Few Presidents have moved into the White House carrying greater expectations for what an incoming administration can accomplish than has Ronald Reagan.

A little more than four months after the new chief executive’s landslide electoral victory—accompanied by dramatic gains for conservatives in Congress—major changes in policies and priorities already are under way in Washington.

Sparked by a Reagan cabinet and Reagan appointees in key executive agencies, those changes represent a swing to middle-class virtues and values, and an emphasis on private-sector solutions to the country’s economic problems.

What are the hopes and expectations of business leaders as the President and his aides settle into their jobs?

That question was put to a group of executives, corporate officials, and economic counselors.

Expectations are high

In summary, their replies indicate these beliefs:

• That the new political leadership is about to tackle, fast and hard, the major issues plaguing the country, including stubborn inflation, a lagging economy, and the need to build up U.S. defense readiness.

• That cuts in government spending, moves to balance the federal budget, and the development of a fresh approach to tax policy will encourage individuals to save and invest.
and encourage businesses to modernize, expand, and restore growth in productivity.

- That companies large and small will get relief from unnecessary and overzealous regulation, with an assessment of the tradeoff between the costs and benefits of such rules.
- That the U.S. will regain its role as a leader of the free world and reestablish the confidence of allies abroad in the nation’s basic economic and military strength.

No turning back clock

At the same time, there is no disposition among business leaders to expect a turning back of the clock to an earlier laissez-faire era when the public good sometimes took second place to private interests.

“People who think that way are going to be disappointed,” one executive declared. “The election mandate wasn’t open-ended. There’s no evidence that a majority of Americans wants to reverse the thrust of environmental and safety legislation enacted during the 1970s, for example. What people do want is a common-sense balancing of national interests.”

Here is a sampling of the views of several executives. By and large, the comments mirror the expectation for a more probusiness approach at both the executive agencies and congressional offices in coming months.

Lee E. Gunderson, president, American Bankers Association and president of the Bank of Osceola, Wisconsin: “I hope that Mr. Reagan will continue to have as his number one domestic priority the task of bringing inflation under control by reducing excessive federal government spending and by coordinating fiscal and monetary policies. In addition, the new administration must reduce the onerous burden of excessive regulation to the point that it is cost-effective for all involved.”

Alexander B. Troubridge, president, National Association of Manufacturers: A Reagan administration gives “the American people an extraordinary opportunity to rebuild the foundations of the economy, to reaffirm their commitment to balanced growth, and to resume the pursuit of a humane and cost-effective society . . . A lot of hopes are riding on this administration, on the quality of breadth as well as experience of Reagan appointees. The saddest deficiency of the Carter administration was its lack of broad-gauge, professional management in executive-level echelons.”

Norman Robertson, vice president and chief economist, Mellon Bank, Pittsburgh: A Reagan presidency “may at long last signal an awareness of the need for government policy to remain firmly and unequivocally committed to the defeat of inflation, despite the potential loss of output and employment over the shortrun. this shift in attitudes is of critical importance.”

CONSTRUCTION DIMENSIONS asked several AWCI members what their hopes and expectations are for the next four years under the Reagan Administration. Here are their comments:

P. Kenneth Hampshire, John H. Hampshire, Inc., Baltimore, Maryland: “I believe that if President Reagan is successful in his attempts at passing his depreciation allowance concept and reducing government regulation thereby freeing capital for the private sector, then commercial construction will be in good shape within the next few years.”

Frank P. Morsilli, president, Dryvit Systems, Inc. Warwick, Rhode Island: “In a nutshell, I look for the decline of inflation and a more stable cost of money, in terms of interest, both of which will stimulate the construction industry. I am a firm believer in taking government out of business and letting free enterprise take its course.”

Vernon L. Raymer, Delta Dry Wall, Inc. Denver, Colorado: “I expect things to be greatly improved, but not immediately. I believe also that a betterment of the economy will regenerate workers to increase productivity. Productivity in the United States is no longer the highest in the world and this fact will bother many people. Other countries are out-producing us for less money. I look for this picture to change during the next four years.”

Howard Tiemann, president, Tiemann Sales, Co., Inc., Dallas, Texas: “I am generally optimistic about the next four years. I look for continued growth with a curb on inflation and a stabilization in pricing. I expect a turning back of the clock to an earlier laissez-faire era when the public good sometimes took second place to private interests.”

Joseph A. Feldner, McNulty Brothers Company, Chicago, Illinois: “We’re in an extremely tight market at the present time. I believe everyone is operating on a wait-and-see basis.”

Eugene Johnson, president and general manager, Ames Taping Tools, Belmont California: “I am optimistic that the next four years will be very productive. I am encouraged that the fat will be trimmed creating a spinoff that will help us all. It was impossible to continue going along the way we were for the past four years, it was time for a change, but it will take some time to feel the benefits.”

Joe M. Baker, Jr., Executive Vice President, AWCI: “If Congress passes President Reagan’s economic proposals and the budget is balanced, this country will be headed back on the right track after four years of economic sickness. Business, and our industry in particular, will benefit from less government regulation and burdensome paperwork.”

E.E. Ferrey, CAE, president, American Electronics Association: “We expect our members to fare better under a Reagan administration. The President’s advisers, a number of whom are electronics people, agree that the economy will best be stimulated by providing tax incentives for business. Ours is a growth industry; it needs capital to grow. We are vitally interested in capital formation.”

Jesse Siff, president, Siff, Oakley Marks, Inc., economic and investment counselors: “Having at last readied a course of action, we are one leg up toward a solution . . . Although the malaise that voters sensed...
was general, they were expressing also an instinctive feeling that the erosion of U.S. military might and respect for the flag and the dollar were related to a weakening economy plagued by inflation . . . . Given the fact that inflation is long entrenched and deeply embedded and that the current base rate (of inflation) is near double-digit, we expect no overnight turnaround.”

C. Manly Molpus, president, American Meat Institute: “As a highly regulated industry, we expect to have the opportunity to work with the new administration to improve the regulatory process. We expect this administration to be very much concerned with the cost of compliance with regulation and to have a different attitude about regulation as the solution to every problem . . . . We feel there will be more objective treatment of health and nutrition issues, and we look forward to the fulfillment of the Republican pledge to re-examine and modernize the nation’s food safety laws.”

Reginald H. Jones, chairman, General Electric Company: “The President will move rapidly, through cooperation rather than confrontation, to pursue policies he feels will unify the nation and get the economy moving forward. I foresee a rigorous review of federal expenditures, as well as the cost-benefit tradeoffs of federal regulations, to address the nation’s number one concern: inflation . . . . We can look forward to improved tax provisions and reduced regulations to revitalize the private sector.”

David E. Stahl, executive vice president, National Association of Home Builders: “In the long run, I think our members will fare well under the new administration. It will pursue policies to help get inflation under control; but in the short run, there may be disappointment because expectations are high, and there are no quick fixes.”

J. Paul Lyet, chairman, Sperry Corporation: “The White House will veto bills considered wasteful and extravagant . . . . Trade as an implement of foreign policy will be used intelligently . . . . At home, I look for President Reagan and Congress to take advantage of their golden opportunity to balance the budget, perhaps in two years; the psychological impact would be tremendous.”

A. Gilbert Heebner, executive vice president and economist, The Philadelphia National Bank: “The new conservatism was born not of a well-defined change in economic philosophy but of the public’s disillusionment with the government’s efforts to deal with our economic problems through regulation and bigger spending programs . . . . Through bitter experience, we have learned that we can not buy lower unemployment by accepting more inflation but that high inflation and high unemployment go hand in hand . . . . A Reagan administration paves the way for a major change in economic policy and consequently in the performance of the economy in years ahead.”

Dr. Richard Rahn, vice president and chief economist, Chamber of Commerce of the U.S.: “The President’s policies can bring about a major unwinding of inflation over the next few years . . . . His program for seeking deep tax cuts will diminish inflationary pressures rather than increase them, as some critics have charged.”

Albert H. Cox, Jr., president, Merrill Lynch Economics, Inc.: “The new administration will “lead the way toward private-sector solutions and toward restoring private work and investment incentives via less government, less regulation, and lower taxes. As a result, the economy can, and in our opinion will, improve more rapidly in the years ahead than a deeply cynical private sector now expects, it will by no means happen overnight, of course. Government has done too much damage, the requisite repair work is extensive, and much of it will involve major political battles. But with Mr. Reagan in the White House, our hopes are high. The welfare state and its disastrous inflation has been dealt a smashing defeat.”

Batch of thorny problems
Running through all of these comments is an underlying note of caution: The new President has inherited a batch of thorny problems. He will not find it easy to deliver on campaign pledges or to satisfy, in short order,
all the hopes that surrounded him as he took the oath of office.

Despite the gains for Republicans on Capitol Hill, Democrats still have the power to block some of the new administration’s proposals—either by a simple majority vote in the House, where Democrats are in the majority, or by filibustering actions in the Senate.

There are other pitfalls. As one long-time observer puts it, “Both the economy and the Washington bureaucracy have a momentum all their own. With a change at the White House, people tend to expect an instant turn in direction, speedy improvement. No president can accomplish all that.

“As to policies that will foster a pickup in business and a resumption of economic growth, now one can fix, quickly, an economy that has been ailing as long as ours has.

“As to actions of the federal bureaucracy, every department and agency is staffed with career people who often have ideas of their own and the power to frustrate decisions made at the top.”

No easy answers

Among the issues that will cause woes for the President and his advisers are these:

• Uncontrollable programs of the federal government have built-in costs that will continue to escalate. For example, interest on the national debt for the fiscal year that started last October is estimated at $90 billion, and high interest rates may well push that figure even higher. In addition, many programs embodied in law have open-ended outlays that are tied to a loosely defined eligible population, as well as to changes in the cost of living.

• Unemployment is to remain a challenge to the new administration. Workers currently thrown out of jobs as a result of foreign competition are costing taxpayers more than $2 billion a year. Other causes of joblessness, including heavy new additions to the work force, have no easy cures.

• Welfare programs will not be easy to curtail. No administration, Republican or Democratic, can deal harshly and unfeelingly with the poverty-stricken or those who are on welfare through no fault of their own. Food stamps alone now cost the government $12 billion a year. Other forms of welfare aid have soared as a result of recession. President Reagan and his counselors will do well to merely trim the waste and fraud from such programs.

• Foreign affairs is an area over which the President will have little control, despite this government’s efforts to help cool global hot spots, Unrest in the Mideast, in Poland and Central Europe, and in Latin America pose tinderbox situations that can explode without warning.

Thus, one of the greatest dangers the new chief executive faces is that the very voters who put him into office will become disillusioned when the pace of change and the ironing out of problems don’t occur as fast as they’d like.

Domestic problem areas

Following is a look, in greater detail, at a few of the domestic problem areas the Reagan cabinet now is grappling with:

• BUSINESS AND THE ECONOMY. Although the Reagan philosophy clearly calls for a smaller role for government in the future, that is not likely to have much effect on business activity for much of this year. In fact, the widely anticipated recovery from recession may prove to be elusive, with gains of very modest proportions until late in the year.

The standard forecast now is for output of goods and services in real terms—to allow for inflation—to show a continued decline this first quarter, then climb only modestly for the rest of the year.

Unemployment probably will stay high—close to 8 percent of the work force—because of slow growth in the number of jobs and increases in the number of people seeking work. Money will be available for borrowing, but interest costs will stay relatively high, discouraging many borrowers.

The market for housing will be held back by mortgage rates topping 14 percent on a national average. High interest rates and sluggish demand also are limiting capital investment by business and are making business executives cautious about building up inventories.

• INFLATION. What strategy is the administration ready to follow to
bring down inflation in years ahead? Here is an assessment from an economic adviser who has served on a Reagan task force and maintains close touch with the White House:

1. The new administration will urge the Federal Reserve Board to reduce each year the target ranges for growth in the money supply and to manage the monetary base—bank reserves and currency—to achieve those targets.

2. Tax cuts will be directed toward stimulating savings and investment, rather than toward boosting consumer spending. “It is recognized that ours is a high-consumption, low-investment economy and that investment must be increased to improve the low productivity trend.”

3. Strong steps will be taken to curb increases in federal government spending, perhaps with quantitative limits placed on total outlays.

4. An effort will be made to cut back budget deficits in successive years so that projected expenditure increases will be well below anticipated gains in revenues.

This is the inflation-fighting program that will be spread over a number of years. For the immediate future—at least for 1981—the consumer price index probably will continue to rise, maybe by about 10 percent for the year as a whole, but with the rate of rise edging downward toward year-end.

- **REGULATION.** It’s in the area of cutting back on costly, unnecessary regulation that business is pinning its highest hopes for forthright action.

Reagan aides are warning the President that the regulatory mess—a patchwork that has been spreading for years—will not be easy to clean up.

At the time the new President took over, some 3,000 proposed rules were being pushed through the pipeline. The best that can be anticipated in the weeks ahead is a start on trimming the regulatory thicket and the granting of relief in particular areas where burdens are clearly excessive and counterproductive. Later will come long-range analysis and assessment of the whole process of regulation, with cost-benefit studies and an appraisal of which broad areas need continued regulation and which may be deemphasized.

**Watch for changes**

Things to look for in the new administration include:

- Greater balance in labor law enforcement, especially in the composition of the National Labor Relations Board.

- A shake-up in the Environmental Protection Agency and the Occupational Safety and Health Administration to gain adherence to “common sense” regulatory patterns and to make them more attuned to the special problems of small businesses.

- Faster approval of applications for new drugs, with acceptance of research done overseas. A less doctrinaire approach to bans on foods and drugs where a direct cancer-causing link has not been proved.

- A continued push for deregulation in key industries, following the pattern already set in railroads, trucking, and airlines. Included will be a re-examination of the significance of technological change in the communication field.

- A cutback in the operations of two federal departments, energy and education. Earlier proposals for abolishing these departments have been modified. But their size and influence will be trimmed, their impact on the economy modified.

**More private initiative**

The Reagan White House is facing hard choices and formidable obstacles as it sets its course from now until 1984. That course envisions a smaller role for government, a larger one for private initiative. Business-executives hope and expect that their expanded influence at the national level will help restore public confidence at home and American leadership abroad.

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