

4-point plan

# Reagan economics calls for spending cuts

by Prof. Jim Toney

It is appropriate that President Reagan has made the ills of the American economy the number one priority of his new administration. In his speech to the Congress on Feb. 18, he was specific in identifying some of the pressing problems that plague the economy.

The President reminded the American public that double digit inflation continues to take its toll, accompanied by high interest rates, unemployment that approaches 7.5 percent, and negative annual increases in productivity. In short, he characterized the American economy as out of control.

### Reagan proposals

In an effort to come to grips with these problems, President Reagan proposes a comprehensive four-point program which includes: 1. A reduction in the growth of the 1982 federal budget in the range of \$50 billion; 2. A cut of 10 percent in personal income taxes in each of the next three years plus incentives such as accelerated depreciation and other tax breaks for business firms; 3. Reform or elimination of government regulations and red tape; 4. A consistent monetary policy where growth in the money supply will not exceed normal annual growth in the output of goods and services.

Examining the economic rationale that supports each of these proposals seems important. The first proposal, which deals with controlling the growth of the 1982 federal budget, is an effort to curb federal spending in the public sector, which has mushroomed from 10 per cent of the GNP in the early 1900's to the present 37 to 40 per cent level. Reducing the growth in federal spending is also expected to reduce federal deficits and help alleviate pressure on the Federal Reserve System to increase the money supply. Many economists agree this should help reduce the rate of inflation.

### Tax cut

The tax cut proposals are based on what has come to be called supply-side economics. According to the supply side economists, a tax cut will be effective because it enhances the incentives of individuals to work, invest, save and produce. The main point according to this position is simple. Whatever encouraged greater human output is anti-inflationary. Cuts in high marginal tax rates encourage greater output. At the upper end of the income scale, tax cuts make more income available for investment in better tools and new enterprises. At the low end, the cost of leisure will be raised and this will encourage harder work on the part of those who fall in these

tax brackets.

### Government regulations

President Reagan's third major proposal is the reform or elimination of unnecessary government regulations. An article that appeared on the front page of the Burlington Daily Times-News on Feb. 24, illustrates both the need for and the rationale behind this proposal. The article referred to Alamance County Hospital's effort to get approval from state and federal government authorities to replace a 13-year-old x-ray machine with a new \$300,000 fluoroscopic scanner. The hospital administration estimated that it would take nine months to get government approval, involve at least one hundred hours of staff time, and would cost the hospital \$16,000 more in interest

charges due to bureaucratic delay. This is an example of why health costs have spiraled and is symptomatic of how government regulations can stifle productivity and contribute to inflation.

### Money supply

Many economists are convinced that President Reagan's fourth proposal may be the most important recommendation in the entire Reagan economic package. This proposal calls for a constant growth in money supply at three to four percent annually.

Economic justification for such a proposal is based on the premise that efforts on the part of the Federal Reserve System over the last 20 years to stabilize the economy by manipulating the money supply has produced the opposite result — greater

instability. For example, 1980 was a year of unprecedented monetary volatility where the money supply grew at an annual rate of 5.1 percent in the early part of the year. During the next five months, the money supply grew at a rate of 15.9 percent, and ended the year with another sharp decline. Reagan advisers are convinced the President's approach will provide greater stability in financial markets as well as the economy in general.

The Reagan economic package is certain to require short-run sacrifices on the part of most Americans. It points the economy in a different direction. More money will be spent on defense, while the growth in federal spending will be reduced.

## What our readers say—cont.

### Elon campus — a source of pride?

Last Monday morning when the sun came peeking through my dorm window, I awoke and looked out upon the lawn, expecting to see a beautiful campus. Imagine my disappointment to see nothing but broken beer bottles, trash, and bits of paper scattered in every direction. I paused a moment, recalling the noisy crowds I had heard during the weekend. Could they account for the unsightly appearance of the campus?

Then I thought back to other weekends that had resulted in costly destruction to the dormitories— to the times when phones had been deliberately pulled out, washers and dryers broken,

and vending machines cracked. Our lounge used to be a comfortable place where we could relax and watch television with our friends. Now there is no television to enjoy; it has been destroyed!

As I started to class Monday morning, I almost slipped on the stairs where a trash can had been tipped over. The floor and steps were covered with large pieces of razor-sharp glass and rusty cans. I realized that the results of vandalism on our campus are not only unsightly and destructive, but dangerous as well.

Incidents such as those mentioned above have become everyday occurrences

at Elon. In the past seven months I have seen our once lovely campus wrecked by a small group of people who insist upon demolishing our dorms, buildings, and grounds.

I used to enjoy walking across the spacious grounds with friends who came to visit me and showing them our lovely campus nestled among the oak trees. That has changed now. One does not boast about a campus ruined by broken bottles, repulsive trash, broken windows and other evidences of vandalism. I hope the time will come when I can again say that I am proud of this campus.

Kathy Weems

### Lacrossers lack cash

To the editor:  
Elon, for its size, excels in most areas of sports. We have an unstoppable football team, winning basketball team and a noteworthy baseball team. There is another team at Elon that does not receive much recognition—the lacrosse team.

These guys work hard and last weekend, won their first game of the season. As of now, they have not received any money from the college to support them. The school has not bought them uniforms, sticks, or even given

them money to pay for gas for their games that are away.

It seems that since the college likes the reputation for excellent sports teams, it could open up its pockets and help contribute to a team that is hard working and shows potential. These guys have the ambition and the skill, how about some money to help them on their way? In time, they may be able to add a few trophies to the collection.

Debra Burke

### Senators need support

To the editor:  
Students of Elon College have attitudes like a majority of United States citizens at the present. Everybody complains but very few stand and take action to change things. If nobody acts, a select few are left with practically a dictatorship.

It is important for students to know their government so that they may govern themselves. The student Senate needs input from a majority of the students before an adequate output is achieved. When the students do not voice attitudes about affairs con-

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### Pendulum needs national news

To The Editor:

It has long been a concern of mine that Elon's **Pendulum** lacks the sophistication of many university publications. After being exposed to a number of college newspapers, I find the **Pendulum** wanting, especially in the area of state, national and world news.

I am aware of the limitations placed on a small publication such as ours in reporting this type of news. I do, however, feel that because the **Pendulum** may be the only newspaper a great

many Elon students will bother to read, it has a special responsibility to be informative in the areas of government, local and otherwise.

A major portion of the student body is of voting age and should be informed on such issues that will affect them.

At this point in our nation's history, it is of utmost importance that individuals be kept abreast of our economic situation, political stance and international dealings.

I know that the **Pendulum**

may print an occasional news article, but regularity is necessary to keep readers up-to-date on such issues.

During this period of a new administration, many drastic changes in government will be taking place, affecting us in ways that no new administration has affected us before — changes that we must be made aware of.

I suggest that each publication include a large portion, detailing national and world events, however unentertaining they might be.

Taz Fields