Economic Scene | Leonard Silk

Next President's Difficult Choices

HOW much does the outlook for the American economy depend on whether George Bush or Michael S. Dukakis is the next President? The stock market thinks it matters a great deal. On Wednesday, the first anniversary of the market's crash, stocks fell sharply on rumors that The Washington Post would publish an article damaging to Mr. Bush's electoral prospects; when The Post denied the rumors, the market began to recover.

But The Economist, the irreverent British weekly, keeps calling the man who will lead the United States during the next four, or eight, years "President Bushakis." This implies that, despite apparent differences between the candidates on personality, ideology, style, taxes, trade, foreign investment, military spending, or whatever, the first post-Reagan Administration will be essentially the same, whoever sits in the White House.

Either man will be bound by the same constraints. The most binding is the big budget deficit and the swollen national debt, now approaching $2.8 trillion. Interest payments on the debt will reach $160 billion in the fiscal year 1989. Both candidates have been promising initiatives to deal with education, the environment, drugs, child care and national security, but neither can spend more on new programs unless he can figure out how to pay for, or cut, old programs.

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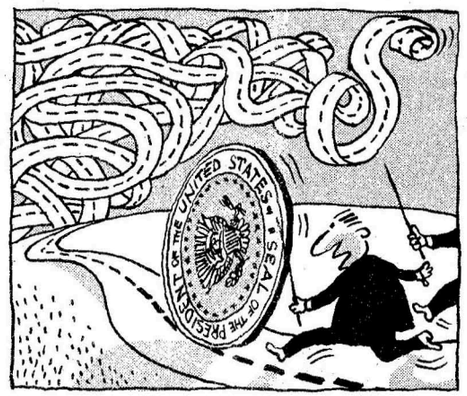
In the military area, cuts of at least $150 billion will be needed in existing programs to hold real outlays constant — that is, growing by no more than the rate of inflation, a goal favored by both Mr. Bush and Mr. Dukakis. Defense Secretary Frank C. Carlucci has already ordered the armed services to cancel some weapons programs and trim forces if needed to avoid cuts in training and maintenance. The next President will have to go further.

And he will have to overhaul the weapons procurement system, with its cost overruns, expensive delays and performance shortfalls. J. Roland



Fox, a former Assistant Secretary of the Army and now a professor at the Harvard Business School, lays out ways of doing this in his new book, "The Defense Management Challenge: Weapons Acquisition." He estimates that $40 billion a year could be saved by changing the system, without reducing the number of weapons produced.

There are other major constraints facing the next President, especially the persistent deficit in the nation's external payments as the cost of servicing foreign debt rises; the growing dependence on foreign capital; the weak dollar; the power of others to retaliate if the United States were so foolish and reckless as to pursue a protectionist course, and the demands of the American people that the next Administration strengthen this country's competitiveness against Japan and other nations.

How can the next President deal with these pressures? In a challenging new book, "Starting with the People," Daniel Yankelovich, the public opinion analyst, and Sidney Harman, an industrialist and former Under Secretary of Commerce, contend that the usual American way of top-down policy making, with experts prescribing and the public being led to accept their prescriptions, is failing. They call upon the next President to listen to the people and ground his policies on the people's own values.

In the economic area, they find that the public favors both market and communal values, not or the other, and government's job is to avoid a collision between them. This does not imply "equal treatment" for the two values. Most Americans, the authors find, are "pragmatic and realistic," and know that competing with Japan and other countries is rough and will require sacrifices. "They are willing to tip the balance in favor of market values," the book states, "But they insist that the rules be fair and that the victims be helped."

Competitiveness will require greater support for education and research and development. But solutions need to be found not just in Government but also in the workplace: Employers need to recognize the importance of the individual in the new global competition; the authors stress how decisive individual performances and individual rewards are. They urge unions "to gain greater knowledge of the management side of the picture and to assume more responsibility for the fate of the business." They think the time is right for a fresh start in the trade union movement.

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As the next American President faces severe constraints, so does he enjoy some great opportunities. A principal one is recognition by the Soviets that their country needs peace and openness for the sake of its economic development, and the American public's willingness to proceed on arms control and arms reduction, provided that this course is pursued cautiously and without jeopardizing national security.

Indeed, there is growing recognition, on both sides, of the interdependence of economic strength and national security. That was the meaning of the report issued in Washington this week by an independent advisory panel, whose chairman was Robert A. Fuhrman, the chief executive officer of the Lockheed Corporation. The report urged the Secretary of Defense to take a more assertive role in influencing economic policy to head off "an increasing loss of technological leadership to both our allies and adversaries."

A national consensus on economic competitiveness and national security appears to be emerging that could provide the next President with a tremendous opportunity on which to base his policies.