.

-- Gas tax

There was a good deal of support for an ad valorem gas tax.

o Revitalization

-- Public/private partnerships

The National Association of Counties cited the need, in particular, for a joint legislative strategy.

-- Expanded EDA

Several organizations thought that EDA should be expanded and that Local Public Works should be made permanent.

-- Distress criteria

Distress criteria should factor in rural as well as urban indicators. In addition, distress should reflect decline as well as disproportionate growth caused, for example, by increased energy production.

-- Targeted tax credit

Tax credits should be targeted in urban areas.

-- Refundable tax credit

Public utilities, which do not pay taxes, need refundable tax credits.

-- Countercyclical revenue sharing

This program needs to be made permanent according to the National League of Cities.

-- Regulatory mandated costs

Burdensome regulations were seen as a major roadblock to revitalization by virtually everyone. The Administration was, however, generally commended on its deregulation efforts (notable exception: the American Public Power organization opposes rail deregulation).

o Jobs

-- CETA restructuring

CETA needs to be restructured, particularly as regards Davis-Bacon.

State, Local and Urban

National Governors Association

National League of Cities

U.S. Conference of Mayors

National Association of Counties

Council of State Governments

International City Management Association

Council of State Planning Agencies

National Association of Towns and Townships

National Municipal League

National Association of Development Organizations

National Association of Regional Councils

National Association of Housing and Redevelopment Officials

American Association of Port Authorities

American Association of State Highway and Transportation Officials

American Public Transit Association

American Public Power Association

American Planning Association

SMALL BUSINESS

Small Business

The following major points were made by small business representatives:

Tax Policy

- o Most favored social security offset rather than an income tax reduction.
- o Small Business should receive $\frac{1}{2}$ of the total business tax reduction, whatever the total business tax reductions may be. A minimum 50% business tax cut share is favored.
- o Non-capital intensive industries need more than an investment tax credit. One approach could be to balance accelerated depreciation with a graduated cut in tax rates.
- o Strong support for the '77 - '78 jobs tax credit with emphasis on small business. With the proper incentives, small business could absorb unemployment from the auto and other troubled industries.
- o 10-5-3 has little support because most small business finds accelerated depreciation (ADR) too complicated. One attendee suggested that higher overall increases in productivity would result if depreciation schemes favored small business, since small business uses older equipment.
- o The roll-over concept, which would allow reinvestment in other small business, was supported. Also favored were tax breaks for transferring a business to an owner's family members.
- o The Bentsen Bill had some support.
- o The tax deduction for interest during a project's construction phase should be reinstated.

Other

- o The university/big business R & D monopoly should be broken and some R & D channeled to small business. The White House Conference on Small Business (WHCSB) and Norris Report recommendations were noted, but there was no agreement as to whether direct R & D grants or tax credits were preferable.
- o A Small Business Administration set-aside for new high technology companies should be established (WHCSB recommendation).
- o The Stevenson Export Trading Company bill was also favored.

- o Support for a new hybrid-debt/equity security was expressed (WHCSB recommendation).
- o The investment/operations budgets should be split.
- o Money for the new section 235 housing program should be made available. Money is still going to the old low income section 235 programs.
- o The independent contractor regulations should be modified to favor small business.

Small Business

Pat Jacobs	American Association of MESBICs
Leo Donahue	American Association of Nurserymen
Anthony Schopp	Machinery Dealers National Association
Jim Schuyler	National Association of Homebuilders
William Woods	National Association of Retail Druggists
Philip Friedlander	National Tire Dealers & Retreaders Association
Bruce Hahn	National Tooling and Machining Association
William Penick	Arthur Anderson & Co.
Herbert Liebenson	National Small Business Assn., Small Business Legislative Council
Jim Manning	Arthur Anderson & Co.
J.R. Kirkland	Small Business Legislative Council
John Grant	Printing Industries of America
George Kozmetsky	Graduate School of Business, University of Texas (Dean)
Gil Thurm	National Association of Realtors
Jill Wettrich	National Association of Plastic Fabricators
Walt Galanty	National Association of Brick Distributors
Jerry Nagy	National Home Furnishing Association
Chuck McDonald	Council of Smaller Enterprises (Cleveland)
George Saxon	Smaller Manufacturers Council (Pittsburgh)
Leon Rosenberg	PCI, Inc.
William Devine	Center for Entrepreneurial Management

TRADE ASSOCIATIONS

Trade Associations

Capital Investment

Most of the discussion at this consultation centered around the need for capital investment. There is strong support for liberalized depreciation and investment tax credits. The U.S. Chamber of Commerce strongly advocates 10-5-3.

Government Regulations

Environmental and other regulations that interfere with business should be greatly reduced. There is some support for the view that there are several laws which were designed to address certain social ills that are no longer necessary, and in light of the present state of the economy, no longer practical.

Research and Development

The representatives for the steel industry drew a distinction between known but affordable technology and R&D for new technology. Expenditures in the Eighties should be targeted towards the former.

Minority Business and Employment

The representative from LAMA pointed out a lack of recognition of the strong relationship between minority enterprise and minority employment. Minority industry is in a tremendously accelerated growth pattern, but financing is a severe problem. He advocates the creation of an industrial development and job development fund that would create a stable supply of capital for minority enterprise development. In addition, a portion of CETA funding should be used to train individuals in engineering skills for permanent jobs in private industry.

Employment Displacement

In industries where excess capacity is forcing plant closings, the government should offer unemployment compensation incentives to encourage laid-off workers to move to where the jobs are located.

Steel

The steel industry strongly advocates substitution of the market for any wage and price controls, including the present guidelines. In addition, in the case of industries such a steel refundability of investment tax credits is the answer where the adjustment period is such that taxes are not being paid and therefore tax credits are not going to be beneficial in the short run.

Government Spending

The government should curtail spending on social programs and any programs that do not directly contribute to price stability, energy security and increased competitiveness. Capital investment should receive such redirected funds.

Trade Associations

Dick Creighton	Associated General Contractors
Maurice Mosier	National Constructors
Jim Adducci	Motor Vehicle Manufacturers
Stuart Broom	Mining & Reclamation Council
John Wasowicz	National Coal Association
Harry Buzzard	American Textile Machinery Association
Bud Lawrence	Associated General Contractors
Robert Willis	Vice Chairman, AGA, Chairman & President Connecticut Natural Gas
Mac Lovell	Rubber Manufacturers
Frederick Webber	Edison Electric Institute
Bob Peabody	American Iron & Steel Institute
Edward Kiley	American Trucking Association
Loyd Hackler	American Retail Federation
Charles Larsen	Industrial Research Institute
Bernard Falk	National Association of Electrical Manufac.
Herkie Harris	Associated Builders & Contractors
Ted Hagans	National Business League
Steve Denlinger	LAMA
Alan Skaggs	Aerospace Industries
Jerry Schiff	National Association of Business Councils
Dorothy Drummer	American Stock Exchange
Forrest Rettgers	NAM
Don Smiley	Business Roundtable
Richard Rahn	U.S. Chamber of Commerce
Eva Norrblom	API
Kenneth McLennan	CED

Social Action Organizations

A variety of organizations attended the social action groups consultation. Representatives from environmental, consumer, elderly, social service, Jewish and Asian organizations engaged in a lively discussion. Underlying the discussion was a skepticism of the Administration's explanation of the causes of the present economic conditions. It was felt by some that the natural development of the economy towards a service base, coupled with widespread capital investment in foreign countries by U.S. firms, are major factors causing the decline in productivity. Broader public education efforts to explain the Administration's analysis are necessary. A summary of specific points follows.

Tripartite Approach

- o Strong concern, especially among environmental groups, that tripartite decision-making would neglect important environmental and safety objectives.
- o Tripartite meetings should include other elements such as consumer representatives and environmental advocates who may provide additional expertise and ensure that health, safety and environmental concerns are addressed.
- o There was some recognition that there is a limit to the amount of broader input possible and that tripartite decisions must pass scrutiny by Congress and public interest groups.

Due Process

- o Private citizens should have the legal right to seek court review of programs during the implementation process, especially where health, safety and environmental concerns may be compromised.

Revitalization

- o Immediate action should be taken to provide jobs, especially for youth, in weatherization of homes, public buildings and mass transit construction.
- o Tax incentives such as investment credits and accelerated depreciation must be tied to the desired behavioral outcome. Business should be required to use this benefit to work towards the goals of capital formation, jobs creation, energy conservation and increased production.

- o Some industries should shrink because of labor market factors, therefore government should expand adjustment assistance, community impact assistance, retrain and relocate workers instead of artificially propping up a declining industry.
- o Basic skills and work place orientation should be provided for structurally unemployed minority youth.
- o Skills of other workers should be upgraded to assist in upward mobility in the work force.
- o Middle-aged displaced workers, especially those who may not easily relocate, should be assisted.
- o Information about job opportunities in various geographical areas should be provided to displaced workers, especially the young. Immediate assistance should be provided to unemployed youth, displaced homemakers, and the elderly.
- o Existing price guidelines should be enforced.
- o More emphasis should be placed on exporting.
- o Research and development, especially in health care, should be pursued as well as hospital cost containment.
- o Caveat that the 1960's poverty programs were crippled because the limited funds available were spread among many different purposes in order to enhance prospects for Congressional approval. This resulted in not enough funds available for each program to be as successful as possible.

Social Action

Chauncey Alexander	National Assoc. of Social Workers
Hyman Bookbinder	American Jewish Committee
Cyril Brickfield	National Retired Teachers Assoc. National Assoc. of Retired Persons
David Brody	Anti-Defamation League
Francis Dubrowski	Natural Resources Defense Council
Louise Dunlap	Environmental Policy Center
Betty Duskin	National Council of Senior Citizens
Sarah Ehrman	American Jewish Congress
Bob Friedman	Corporation for Enterprise Development
Trish Hogue	National Commission on Employment Policy
Ronald Ikejiri	Japanese American Citizens League
Marye Ish	National Assoc. of Neighborhoods
Pete Lafen	Friends of the Earth
Sarah Laird	League of Women Voters
Francis Lally	U.S. Catholic Conference
Mary Au	Organization of Chinese Americans, Inc.
Dan MacCoby	Council of Jewish Federations
John McComb	Sierra Club
Jack Moskowitz	United Way of America
Sharon Nelson	Counsumer Union
Michael Pudhorzer	Consumer Federation of America
Benson Roberts	National Congress for Community Economic Development
Sandra Willett	National Consumer's League

FINANCIAL ORGANIZATIONS

The following major points were made:

- o Support for 10¢ per gallon gasoline tax to encourage conservation;
- o Push for tax incentives for savings, Universal Individual Retirement Accounts.
- o Support Automatic roll-overs on dividends and interest.
- o Emphasis on business tax cuts (by Minority Bankers) particularly to small business.
- o Suggestion to consider Limited Individual Retirement Accounts.
- o All in agreement to hold down spending, not abandon balanced budget concept, inflation is still major problem and perceptions of tax cut could be that we are giving up on inflation.
- o Suggestion for "Invest and Buy American" policy.
- o Fed should continue tight control of money supply.
- o Tax incentives for wage restraint could be perceived as a step toward wage/price controls. This is undesirable.

Financial Organizations

Jim Barr	Credit Union National Association
Anthony Cluff	Association of Reserve City Bankers
Virginia Dean	Independent Bankers Association of America
Rem Dudley	Metropolitan Life
Ray Gustini	U.S. League of Savings Associations
Kenneth Thygeron	U.S. League of Savings Associations
Thomas Goines	National Bankers Association
John Lindley	National Savings & Loan League
Theresa Watson	American Savings & Loan League
Kenneth Wright	American Council of Life Insurance
Richard McConnell	National Association of Federal Credit Unions
Lou Nevins	National Association of Mutual Savings Banks
Bob Royer	Securities Industries Association
Red Rogers	Nationwide
Patricia Shakow	Aetna
Bob James	Bank of America
Dennis O'Toole	American Bankers Association

Minorities

Washington representatives of several Black and Hispanic organizations made the following points:

- o Use of accelerated depreciation by companies should be tied to job creation.
- o Grant or loan assistance to industries should be primarily tied to job creation, and retention in the same location. Companies should not be able to use benefits to relocate.
- o The impact of plant modernization on jobs should be carefully monitored. Displaced workers should be retained and assisted in relocation if necessary.
- o Industrial Authority should assist employees in buying shares of company equity or in buying the whole plant. Greater employee participation in ownership and management may lead to higher productivity and product quality.
- o Combined impact of different government regulations by various agencies is sometimes contradictory and impedes progress by minority businesses. The impact of government regulation should be studied.
- o Tripartite partners must follow through on the objective of targeting investment in depressed areas.
- o Government should expand capital assistance to minority firms so that such firms may be in a position to take advantage of contracting and procurement opportunities.
- o Nonprofit groups should have a role in any jobs training program.

Minority Groups

Harry Bass

Sherman Brown

Rev. Ed Hailes

Wilma Espinoza

Domingo Garcia

Francisco Garza

Lydia Hill

Robert Kemp

Judith Ludwin

David Montoya

Yvonne Price

Eddie Williams

Jorge Zapata

National Minority Purchasing Council

Minority Contractors Assistance Projects, Inc

Opportunities Industrialization
Centers of America (OIC)

Mexican American Women's National Assoc.

National Puerto Rican Coalition, Inc.

National Council of La Raza

National Assoc. of Minority CPA Firms

Opportunity Funding Corporation

Urban Coalition

Image, Inc.

Leadership Conference on Civil Rights

Joint Center for Political Studies

National Coalition of Hispanic Mental
Health and Human Services Organizations

FRIENDS

Friends

A special consultation with business friends was also held.

The major points made are as follows:

- °Must provide incentives for savings
- °Export policy must be centralized and far more conducive to exports - the multi-nationals will do business there rather than here.
- °Justice Department is too involved in policy - the tail wagging the dog (regards export policy)
- °Support for assistance for overseas employees (911, 913)
- °Tax cut at best should be 60% - 40% in favor of individuals (Boggs). Individuals still believe inflation is the major problem. You should tie individual cuts to inflation, ie: SS, bracket increases.
- °Suggestions made by Valenti and Palumbo - (1) Appeal to the individual in the speech - explain to business later - talk about goals - reduce taxes, make industry competitive with Japan, Germany, etc., increase productivity. Keep it simple.

Friends

Jack Valenti

Ben Palumbo

Tom Boggs

Gordon Ochenrider

Bob Wager

Richard Quick

Bob Barrie

Joseph Carter

Stu Branf

Motion Picture Association

Phillip Morris

Patton, Boggs and Blow

Grumman

American Bakers Association

Dravo

GE

National Automobile Dealers Association

American Council on Life Insurance