

Ronald Reagan Presidential Library Digital Library Collections

This is a PDF of a folder from our textual collections.

Collection: Speechwriting, White House Office of:
Research Office, 1981-1989
Folder Title: 11/14/1985 Address to the Nation re
Geneva Summit (5)
Box: 241

To see more digitized collections visit:
<https://reaganlibrary.gov/archives/digital-library>

To see all Ronald Reagan Presidential Library inventories visit:
<https://reaganlibrary.gov/document-collection>

Contact a reference archivist at: reagan.library@nara.gov

Citation Guidelines: <https://reaganlibrary.gov/citing>

National Archives Catalogue: <https://catalog.archives.gov/>

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name SPEECHWRITING, OFFICE OF: RESEARCH OFFICE
RECORDS

Withdrawer

MJD 6/20/2007

File Folder 11/14/1985 ADDRESS TO THE NATION (5)

FOIA

S07-069

Box Number 241

43

ID Doc Type	Document Description	No of Pages	Doc Date	Restrictions
37415 PAPER	RE GENEVA SUMMIT	1	ND	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

✓ 176 Radio and Television Address to the People of the Soviet Union. May 28, 1972

Dobryy vecher [Good evening]:

I deeply appreciate this opportunity your Government has given me to speak directly with the people of the Soviet Union, to bring you a message of friendship from all the people of the United States and to share with you some of my thoughts about the relations between our two countries and about the way to peace and progress in the world.

This is my fourth visit to the Soviet Union. On these visits I have gained a great respect for the peoples of the Soviet Union, for your strength, your generosity, your determination, for the diversity and richness of your cultural heritage, for your many achievements.

In the 3 years I have been in office, one of my principal aims has been to establish a better relationship between the United States and the Soviet Union. Our two countries have much in common. Most important of all, we have never fought one another in war. On the contrary, the memory of your soldiers and ours embracing at the Elbe, as allies, in 1945, remains strong in millions of hearts in both of our countries. It is my hope that that memory can serve as an inspiration for the renewal of Soviet-American cooperation in the 1970's.

As great powers, we shall sometimes be competitors, but we need never be enemies.

Thirteen years ago, when I visited your country as Vice President, I addressed the people of the Soviet Union on radio and television, as I am addressing you tonight. I said then: "Let us have peaceful competition not only in producing the best

factories but in producing better lives for our people.

"Let us cooperate in our exploration of outer space. . . . Let our aim be not victory over other peoples but the victory of all mankind over hunger, want, misery, and disease, wherever it exists in the world."

In our meetings this week, we have begun to bring some of those hopes to fruition. Shortly after we arrived here on Monday afternoon, a brief rain fell on Moscow, of a kind that I am told is called a mushroom rain, a warm rain, with sunshine breaking through, that makes the mushrooms grow and is therefore considered a good omen. The month of May is early for mushrooms, but as our talks progressed this week, what did grow was even better: a far-reaching set of agreements that can lead to a better life for both of our peoples, to a better chance for peace in the world.

We have agreed on joint ventures in space. We have agreed on ways of working together to protect the environment, to advance health, to cooperate in science and technology. We have agreed on means of preventing incidents at sea. We have established a commission to expand trade between our two nations.

Most important, we have taken an historic first step in the limitation of nuclear strategic arms. This arms control agreement is not for the purpose of giving either side an advantage over the other. Both of our nations are strong, each respects the strength of the other, each will maintain the strength necessary to defend its independence.

But in an unchecked arms race between two great nations, there would be no winners, only losers. By setting this limitation together, the people of both of our nations, and of all nations, can be winners. If we continue in the spirit of serious purpose that has marked our discussions this week, these agreements can start us on a new road of cooperation for the benefit of our people, for the benefit of all peoples.

There is an old proverb that says, "Make peace with man and quarrel with your sins." The hardships and evils that beset all men and all nations, these and these alone are what we should make war upon.

As we look at the prospects for peace, we see that we have made significant progress at reducing the possible sources of direct conflict between us. But history tells us that great nations have often been dragged into war without intending it, by conflicts between smaller nations. As great powers, we can and should use our influence to prevent this from happening. Our goal should be to discourage aggression in other parts of the world and particularly among those smaller nations that look to us for leadership and example.

With great power goes great responsibility. When a man walks with a giant tread, he must be careful where he sets his feet. There can be true peace only when the weak are as safe as the strong. The wealthier and more powerful our own nations become, the more we have to lose from war and the threat of war, anywhere in the world.

Speaking for the United States, I can say this: We covet no one else's territory, we seek no dominion over any other people, we seek the right to live in peace, not only for ourselves but for all the peoples of this earth. Our power will only be used to keep the peace, never to break it, only

to defend freedom, never to destroy it. No nation that does not threaten its neighbors has anything to fear from the United States.

Soviet citizens have often asked me, "Does America truly want peace?"

I believe that our actions answer that question far better than any words could do. If we did not want peace, we would not have reduced the size of our armed forces by a million men, by almost one-third, during the past 3 years. If we did not want peace, we would not have worked so hard at reaching an agreement on the limitation of nuclear arms, at achieving a settlement of Berlin, at maintaining peace in the Middle East, at establishing better relations with the Soviet Union, with the People's Republic of China, with other nations of the world.

Mrs. Nixon and I feel very fortunate to have had the opportunity to visit the Soviet Union, to get to know the people of the Soviet Union, friendly and hospitable, courageous and strong. Most Americans will never have a chance to visit the Soviet Union, and most Soviet citizens will never have a chance to visit America. Most of you know our country only through what you read in your newspapers and what you hear and see on radio and television and motion pictures. This is only a part of the real America.

I would like to take this opportunity to try to convey to you something of what America is really like, not in terms of its scenic beauties, its great cities, its factories, its farms, or its highways, but in terms of its people.

In many ways, the people of our two countries are very much alike. Like the Soviet Union, ours is a large and diverse nation. Our people, like yours, are hard working. Like you, we Americans have a

strong spirit of competition, but we also have a great love of music and poetry, of sports, and of humor. Above all, we, like you, are an open, natural, and friendly people. We love our country. We love our children. And we want for you and for your children the same peace and abundance that we want for ourselves and for our children.

We Americans are idealists. We believe deeply in our system of government. We cherish our personal liberty. We would fight to defend it, if necessary, as we have done before. But we also believe deeply in the right of each nation to choose its own system. Therefore, however much we like our own system for ourselves, we have no desire to impose it on anyone else.

As we conclude this week of talks, there are certain fundamental premises of the American point of view which I believe deserve emphasis. In conducting these talks, it has not been our aim to divide up the world into spheres of influence, to establish a condominium, or in any way to conspire together against the interests of any other nation. Rather we have sought to construct a better framework of understanding between our two nations, to make progress in our bilateral relationships, to find ways of insuring that future frictions between us would never embroil our two nations, and therefore the world, in war.

While ours are both great and powerful nations, the world is no longer dominated by two super powers. The world is a better and safer place because its power and resources are more widely distributed.

Beyond this, since World War II, more than 70 new nations have come into being. We cannot have true peace unless they, and all nations, can feel that they share it.

America seeks better relations, not only

with the Soviet Union but with all nations. The only sound basis for a peaceful and progressive international order is sovereign equality and mutual respect. We believe in the right of each nation to chart its own course, to choose its own system, to go its own way, without interference from other nations.

As we look to the longer term, peace depends also on continued progress in the developing nations. Together with other advanced industrial countries, the United States and the Soviet Union share a two-fold responsibility in this regard: on the one hand, to practice restraint in those activities, such as the supply of arms, that might endanger the peace of developing nations; and second, to assist them in their orderly economic and social development, without political interference.

Some of you may have heard an old story told in Russia of a traveler who was walking to another village. He knew the way, but not the distance. Finally he came upon a woodsman chopping wood by the side of the road and he asked the woodsman, "How long will it take to reach the village?"

The woodsman replied, "I don't know."

The traveler was angry, because he was sure the woodsman was from the village and therefore knew how far it was. And so he started off down the road again. After he had gone a few steps, the woodsman called out, "Stop. It will take you about 15 minutes."

The traveler turned and demanded, "Why didn't you tell me that in the first place?"

The woodsman replied, "Because then I didn't know the length of your stride."

In our talks this week with the leaders of the Soviet Union, both sides have had a chance to measure the length of our

strides toward peace and security. I believe that those strides have been substantial and that now we have well begun the long journey which will lead us to a new age in the relations between our two countries. It is important to both of our peoples that we continue those strides.

As our two countries learn to work together, our people will be able to get to know one another better. Greater cooperation can also mean a great deal in our daily lives. As we learn to cooperate in space, in health and the environment, in science and technology, our cooperation can help sick people get well. It can help industries produce more consumer goods. It can help all of us enjoy cleaner air and water. It can increase our knowledge of the world around us.

As we expand our trade, each of our countries can buy more of the other's goods and market more of our own. As we gain experience with arms control, we can bring closer the day when further agreements can lessen the arms burden of our two nations and lessen the threat of war in the world.

Through all the pages of history, through all the centuries, the world's people have struggled to be free from fear, whether fear of the elements or fear of hunger or fear of their own rulers or fear of their neighbors in other countries. And yet, time and again, people have vanquished the source of one fear only to fall prey to another.

Let our goal now be a world free of fear—a world in which nation will no longer prey upon nation, in which human energies will be turned away from production for war and toward more produc-

tion for peace, away from conquest and toward invention, development, creation; a world in which together we can establish that peace which is more than the absence of war, which enables man to pursue those higher goals that the spirit yearns for.

Yesterday, I laid a wreath at the cemetery which commemorates the brave people who died during the siege of Leningrad in World War II. At the cemetery, I saw the picture of a 12-year-old girl. She was a beautiful child. Her name was Tanya. The pages of her diary tell the terrible story of war. In the simple words of a child, she wrote of the deaths of the members of her family: Zhenya in December. Grannie in January. Leka then next. Then Uncle Vasya. Then Uncle Lyosha. Then Mama. And then the Savichevs. And then finally, these words, the last words in her diary: "All are dead. Only Tanya is left."

As we work toward a more peaceful world, let us think of Tanya and of the other Tanyas and their brothers and sisters everywhere. Let us do all that we can to insure that no other children will have to endure what Tanya did and that your children and ours, all the children of the world can live their full lives together in friendship and in peace.

Spasibo y do svidaniye. [Thank you and goodbye.]

NOTE: The President spoke at 8:30 p.m. in the Green Room at the Grand Kremlin Palace, Moscow. His address was broadcast live on radio and television in the Soviet Union and simultaneously, via satellite, in the United States.

The President spoke from a prepared text. An advance text of his address was released on the same day.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO : DANA ROHRBACHER

FROM : AMY JOHNSON - WHITE HOUSE RESEARCH

RE : INFORMATION ON CIVILIAN CASUALTIES FROM DOCUMENTATION
ON WORLD WAR 1 AND WORLD WAR 2

Corporation for Entertainment & Learning
A Walk Through The 20th Century With Bill Moyers
Show #103 "The Arming Of The Earth"

"By World War 1 we had 8 million military but 1.3 million civilians died, in World War 1. Now by World War 2 we had approximately 16.9 million military casualties but we had 34 million civilians who were killed. For the first time in the history of modern warfare we had almost twice as many civilians killed as military casualties. The projection for World War 3 if it were ever fought; we're talking approximately 253 million people in a nuclear type scenario, and that would mean over 90% of the casualties would be civilians."

amy chaplain

*Bill MOYERS
CBS
(212) 975-8432*

*Merton Capeland
C.E.L.
(212) 421-4030*

El Salvador Pays Terrorism's Price

In gaining freedom for a daughter kidnapped by leftist guerrillas, El Salvador's President José Napoleón Duarte ended a 44-day personal crisis but stuck his government with a far more troubling challenge. To win re-



Duarte greet daughter freed by rebels.

lease of Inés Duarte Durán, 35, and her friend Ana Cecilia Villeda, 23, the Salvadoran leader traded 22 imprisoned guerrilla leaders and gave safe passage out of the country to 96 other Marxist rebels wounded during the six-year civil war. The leftists also freed 33 kid-

napped civic officials—including 23 mayors whose release Duarte previously had refused to bargain for.

Duarte's daughter and her friend were seized by leftist gunmen outside a private university in San Salvador on September 10. When she returned home safely on October 24, Duarte said: "I think you all understand how happy I am after more than 40 days of carrying on my shoulders the gigantic weight of the struggle between the father and the head of state."

Yet he found himself carrying a new burden. Senior Army officers, frustrated by the suspension of military operations during the delicate negotiations, were questioning the wisdom of trading high-ranking guerrillas—all but two of whom went straight back to the jungle—for civilian VIP's. Within a day after the trade, gunmen fired on the entrances to Duarte's office.

Fears grew that the episode would lead to more kidnappings and more leftist demands. "What else are we going to hand over if other similar acts present themselves?" asked the right-wing Nationalist Republican Alliance.

Ordinary people—many of whom had seen lesser notables abducted without government action—faulted the President for his obsession with the crisis and for sending other members of his family to safety in Miami and New York. In the end, the prisoner swap served as another reminder that in El Salvador victories and defeats are often hard to tell apart. □

Current Quotes

"What the hell do you mean 'imperialist nation'? We have a 5,000-mile border with them, and for 172 years there hasn't been a shot fired in anger."

Canadian Prime Minister Brian Mulroney, repeating what he told an unnamed foreign leader who criticized the U.S.

"The chaos of the liability system is about to bring a collapse of the entire judicial system."

Dr. Richard McMurray, president of the Michigan State Medical Society, after 12,000 marched in Lansing demanding curbs on malpractice lawsuits.

"Dear Tom: Sorry you have to find me this way. I'm sorry for all the pain and trouble I've caused. Dan."

Former San Francisco Supervisor Dan White—who served five years in prison for killing Mayor George Moscone and Supervisor Harvey Milk—in a suicide note to his brother.

"There are some who find it in their interests to report that the Philippines are about to go down. We are not another South Vietnam."

President Ferdinand Marcos, declaring that his forces are winning against a Communist insurgency.

"If he wants to inherit a united kingdom, he should remember that politics is this side of the barrier—and royalty is on the other."

Tory parliamentarian Anthony Beaumont-Dark, criticizing Prince Charles for commenting on racial strife in Britain.

"Who's going to wake up the rooster that's going to wake up the farmer?"

Representative Thomas Hartnett (R-S.C.), opposing a House bill that would extend daylight-saving time by four additional weeks beginning next year.

Red-Ink Record



U.S.—\$212 Billion Deeper in the Hole

As Congress and the White House continued to feud over ways to drain the swamp of red ink that engulfs the federal government, the final tally for fiscal year 1985 revealed the biggest deficit in U.S. history—212 billion dollars.

The Treasury Department's annual report, issued October 25, showed the deficit for the budget year that ended September 30 easily outstripped the previous record of 208 billion dollars set in recession-plagued 1983.

It was the 16th year in a row that Uncle Sam spent more money than he took in—and the accounting brought the combined deficits for President Reagan's tenure to 812 billion dollars—equal to the total of all previous federal debt accumulated from 1789 to 1979.

One key factor in 1985's massive deficit was a surge in interest payments to carry a national debt that now comes to 1.823 trillion dollars. The interest alone amounted to 178.9 billion dollars in fiscal 1985—up 12.7 percent from a year earlier—eating up 18.9 percent of all federal spending.

Other totals in the Treasury's final report for the year:

- Government spending totaled 945.9 billion dollars, up 11 percent from 1984. This compares with a 5.4 percent rise in 1984, 8.4 percent in 1983 and 10 percent in 1982. Tax receipts climbed by 10.1 percent to 734 billion dollars.

- Total federal outlays as a share of gross national product were 24.7 percent, up from last year's 23.8 percent—and the second highest since World War II.

- Defense spending climbed 10.6 percent to 251.5 billion dollars, or 26.7 percent of all federal outlays. □

OECD ECONOMIC OUTLOOK

35

JULY 1984

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Achieving Durable Growth

The outlook

Activity has been rising at an annual rate of 4 to 5 per cent in the OECD area as a whole, and employment is also increasing. Inflation has picked up slightly since the turn of the year. The growth of output is expected to slow significantly in the period ahead, proceeding at 2 ½ to 3 per cent rates for the next eighteen months. Employment growth may also decelerate to a rate similar to that of the labour force, thereby stabilising unemployment in the OECD area around its current rate of 8 ½ per cent. Inflation is expected to remain close to its present 5 per cent rate.

Within the OECD economy, recent trends in activity, employment and inflation have been diverse, but some convergence is forecast. Real growth in the United States has been strong for a year and a half; slower growth is expected from now on. The growth of output in Japan rose to a 5 per cent annual rate late in 1983, but is expected to decelerate slightly. Real GNP in Europe, which was growing at a 2 per cent rate in the second half of 1983, is expected to rise at 2 to 2 ½ per cent rates from now on. Projected labour market developments reflect these trends: employment is forecast to continue growing in the United States, though unemployment may not decline significantly further from its present 7 ½ per cent rate. Japanese unemployment may also show little change. In Europe, employment growth seems unlikely to be sufficiently strong to prevent further, albeit modest, increases in numbers unemployed. Some convergence in inflation rates is forecast, with a slight increase in the United States and Japan being accompanied by further falls in Europe. (For further details, see Main Features of the Projections, and subsequent sections.) World trade volume is estimated to have grown by 2 per cent in 1983, at least half of this being accounted for by the rise in U.S. imports; growth in the range 5 to 6 per cent is projected from now on. Expanding activity within the OECD area and continuing restraint on spending outside the area are likely to lead to a widening in the combined current account deficit of OECD countries to around \$50 billion this year and next. As between OECD countries, a major increase is forecast in the deficit of the United States, to over \$100 billion by 1985; the Japanese surplus is likely to widen substantially, while a number of other Member countries may see some increase in their surpluses or reduction in their deficits.

Such is the outlook on present policies. With recovery under way in most countries, this is the stage to ensure that policy gives recovery the best chance of consolidating and helps bring unemployment down. This will include policy action to improve the structure of OECD economies, thereby reducing their inflation proneness and enhancing their medium-term flexibility and growth potential. Meanwhile, it is necessary to minimise the likelihood of disturbances, and to increase resilience to any that might nevertheless occur.

Macroeconomic policies and concerns

An acceleration of inflation would present a serious risk to sustained recovery. In view of the persistent slack in labour markets, and given continuing cautious monetary policy, an early resurgence of wage pressures is not forecast for most countries. There could be further reconstitution of profits, a development to be welcomed in itself; but this

would seem unlikely to present a serious inflation threat. In product markets the inflation outlook will depend importantly upon the extent of unused, yet usable, capacity, and this is something of a conundrum. OECD gross investment as a share of GNP has held up well over the period of slow growth. Yet this may reflect an increase in replacement or rationalisation investment following a period of large relative price changes, rather than a net addition to capacity. That would be consistent with surveys of capacity utilisation, which in many countries show only modest margins of economically-viable spare capacity in relation to high unemployment rates. In some countries, furthermore, capacity utilisation rates in manufacturing are rising quite rapidly despite only moderate output growth, suggesting that capacity is not expanding very quickly. Such factors may underlie recent downward revisions in the rate of growth of productive potential for many countries, particularly in Europe, although the evidence is not conclusive. In the absence of solid information, a reasonable judgement may be that over the next year or two existing margins of spare capacity might permit 3 to 4 per cent growth in Europe, around 4 per cent growth in the United States and 4 to 5 per cent growth in Japan without encountering widespread bottlenecks liable to aggravate domestic inflation. For such growth rates to be sustainable further ahead than that, however, rates of net capital formation might need to be significantly higher than currently foreseen.

Monetary policy is critical in maintaining conditions for sustainable non-inflationary growth. In the early stages of past recoveries, monetary growth has often been unwisely stimulative (see section on Monetary Policy). Eventual credit crunches have then often resulted from delay in restraining money growth until external or inflationary pressures had mounted unsustainably. It is important to avoid repeating such a go-stop cycle. This means maintaining monetary control in the face of strengthening demand – even though the implication might be a rise in interest rates. It also, and symmetrically, means sustaining money growth if demand weakens, thereby allowing interest rates to fall. The present stance of monetary policy is cautious in most countries, and some have slightly reduced target ranges for their chosen aggregates.

Many countries face a continuing problem in containing the growth and modifying the structure of public expenditure. The rapid growth of various categories, including many items of social expenditure, led to the situation where public sector deficits became an overriding problem, despite increases in the tax burden and reductions in public sector investment. It is only now that, in a number of countries, budgetary stabilisation has proceeded to the point where actual budget deficits are starting to narrow and ratios of government debt to GNP level out. In other economies, however, projected deficits continue, yielding persistently increasing debt/GNP ratios for some time to come. And almost everywhere rising public debt interest obligations exacerbate the public spending problem. Hence the need to restrain current government expenditure in many countries remains, all the more so given the desire actually to lower tax burdens and to make appropriate room for investment, both public and private.

In the United States the budget deficit has supported recovery, and strong economic performance there is contributing to recovery in the rest of the world. The

present level of general government indebtedness is not excessive, at least by international standards. But on presently-legislated policies the U.S. general government deficit – defined to include state and local, as well as Federal – is likely to rise in relation to GNP, with a progressively larger structural component. As an economy moves towards the peak of the cycle, it is generally appropriate for the fiscal position to move towards surplus, as tax receipts accelerate, cyclically-related payments reach their trough, and the private sector (particularly the corporate sector) borrows substantially to finance investment. Such a swing may permit the reduction of outstanding government debt, and leave government finances such that some automatic support to activity can be accepted, should activity weaken later. But on presently-enacted policies the U.S. structural deficit is set to widen further, bringing the total swing towards deficit between 1981 and 1985 to 3 percentage points of GNP. It is important that these large deficits be checked before they produce troubling levels of cumulative indebtedness and unwelcome pressures in capital markets. The U.S. Administration is in the process of gaining legislative approval for a “down payment” as a start to reducing the Federal budget deficit, and is considering ways of making further reductions in it.

There is a widespread perception that, unless convincing action is taken, the mix of fiscal and monetary policy in the United States will continue to imply high or even still higher real interest rates there, that the current account deficit will grow markedly and to unsustainable levels, and that additional interest rate payments on foreign debt will be a growing element in that deficit. Some of these future developments, particularly as regards interest rates, may have been brought forward to the present as a result of anticipation by economic agents. It is difficult to predict how these tensions will be resolved and what their implications for economic performance may be; and even more difficult to predict the timing of possible developments. (For a further discussion of the uncertainties and risks in the situation, see the relevant sections in Main Features of the Projections and International Monetary Developments.)

Towards better global balance

Some adjustments are occurring internationally to the present macroeconomic imbalances. The U.S. recovery, with its rapid import growth, is stimulating export and GNP growth elsewhere. At the same time high interest rates in the United States, in conjunction with other factors, have been a strong encouragement to capital inflows, pushing up the dollar. The consequent loss of international competitiveness, together with the strong import demand resulting from the recovery, have produced the matching large deficit on the current account of the balance of payments. A number of developing countries are among those experiencing concomitant strong export growth. This has served to reinforce the improvement in the current account already under way in a number of heavily-indebted countries as a result of import restraint. However, those with a large stock of foreign debt are also importantly affected by recent increases in interest rates.

Domestic and international financial markets have been showing signs of tension, for various reasons. As to the international debt problem, it is appropriate to continue to develop the present strategy, involving governments of debtor countries, private banks,

A datelined April 6, more than 450 clergymen throughout the country had joined Mazur in his fast, which began March 27.

In a pastoral letter read from every pulpit in Poland April 1, the nation's bishops affirmed the importance of the cross in Polish culture and history and renewed an appeal that the crucifixes be allowed to remain.

The letter followed a declaration of support for the protesters by Pope John Paul II. "These words touch upon a very painful issue," the Polish-born pontiff March 21 told a crowd of 30,000 worshippers at the Vatican. "I would like to express my profound solidarity with the preoccupation of the episcopate and the entire society of believers of our native land. Catholic society wants crosses in the places where young people are educated."

C **Walesa Joins May Day Protest.** Lech Walesa, founder of the outlawed Solidarity trade union federation, and thousands of supporters May 1 slipped into an official parade in Gdansk marking the May Day holiday honoring workers. [See 1983, p. 321E1]

As he marched past the official reviewing stand, Walesa flashed the "V" sign of resistance, while his supporters unfurled Solidarity banners and shouted Solidarity slogans before being dispersed by riot police.

D Despite a heavy police presence throughout the country and repeated government warnings against protests, street clashes were reported in Warsaw, Czestochowa, Szczecin, Wroclaw and Nowa Huta. However, antigovernment demonstrations were reported to have drawn fewer participants than in 1983.

Government spokesman Jerzy Urban described the antigovernment protests as "pitiful." He estimated that eight million Poles had joined government-sponsored marches, in "a beautiful demonstration for stabilization and socialist development in Poland."

E An estimated 6,000 protesters May 3 staged a brief pro-Solidarity rally in Warsaw marking the anniversary of the democratic constitution promulgated in 1791. The crowd was dispersed by riot police, who were reported deployed in force throughout the country.

F **11 Prisoners Refuse Release Offer.** Seven leaders of the outlawed Solidarity trade union federation and four former members of the Committee for Social Self-Defense (KOR), who had served as advisers to Solidarity, May 12 rejected a government offer to release them from prison in return for certain concessions. The dissidents were being held without trial on charges of conspiracy to overthrow the government. [See p. 187D2]

G The prisoners rejected what was described as a "final" government offer made through the intermediary of the Roman Catholic Church. No details of the proposal were revealed, but dissident sources said the prisoners had refused to accept anything short of an unconditional release.

The government reportedly had come to regard the prisoners as a political liability

and had begun in 1983 to explore ways of avoiding the potential embarrassment of bringing them to trial. Negotiations had been conducted through the church and the United Nations.

The government had originally sought to persuade the prisoners to emigrate to the West as a condition of their release. More recently, the authorities had tried to convince the 11 to plead guilty in court, pledge to refrain from political activity for two years or accept temporary exile in exchange for their release.

The imprisoned Solidarity leaders were Andrzej Gwiazda, Seweryn Jaworski, Marian Jurczyk, Karol Modzelewski, Grzegorz Palka, Jan Rulewski and Andrzej Rozplochowski. The KOR former members were Jacek Kuron, Adam Michnik, Henryk Wujec and Zbigniew Romaszewski. The case of a fifth KOR former member, Jan Josef Lipski, had been separated from the others because of his ill health. [See 1983, p. 183D3; 1982, pp. 965C2, 754B1, 660F2]

In other developments:

■ The trial of two policemen, two doctors and two ambulance attendants charged in connection with the 1983 death of Grzegorz Przemyslaw opened May 31 in Warsaw. The six had been indicted May 7 on charges of "taking part in a brawl which endangers the life or health of another." Przemyslaw's mother, Barbara Sadowska, who attended the first day of the trial, accused the authorities of covering up police involvement in the fatal beating. [See p. 187F2-D3]

■ Fifteen people had been detained in a raid on an underground printing operation, the official press reported June 6.

■ Marek Nowakowski, a dissident writer who supported the outlawed Solidarity trade union, had been arrested in Warsaw, it was reported March 10. Nowakowski was under investigation for "cooperation with persons who represent Western organizations conducting activity harmful to the interests of the Polish state," according to the official press agency, PAP.

■ Maciej Szczepanski, chief of Poland's radio and television under disgraced former Communist Party leader Edward Gierk, Jan. 13 was sentenced to eight years in prison and fined \$12,000 on corruption charges following a two-year trial. Szczepanski's top aide, Eugeniusz Patyk, received a seven-year prison term and a \$28,000 fine. Zbigniew Liszyk, a senior broadcasting official under Szczepanski, was sentenced to 20 months in jail and fined \$7,800. [See 1982, p. 6C3]

Commercial Debt Rescheduling Set. Representatives of more than 500 Western creditor banks announced April 26 that they had agreed to reschedule \$1.7 billion, or 95% of Poland's Western commercial debt due between 1984 and 1987. [See 1983, p. 997F2]

Details of the agreement were not officially released, but banking sources disclosed that the debt would be rescheduled over 10 years, with a five-year grace period. The sources said the banks had agreed to provide an estimated \$600 million-\$800 million in new and renewed trade credits

and would allow Poland to defer some interest payments.

The interest on the rescheduled debt, according to the sources, had been set at 1.75 percentage points above the London interbank offered rate, currently at 11.25%. In addition, Poland reportedly had agreed to pay a fee of 1% of the total amount rescheduled.

The latest accord completed the rescheduling of Poland's medium-term commercial debt. The agreement followed a series of annual rescheduling accords that began in 1981. Repayments of debt rescheduled in 1981 were due to begin in 1986. □

Spain

NATO, U.S. Bases Protested. An estimated 100,000 demonstrators in Madrid June 3 protested continued Spanish membership in the North Atlantic Treaty Organization and U.S. military bases in Spain. Organizers said the rally was the largest of several to be held against the pro-Western defense policy of the Socialist government.

Demonstrators June 3 called for an immediate, clearly worded and binding referendum on NATO membership and for the rejection of the U.S. military bases. They also urged the government to declare a neutralist foreign and defense policy.

Spain had joined NATO in May 1982. However, as soon as the Socialists took office in December of that year, they pledged to reexamine Spain's NATO membership. [See 1982, pp. 900B1, 409D1]

The four U.S. military bases had been established as part of a treaty signed in 1953 by U.S. President Dwight D. Eisenhower and Spain's Gen. Francisco Franco. Before the Socialists took power, the Spanish government and the U.S. in July 1982 had signed a new five-year agreement permitting the bases to be maintained. [See 1983, p. 152E2; 1982, p. 554C3]

Although the Socialist Party did not endorse the demonstration, its youth wing and the powerful Socialist labor organization, Union General de Trabajadores, supported the protest.

Premier Felipe Gonzalez June 3 issued a strong statement indicating that the Socialists did not intend to adopt a neutralist policy in the future and that they remained committed to Western defense.

The Socialist government reportedly was divided over the issue of continued NATO membership. Those supporting membership were said to argue that withdrawal from the Atlantic alliance was not feasible if Spain wanted approval for its bid to join the European Community. [See p. 197D2]

In visits to Spain in May, West German Chancellor Helmut Kohl and Italian Premier Bettino Craxi were said to have stressed the necessity of Spanish cooperation in both European defense and economic matters. Kohl, whose government strongly supported Spain's admission to the EC, said that it would be "unthinkable" for Spain to withdraw from NATO. □

Sweden

Volvo, Cardo, Wallenbergs Swap Stakes. AB Volvo and AB Cardo had agreed to

Facts On File® Yearbook 1984

The Indexed Record of World Events Volume XLIV

Stephen Orlofsky
Editor in Chief

Marjorie Bank
Managing Editor (Index)

Thomas E. Hitchings
Managing Editor (News)

Foreign Affairs
Marion Farrier, *Editor*
Lyn Perlmuth, *Editor*
Tom Crippen, *Associate Editor*
Lisa Master, *Associate Editor*

National Affairs
Joseph Fickes, *Senior Editor*
Raymond Hill, *Senior Editor*
Ken Park, *Editor*
Mark Sanborne, *Associate Editor*
Lewis Warsh, *Associate Editor*
Walter Kronenberg, *Editorial Assistant*
Nick Castillo, *Editorial Assistant*

Index
James C. Johnson, *Editor*
Janice Kinkel, *Associate Editor*

Art Department
Robin Smith, *Production Manager*
Susan Brooker, *Art Director*
Fran M. Fishelberg, *Assistant Production Manager*
Debbie Glasserman, *Production Assistant*
Duane Stapp, *Artist*



Facts On File Publications
New York. New York • Oxford. England

National Warning Strike Called in Poland; Warsaw Pact Forces Extend Maneuvers

Government, Union Negotiations Fail. Last-minute talks to avert a four-hour national warning strike were called off March 26 in the wake of increasing tensions between Polish authorities and Solidarity, the country's independent labor federation. Warsaw Pact military exercises in the country were extended the same day. [See p. 150D2]

Both sides were consulting among themselves, according to the brief announcement reporting cancellation of the latest round in a series of intermittent talks aimed at averting the warning action, which was to be followed in several days by a general strike. The latest confrontation had been brought on by the forcible disruption of a union protest the week before.

The labor situation in Poland had appeared relatively calm after the settlement March 10 of a dispute in Lodz.

Even though authorities March 12 had briefly detained Adam Michnik, a leading dissident, the authorities and the unionists had managed to defuse a potential strike in Radom, the site of worker-government clashes in 1976. [See p. 150B3; 1976, p. 543C3]

After several days of threats and vacillation on both sides, Solidarity March 16 called off plans for a series of work stoppages in the industrial city, 60 miles (96 kilometers) south of Warsaw.

The unions' demand for the resignations of regional governor Roman Mackowski and Janusz Prokopiak, the leader of the area's Communist Party branch, was accepted. The government also agreed to have a five-man delegation discuss the local union group's other grievances, which included an investigation into the 1976 Radom riots.

Meanwhile, farmers staged a sit-in in the rural city of Bydgoszcz. They occupied the local headquarters of an official agricultural group to demand recognition of their own independent organization, Rural Solidarity. [See p. 115C1]

Police Use Force on Farmers—On March 19 riot policemen in Bydgoszcz broke up a farmers' demonstration in the chambers of the local assembly. The farmers had been invited to address the Bydgoszcz council but were ultimately barred from speaking. Some of the more militant farmers, plus certain local councillors who sympathized with them, remained in the chambers after the meeting to draw up a protest.

Local police entered the building and gave the protestors 15 minutes to leave. When they refused to go, the police reportedly attacked several of them and dragged them out of the building. [See p. 14C1]

Three of the protestors, including Jan Rulewski, the local Solidarity head, were seriously injured in the attack.

The police action, the first major use of force in the eight months of labor unrest in Poland, immediately prompted several chapters throughout the country to issue strike alerts. However, Lech Walesa, the union group's national chairman, and other union leaders issued an appeal

for calm until a thorough assessment could be made.

On March 20, local Solidarity chapters in Bydgoszcz, Torun, Grudziadz and Wloclawek staged two-hour strikes. More than 500,000 workers were reportedly involved in the actions. The national commission of the union group ordered a halt to all talks with the authorities and called on all chapters to be ready for a large strike within several days.

Walesa demanded that the authorities punish those responsible for the Bydgoszcz attack. Union officials said they believed that the action might not have been ordered by the national government and added that they were willing to give Premier Wojciech Jaruzelski "the benefit of the doubt."

Deputy Premier Mieczyslaw Rakowski sent a commission to Bydgoszcz to investigate. The commission reported March 21 that it found no fault with the policemen's actions. It said that they had acted "decisively but not brutally" while clearing the hall.

The report left open the question of who was responsible for beating the protestors.

Rakowski and Walesa met March 22 for five hours of inconclusive talks. A communique issued after the meeting said that the talks had been "suspended" and would resume several days later.

Walesa successfully appealed to workers to postpone the national strike action contemplated for that day. He had reportedly threatened to resign if any job action were held.

Another government commission, headed by Justice Minister Jerzy Bafia, arrived in Bydgoszcz to investigate the incident there.

The Roman Catholic Church issued a statement March 22 that warned the government not to condone "irresponsible acts by the security services." The statement, issued in the name of Stefan Cardinal Wyszynski, urged the authorities to respect "the moral and physical inviolability of citizens."

The statement also warned the populace that their demands required "time and patience" to be realized.

The Communist Party Politburo held an emergency session the same day and warned that the "country faces serious danger." The party statement accused the unions of taking political action and of trying to spread unrest and distrust.

The statement charged that the Bydgoszcz protest was "a visible violation of the law." It said that the farmers and unionists had planned a sit-in at the local assembly hall.

Solidarity Calls Strike—A two-day meeting of the Solidarity national commission ended March 24 with a call for a national warning strike on March 27 and an indefinite general strike four days later if no settlement were reached with the authorities on a broad range of issues.

The Solidarity demands included punishment of the Bydgoszcz area officials



FACTS ON FILE®

World News Digest with Index

©1981 by Facts On File, Inc.

Volume 41, No. 2106

March 27, 1981

First of two sections.

IN THIS ISSUE

World Affairs

National warning strike called in Poland; Warsaw Pact forces extend maneuvers; government, union negotiations fail; police use force on farmers; Reagan warns Soviets on intervention.

African leaders score U.S. policies.

New Israeli party backs West Bank exit; 3 UNIFIL soldiers slain in Lebanon; Syria invites raids on Israel.

Sihanouk-Pol Pot Indochina unity talks fail.

New Soviet cosmonaut team launched into orbit; worker dies after U.S. space shuttle test.

Six Persian Gulf nations form bloc.

Norway, Sweden sign energy pact.

U.S. OKs Israeli jet sale to Ecuador.

Pages 185-188

U.S. Affairs

Haig loses dispute over 'crisis management'

team post; National Security Council aides' remarks disavowed.

Reagan addresses conservatives; women's groups attack budget.

Sen. Baker asks delay on social issues.

Coal labor contract negotiated.

L.A. busing program ended.

Burnett wins libel suit vs. Enquirer.

Teen-age abortion notice law backed by Supreme Court; male-only statutory rape law upheld; other actions.

'80 U.S. payments surplus reported.

UAW won't reopen GM, Ford contracts.

Interstate S&L bailouts OK'd.

IRS moves to stem Michigan tax revolt.

Stockman defends consumer budget cutbacks.

Reagan asks early end to CAB.

Arkansas creationism teaching bill signed; other U.S. news.

Pages 189-197

Other Nations

Afghan refugee flow to Pakistan up.

Australian-U.S. B-52 accord described.

Canada disallows U.S. takeover bids.

El Salvador gets more U.S. military advisers.

New British party officially formed.

Italy announces austerity measures.

Mozambique food aid suspended by U.S.

Rebels kill 122 Philippine troops.

S. African military aide met U.S. official.

Turkish diplomats slain in Paris.

Zambia shuffles top officials.

Pages 197-207

Miscellaneous

Insulin-slaying charge dropped; diet doctor's killer sentenced; more crime news.

Pages 207-208

*Section Two is an interim index.

REFERENCES in brackets give location of background information in this & preceding volumes

A responsible for the attack, the formal recognition of Rural Solidarity, the guarantee of unobstructed actions for the labor movement, increased access to the national news media and the end to prosecution of political prisoners who had supported the union.

In addition, they demanded the end of half-pay for strikers and a halt to all proceedings against dissidents for actions between 1976 and 1980 "even if their activities constituted offenses in the light of then-existing laws."

B The two-day meeting had been heated, with Walesa walking out at one point in a dispute over the strike timetable. In the end, his plan for the provisional warning strike and the following general action were accepted.

C The unions also authorized Walesa to head a 10-man crisis committee to oversee the national strike actions from a command post inside the Lenin Shipyards in Gdansk. The shipyards had been the center of the labor unrest in August 1980.

Stanislaw Kania, the leader of the country's Communist Party, replied immediately to the unions' announcement. He called the strike appeal "an invitation to self-annihilation."

Kania emphasized the country's failing economy and political polarization, calling the situation "the most dangerous since August."

D Representatives of the unions and the authorities met for 90 minutes March 25 but were unable to make any progress. The meeting reportedly broke up because the government negotiators, led by Deputy Premier Rakowski, had no response to the union demands that had legal ramifications. The talks were rescheduled for the next day.

E Walesa said the talks had been postponed because Justice Minister Jerzy Bafia was not prepared to answer the unions' claims.

The government side responded, saying the union demands were irresponsible and had been presented in the form of an ultimatum.

The Polish state radio reported March 25 that there was only enough food left in the country for 12 days. Coffee, cheese, butter and other supplies were added to the list of rationed food items. [See p. 145D3]

F The talks failed to resume March 26, at the initiative of the government. However, Premier Jaruzelski met with Cardinal Wyszynski in a last-minute attempt to avert the national strike warning threatened for the next day.

An official statement said simply that the church and government heads had met to discuss ways of overcoming social tension and halting strikes.

G Meanwhile, the union leadership vowed that the warning strike would take place as scheduled. Workers were told to prepare to occupy factories.

Western television networks, preparing to cover the strike, were told early in the morning of the planned day that they would not be able to use Polish facilities in transmitting reports from Warsaw. The ban was not explained.

Military Exercises Extended—An official East German statement March 26 said that Warsaw Pact military exercises in Poland, East Germany, Czechoslovakia and the Soviet Union had been extended for "several more days." [See p. 151B2]

The maneuvers, which Polish newspapers reported March 18 had begun, were code-named "Unity '81." Described as staff exercises, they reportedly involved fewer than 25,000 troops, which was the minimum level set by the 1975 Helsinki accords on European security for 21-day notification and opportunity for foreign military observation.

Western military experts initially said that the exercises were designed to demonstrate that the Polish army was under the full command of the Soviet-led alliance.

Reagan Warns Soviets on Intervention—U.S. President Ronald Reagan March 26 warned the Soviet Union that any intervention in Poland or any internal measures "aimed at suppressing the Polish people" would have a "grave effect on the whole course of East-West relations." [See p. 48A2]

Reagan's warning, the first by the President on the Polish situation, coupled the stern signal with the promise of continued economic support to the Poles so long as "a peaceful solution to their problems through negotiations" was sought. [See p. 145B2]

The heightened U.S. concern was prompted by the announcement of the extension of the Warsaw Pact maneuvers. One American official said that the Soviets and their allies "have the infrastructure to move into Poland very, very quickly."

Another official said that "all signs are bad" in the situation in Poland.

The White House statement was similar to warnings issued in December by the Carter administration. U.S. officials believed the December warnings, made when the Soviets had first increased their troop strength around Poland, had helped prevent a Warsaw Pact invasion then. [See 1980, pp. 949A1, 929A1]

African Affairs

Leaders Score Reagan Policies. The leaders of several important African nations had begun to criticize the Reagan administration's emerging African policies. [See p. 180F2]

Nigerian President Shehu Shagari and Zimbabwe's prime minister, Robert Mugabe, openly criticized the apparent leanings of the new administration toward South Africa. They also scored the administration's efforts to repeal legislation that prevented the U.S. from aiding pro-Western guerrillas in Angola.

Other African leaders, including Mozambique's Samora Machel and Sierra Leone President Siaka Stevens also criticized the Reagan approach. In addition, both government-run and independent newspapers in several east African countries had joined in the condemnation.

President Shagari, in London for a state visit, said March 20 he would give Reagan "the benefit of the doubt" until the U.S. completed its review of policy toward South Africa. However, he warned that Nigeria believed that only tough economic

sanctions against South Africa would achieve the end of "the evil system of apartheid" there, which he charged was practiced with Western "collusion and encouragement."

He believed also that only a hard line would force the South Africans to grant independence to the disputed territory of Namibia (South-West Africa).

Speaking of Angola, Shagari warned the U.S. not to "support rebels in a sovereign African nation." The president said it would be "extremely serious."

He did not specify any possible Nigerian retaliation. However, observers recalled that Nigeria, the largest exporter of oil to the U.S. after Saudi Arabia, had nationalized British oil interests in August 1979 when it appeared the United Kingdom government contemplated lifting trade sanctions against South Africa and the then-white-led government of Rhodesia. [See 1979, p. 545A2]

Prime Minister Mugabe also warned the U.S. not to back the Angolan anti-Marxist rebels of UNITA (National Union for the Total Independence of Angola).

Mugabe, speaking in Salisbury March 19, said U.S. support of the UNITA rebels led by Jonas Savimbi would be "extremely repugnant."

He also said it was time for the U.S. to decide whether to support guerrillas training to fight in South Africa or to back that country's government "against us."

President Stevens, meeting Mugabe in the Zimbabwean capital the day before, said that the "Reagan administration appears to be bent on supporting South Africa at all costs."

Stevens, the 1981 chairman of the Organization of African Unity, said March 18 that he had written Reagan a letter that he hoped "will have some effect on their final decision on their policy toward South Africa."



FACTS ON FILE®

World News Digest with Index
ISSN 0014-8641
Publication #013680

Managing Editor: Stephen Orlofsky
Index Managing Editor: Dorothy Kattleman
Assistant Managing Editor: Hal Kosut
Index Assistant Managing Editor: Marjorie Bank
Senior Editors: Joseph Fickes (national), Raymond Hill
Editors: Chris Larson, Jeffrey Shapiro
Index Editor: Kurt L. Roth
Associate Editors: Deborah A. Branciforte, Richard Levitt, Sheryl Lynn Presser
Index Associate Editor: James C. Johnson
Editorial Assistants: Davina Smith, Conrade Welch

FACTS ON FILE is published weekly by Facts on File, Inc., 119 W. 57th St., New York, N.Y. 10019 (Columbus 5-2011).

Subscription \$329 a year. Yearbooks (bound volumes) available from 1941. Cumulative Index published twice a month. Howard M. Epstein, President; Edward W. Knappman, Vice President; Henry H. Grant, Vice President-Treasurer-Secretary; Dorothy Kattleman, Assistant Vice President; 2d class postage paid at New York, N.Y., and at additional mailing address.

Facts on File Yearbook 1981

The Indexed Record of World Events
Volume XLI

member for 31 years,
maker from 1945 to

A

them they allow
before," lands.
The Provisional
in Jan. 9,
evening attack
at

A

Supply Side Analytics

THE URGENCY OF INTERNATIONAL TAX RELIEF

By Alan Reynolds

A detailed comparison of 24 industrial and semi-industrial countries reveals that all but 4 have experienced dramatic bracket creep since 1979. Those with the highest tax rates at the lowest incomes share the following characteristics:

- Imports have fallen since 1980.
- Capital formation has fallen for a decade.
- A shrinking percentage of men are either working or seeking work.
- Economic growth has been anemic since 1977-79, and mainly consisted of government consumption.
- Currencies are weak against the dollar and yen.
- Government deficits are huge and chronic and (unlike the U.S.) national debt has risen faster than GNP.

Contrasts between 38 less-developed countries are even more striking. Fourteen with low and falling tax rates experienced 6.5% annual economic growth in 1980-83, while the 3 highest-taxed countries in four regions saw real GDP shrink by 1.4% a year. India, China, Singapore, and Botswana are among the supply-side success stories, while Jamaica, Peru, Costa Rica and the Philippines are being taxed into oblivion.

April 22, 1985

POLYCONOMICS, INC.

Political and Economic Communications

THE URGENCY OF INTERNATIONAL TAX RELIEF

The trade problem is not bilateral but global, not between the U.S. and Japan but between such successful economies and all others. There is not enough trade—the world cannot export more than it imports. The volume and price of world trade remains severely depressed—inadequate to generate export earnings to service international debts. Weak, overtaxed economies of Europe, Latin America and Africa have slashed imports and become disproportionately dependent on the imports of the United States, Japan and other low-tax Asian countries.

The problem for U.S. exporters is not relative but absolute—their share of markets outside the U.S. is rising, but those markets are contracting. Trading industries that are distressed within the United States are the same industries that are depressed abroad. The U.S. share of world exports rose from 12.1% in 1980 to 12.8% in 1984, and from 18.3% to 19.7% in manufactured goods.¹ U.S. exports of manufactured goods were up 12% in the year ending in January, and up 10% in sales to Japan in fiscal 1984.

Table 1 shows the laggards in world imports have something in common—they are all high-tax countries. Most of Europe and the LDCs cannot afford to import because they have taxed themselves into stagnation and debt. By contrast, Japan's imports rose 7.5% last year, or \$10 billion. The lower-taxed Asian countries, such as Hong Kong, China, Singapore and South Korea, have been even more vigorous importers.

Table 1
Change in World Imports
1980-1984 III
(in U.S. dollars)

High-Tax Countries:		Low-Tax Countries:	
Sweden	-40%	United States	41%
Netherlands	-35	Malaysia	41 ✓
Belgium	-19	South Korea	39 ✓
Italy	-28	Turkey	33
Denmark	-29	Hong Kong	31 ✓
France	-48	China	23 ✓
Norway	-34	Canada	23
Germany	-30	Singapore	17 ✓
United Kingdom	-17	Bahrain	12
Greece	-39	Thailand	9 ✓
Ireland	-26	Japan	-5 ✓
Africa	-23	OPEC	-10
Latin America	-65		

Source: IMF, *World Financial Statistics* (February 1985).

As foreign tax policies contract the volume of world imports (and exports), U.S. monetary policy deflates the dollar value of that smaller volume of trade. U.S. producers cannot afford to export, because the Fed's rising dollar has driven export prices down to bankruptcy levels. The BLS index of U.S. export prices fell at a 7% annual rate in the last half of 1984, with food and raw materials deflating at 25-29% rates. The IMF index of dollar prices of LDC commodity exports is down by one-third since 1980, with half of that decline occurring in the past year.

U.S. monetary policy can repair the past year's decline in the dollar value of traded goods, but the U.S. and Asia alone cannot offset the weak volume of imports among overtaxed economies. For that, the world needs substantial reform of tax policies in the weak economies. Paul Volcker is right—the world urgently needs a tax cut.² The world needs more Japans.

* * * * *

This report provides detailed information on the tax structure and economic performance of 62 countries (all the countries for which data are available except major oil exporters). We find the overtaxed economies have several undesirable features in common, in addition to their declining share of world imports.

Table 2 ranks industrial and semi-industrial countries by their marginal tax burden, with the most heavily-taxed countries at the top of each group. These rankings are mainly based on maximum individual tax rates and the income "thresholds" (in dollars) at which those rates apply. The individual income tax is by far the largest tax, with the highest marginal rates. However, the ranking is partly based on all other national and local taxes, which are summarized in Appendix 1.

The first two columns of Table 2 show dramatic "bracket creep" between 1979 and 1984 in the most heavily taxed economies. An asterisk in the left margin indicates countries in which tax rates were reduced, or thresholds increased, since 1975.

The two columns on the right show recent economic growth rates over four years, and annual increases or declines in real gross capital formation over ten years. In the five most overtaxed major economies real GDP grew by 0.7% a year from 1980 to 1983, compared with 2.1% in the five relatively lower-taxed economies. *Capital formation declined for a decade in all the overtaxed economies*, which included the United Kingdom until April 1984 (when the surcharge on investment income was repealed). Switzerland's weak capital formation may indicate that country's wealth tax significantly reduces the net return on capital.

Table 3 shows the economies with severe bracket creep have an increasing number of dropouts from the male labor force. Unemployment usually exceeds 10% in these countries, but would be much higher if it were not for the fact that fewer and fewer men are motivated to even seek employment. The Swedish unemployment rate is also kept low by a scheme that is ultimately doomed. The government hires a thousand people, takes half their salary in taxes and uses that to hire 500, and so on. Even with Sweden's zero population growth, that is not a viable way to raise living standards.

Most growth of GDP in the highest-taxed countries is a statistical illusion. From 1975 to 1982, for example, real government consumption in Sweden grew by 3% a year, but manufacturing fell by 1% a year, agriculture fell by 0.5% a year, and capital formation (including government) fell by 2% a year. That adds up to 1% GDP growth, but it is growth of government spending, not of the economy.³

Table 2
Individual Tax Rates and Economic Growth

	Maximum Individual Tax Rate		Annual Change Real GDP Capital Formation	
	<u>1979</u>	<u>1984</u>	<u>1980-83</u>	<u>1973-83</u>
<i>Major Industrial:</i>				
*Sweden	87 @ \$ 38,700	82 @ \$25,300	1.0	-0.6%
Netherlands	72 @ 92,600	72 @ 61,400	-0.3	-1.6
Belgium	76 @ 136,400	76 @ 63,000	0.9	-1.2
Italy	72 @ 595,000	81 @ 257,900	0.6	-0.4
Denmark	66 @ 26,900	73 @ 22,200	1.2	-3.3
France	60 @ 92,000	65 @ 31,900	1.0	0.5
*Norway	75 @ 60,000	64 @ 33,900	2.4	2.0
Germany	56 @ 140,800	56 @ 41,200	0.5	0.2
Luxembourg	58 @ 63,400	60 @ 55,000	1.3	-2.5
*United Kingdom	83 @ 48,600	60 @ 41,700	0.5	-0.3
*Austria	62 @ 111,500	62 @ 67,900	1.5	0
Canada	47-62 @ 84,100	49-60 @ 44,800	1.0	1.3
*Finland	51 @ 64,500	51 @ 61,600	3.3	0.9
*Switzerland	31-44 @ 55,300	33-46 @ 151,000	1.4	-0.4
*United States	70-86 @ 60,000	50-66 @ 162,400	1.0	0.5
*Japan	75 @ 396,900	70 @ 317,400	3.8	1.9
<i>Other Industrial:</i>				
Greece	60 @ \$ 82,200	63 @ \$ 37,900	0.4	-1.9%
New Zealand	60 @ 23,100	66 @ 17,900	1.6	-0.6
*Ireland	60 @ 14,200	65 @ 19,800	2.2	1.8
*Portugal	84 @ 20,900	77 @ 16,200	4.7	0.9
Spain	66 @ 142,000	66 @ 70,300	1.3	-1.0
*Australia	62 @ 37,700	60 @ 29,500	1.9	0.7
Turkey	NA	60 @ 55,900	2.9	3.6
Cyprus	60 @ 13,900	60 @ 21,700	4.0	NA

*Indicates countries in which tax rates have been reduced, or thresholds raised, since 1975. A range of tax rates indicates varying regional taxation.

Sources: Price Waterhouse, IMF, OECD. Thresholds calculated using exchange rates on March 1, 1979 and December 31, 1984.

Table 3
Change in Male Labor Force
Participation
1975-83

Sweden	- 3.8%
Netherlands	- 3.6
Belgium	- 5.4
Italy	- 4.0
Denmark	- 0.7
France	- 6.3
Germany	- 8.8
United Kingdom	- 4.9
Spain	- 15.1
Ireland	- 2.3
Canada	- 1.4
United states	0
Japan	- 0.7

Source: Morgan Guaranty,
World Financial Markets
 (December 1984).

Table 4 shows that currencies of high-tax countries have fallen most rapidly against the dollar over the past year. Currencies of low-tax Asian countries (discussed in the next section) have been even stronger than the yen. Countries with steep consumption taxes (VAT) and low corporate taxes appear particularly vulnerable to both currency weakness and declining capital formation, which may indicate tax-induced capital outflows.

This evidence is consistent with Paul Volcker's advice that tax cuts in Europe "could be usefully employed, for instance, in improving incentives."⁴ Some German officials wrongly interpret this as a call to "retiate," as though tax incentives were equivalent to monetary ease. On the contrary, if Europe insists on holding supply down through hyper-taxation, then monetary policy abroad must be tighter in order to avoid capital flight, depreciating currencies and inflation.

The theory that exchange rates are determined by budget deficits, rather than tax policy, does not explain anything. Norway had budget surpluses every year since 1970, while Belgium runs deficits amounting to 13% of GNP. Growth of the money supply has been much slower in Belgium than in the U.S., yet the currencies of both Norway and Belgium are equally weak against the dollar.

Table 5 shows budget deficits have been consistently larger in the high-tax countries, with the exception of Japan and Norway. While total government debt was unchanged in the United States from 1970 to 1984, relative to GNP, debt burdens outpaced economic growth in all of the seven overtaxed economies. Higher tax rates are the cause of permanent budget deficits, not the cure.

Table 4
Tax and Exchange Rates

	Exchange Rate vs/\$ 3/84 - 3/85		Exchange Rate vs/\$ 3/84 - 3/85
<i>High-Tax Countries</i>		<i>Medium-Tax Countries</i>	
Sweden	- 22%	Austria	- 18%
Netherlands	- 27	Canada	- 9
Belgium	- 25	Finland	- 22
Italy	- 29	Japan	- 15
France	- 26	Spain	- 22
Denmark	- 24	India	- 20
Germany	- 27		
Norway	- 26	<i>Low-Tax Countries</i>	
United Kingdom	- 29	Hong Kong	- 1
Greece	- 37	Singapore	- 8
Ireland	- 25	South Korea	- 7
		Malaysia	- 12
		Taiwan	- 1

Source: Federal Reserve

Ulf Jakobsson summarized research on Swedish taxation as follows:

Stuart and Feige both reach the conclusion that Sweden is on the downward-sloping part of the Laffer Curve. Stuart in his study finds that 75 percent of the decline in Swedish growth rates in the 1970's could be explained by increased taxes. Hansson and Stuart in their 1982 study based on average tax rates conclude that while Sweden is still on the upward portion of the Laffer Curve, it is on a segment where tax increases have become sharply detrimental to output. In a 1981 study focused solely on income taxation, Jakobsson and Normann reached a similar conclusion.⁵

Since Swedish tax rates are already past the point of diminishing returns, it must follow that other countries with similar tax schedules could also raise more revenue with lower marginal tax rates. That clearly includes the Netherlands, Denmark, Belgium, France, Italy and Germany.

In a recent *Wall Street Journal* article, I contrasted average tax rates in 14 industrial and semi-industrial countries with the growth in real tax revenues from 1975 to 1982.⁶ The purpose was to show that raising the percentage of GNP devoted to taxes does not necessarily raise real revenues over time. Governments cannot pay their bills with percentages, and 40% of GNP that is not produced is zero.

Growth of real tax revenues was expressed in 1972 dollars, and included state and local revenues. The comparison also holds up well if revenues are adjusted for inflation using each country's GNP deflator or CPI, and also excluding state and local governments. On that basis, real tax revenues fell 7% in Sweden and 3% in Germany, from 1975 to 1982, but rose 27% in Finland, 32% in the U.S. and 76% in Japan. Revenues for 1983 are not available for Sweden and some other countries, but real revenues fell in 1983 in Belgium, the Netherlands, France, the United Kingdom and Ireland. In Germany, real revenues in the third quarter of 1984 were still down 3% from the fourth quarter of 1981, and industrial employment was down 7%.

Table 6 shows the short-term U.S. experience with both reduced and increased marginal tax rates from federal income and Social Security taxes. Even when tax rates were much lower than today, large increases in tax rates yielded below-average increases in real revenues within a year, while *reduced* tax rates yielded *sizable revenue increases*. These figures include all federal, state and local revenues, because reducing one tax raises the revenue base for other taxes.⁷

Among the overtaxed European economies, simply maintaining the existing tax structure appears sufficient to ensure chronic stagnation, declining real revenues and rising real transfer payments. There have been some tax reductions in Europe, indicated by asterisks in Table 2, but most have been timid and trivial. The U.K. and France recently lifted surtaxes on high incomes, but rate reductions in Sweden (and perhaps Norway) were largely offset by bracket creep.

Austria slashed individual tax rates in 1976. At an income of \$20,000, taxes fell 55% for singles and 24% for families. Real GDP growth was 4.5% in 1976-77, and real revenues rose 6%. Austria has no tax on capital gains and the Social Security tax has a zero marginal rate above \$25,000 a year.

Table 5
GOVERNMENT DEFICITS AND DEBT
Percent of GNP

	<u>Deficit/GNP</u>	<u>Gov't. Debt/GNP</u>	
	1980-84	1970	1983-84
Sweden	4.6%	31%	67%
Netherlands	5.9	51	61
Belgium	10.5	73	116
Italy	11.4	44	* 85
Denmark	6.6	11	63
France	2.2	29	* 37
Germany	2.9	18	* 41
United Kingdom	3.0	86	* 55
Austria	2.1	19	45
Canada	4.0	54	* 58
Finland	0.1	16	19
United States	2.6	46	* 46
Japan	3.5	12	* 67
Greece	9.5	21	42
Ireland	11.4	NA	NA
Spain	4.5	14	31
Australia	1.5	42	25

*Debt/GNP ratios are for 1984 for these countries, 1983 for others. All figures include state and local government.

Sources: Vito Tanzi, "The Deficit Experience in Industrial Countries" in P. Cagan (ed.), *Contemporary Economic Problems* (A.E.I., 1985); OECD *Economic Outlook* (Dec. 1984) p. 32; Morgan Guaranty, *op. cit.*

Table 6
SHORT-TERM EFFECTS OF U.S. TAX RATES ON REAL REVENUE

	<u>Change in Marginal Tax Rate (Federal)¹</u>	<u>Change in Real Revenue (lagged 1 yr.)²</u>	
<i>Reduced Tax Rate:</i>			
1954	- 11.2	11.1 %	
1958	- 1.7	10.1	
1964	- 11.3	5.1	
1965	- 3.9	7.7	
1970	- 7.4	- 0.5	
1971	- 1.5	7.2	
1982-83	- 7.5e	4.2	
1984	- 2.1e	7.0e	
	46.6	51.9	1,113,733
<i>Increased Tax Rate:</i>			
1951	18.8	0.6 %	1,1311
1952	7.9	2.4	(8,49)
1968-69	16.2	0.3	
1973	6.2	0.6	
1978	8.8	3.6	
	57.2	7.5	

1. Average marginal rate from federal individual income and social security taxes. From R. Barro & C. Sahasakol, *Journal of Business* (Oct. 1983) and FRBSF *Economic Review* (Winter 1985).

2. Includes federal, state and local revenue (net of federal grants) adjusted by government purchases deflator: *Economic Report of the President*, 1985.

Finland sharply reduced individual tax rates in 1978-79. Real GDP growth rose from 0.2% in 1976-77 to 6.5% in 1979-80—fastest in Europe. With the second lowest tax rate in Europe, Finland experienced 1.8% growth even in 1982, and about 4% since. Unemployment is 6%, half the European norm.

Europe as a whole has yet to follow the example of Austria and Finland. Real economic growth in 1984 was only 2-3% in the overtaxed economies, and even that was dependent on exports to the U.S. By the end of 1984, industrial production was still below the 1980 level in France and Italy, and only 3% higher in Germany and the U.K.

Among the semi-industrial countries at the bottom of Table 2, there are instructive contrasts between the economic performance of New Zealand and Australia, or between Greece, Turkey and Cyprus.

Inflation has been converting Spain and Portugal into higher-taxed countries, but the Spanish peseta was stronger than the Deutschemmark over the past year.

Greece is a case of high marginal tax rates on a narrow base, yielding little revenue and widespread evasion. (France, which has no withholding, is another example.) Agriculture is exempt from the individual income tax in Greece, and shipping is exempt from the corporate tax. Social Security and consumption taxes are higher than in comparable countries.

Ireland cut the corporate profits tax on manufacturing, in 1981, from 45% to 10%. Capital formation fell by 6.2% in 1982 and 7.9% in 1983, and real GDP slowed from 1.9% to 0.6%. Real tax revenues in 1983 fell by 12%. Ireland's problem was not the corporate tax, but a 65% tax rate on individuals at an income of less than \$20,000.

The damage from high marginal tax rates depends on whether or not anyone earns enough to be subject to those rates. In most cases, recent tax-induced stagnation has been caused by rapid reduction of income thresholds at which high tax rates apply—bracket creep—rather than high rates *per se*.

In the United States, "only the top 2 percent of taxpayers paid marginal tax rates of 30 percent or more in 1962. Thus, as recently as the early 1960's, the structure of the income tax in the U.S. was essentially that of a flat tax, except for the top 3 or 4 percent of earners... By 1980, 26 percent of taxpayers faced marginal tax rates of 28 percent or more, up from only 2.7 percent as recently as 1965."⁸

Until recently, Japan was like the U.S. in the early 1960's—imposing phantom tax rates on incomes so high, after generous deductions, that even professionals and corporate CEOs were unaffected. "Last year the top rate of national income tax was cut by 5 percent," notes the *Financial Times* (January 28), but "since 1978, adjustment of tax brackets has lagged behind inflation." With growing real incomes, Japan's high tax rates are beginning to bite. In the first six quarters of this recovery, real gross capital formation rose 25% in the United States, but fell 1% in Japan.

To remain competitive with lower-taxed Asian countries, and in the global market for capital, Japan will have to return to its previous practice of reducing tax rates or raising thresholds every year.⁹

These comparisons between industrial countries are not as dramatic as the following comparisons between less developed countries, because all the industrial economies face destructive tax rates. While industrial economies are being taxed into gradual suffocation, the less developed countries are instead sharply divided between (1) low-tax countries experiencing startling growth, and (2) an increasing number of collapsing economies with staggering tax rates at remarkably low incomes.

* * * * *

In 1983, 40% of the world's developing countries had economic growth rates below zero. The proportion of contracting economies had risen in each of the previous four years, up from 10% in 1979. Average growth of real GDP slowed from 5.2% a year in 1973-79 to 2% in 1980-83.¹⁰

Collectively, the economies of developing countries are nearly as large as Europe and twice as large as Japan. It makes little sense to discuss world trade and capital flows without examining the weakest link.

Table 7 compares individual tax rates, thresholds and economic growth in four regions. The high-tax countries are again at the top of each group. Countries which have reduced tax rates or raised thresholds are shown by an asterisk, except when falling thresholds clearly wiped-out a rate reduction. The third column introduces a "threshold-income ratio" to indicate whether high tax rates apply at incomes that are high or low relative to 1982 per capita GNP (in 1980 dollars).

Compare average growth of real GDP in the three highest-taxed countries in all four regions with the three lowest-taxed countries. The low-tax countries grew, on average, by 4.9% a year in the troublesome four years, 1980-83, while the high-tax economies actually shrank by 1.4% a year. Supply-side

Table 7
Individual Tax Rates: Developing Countries

	Max Individual Tax Rate		Threshold- Income Ratio¹		Real GDP (1980-83)
	1979	1984			
<i>North & Central America</i>					
Jamaica ²	80 @ \$ 17,400	58 @ \$ 2,800	2		- 0.9 %
Costa Rica ²	50 @ 40,700	50 @ 2,300	2		- 3.6
El Salvador	60 @ 100,000	48 @ 12,200	18		- 7.5
*Puerto Rico	79 @ 200,000	68 @ 200,000	52		- 1.5e
Mexico	55 @ 65,800	55 @ 61,600	29		2.8
Nicaragua	50 @ 200,000	50 @ 70,200	82		4.8
Guatemala	40 @ 500,000	48 @ 337,000	314		0.2
Honduras	40 @ 500,000	46 @ 495,000	789		0.4
Panama	56 @ 200,000	56 @ 200,000	100		6.3
<i>Asia - Pacific</i>					
Western Samoa	50 @ \$ 13,900	50 @ \$ 4,700	1		- 3.9 %
Papua New Guinea	50 @ 42,700	50 @ 4,200	5		0.4
Fiji	53 @ 10,000	50 @ 17,300	9		- 0.2
Pakistan	55 @ 5,000	60 @ 6,800	19		7.1
Malaysia	60 @ 34,400	60 @ 41,000	24		6.6
India	60 @ 12,000	68 @ 8,000	33		5.1
Philippines	70 @ 68,500	60 @ 25,300	33		3.2
*So. Korea	89 @ 173,200	55 @ 72,300	44		4.7
Thailand	60 @ 50,000	65 @ 73,500	98		5.5
*Indonesia	50 @ 15,400	35 @ 46,500	84		6.1
*China	0-30 @ 50,000	0-30 @ 50,000	200e		6.8
Hong Kong	15 @ 20,700	25 @ 5,100	1		7.0
*Singapore	55 @ 185,200	45 @ 344,300	62		8.6

Table 7 (continued)
Individual Tax Rates: Developing Countries

	Max Individual Tax Rate		Threshold- Income Ratio¹		Real GDP (1980-83)
	1979	1984	1979	1984	
<i>Africa</i>					
Zaire ²	60 @ \$ 6,200	60 @ \$ 1,400	8		1.0
Zambia	70 @ 16,300	80 @ 11,100	20		2.0
So. Africa	60 @ 33,300	50 @ 20,000	8		2.1
Morocco	64 @ 189,900	87 @ 78,400	102		2.0
Zimbabwe	45 @ 25,000	63 @ 23,100	26		5.5
Malawi	45 @ 15,200	50 @ 14,000	70		1.9
*Egypt	80 @ 142,900	65 @ 153,800	241		6.5
*Botswana	75 @ 48,000	60 @ 27,400	32		11.0
<i>South America</i>					
Peru	65 @ \$ 39,000	65 @ \$ 40	0		-1.3
Bolivia	48 @ 11,000	30 @ 47	0		-4.2
Chile	60 @ 30,800	57 @ 3,700	2		-0.3
Brazil	55 @ 76,400	60 @ 10,800	5		0.8
Argentina	45 @ 73,700	62 @ 67,900	29		-1.8
Ecuador	50 @ 108,900	58 @ 28,900	25		1.8
*Columbia	56 @ 26,500	49 @ 57,600	42		2.0
Paraguay ²	0	0	—		5.9

*indicates countries that significantly reduced tax rates, or raised thresholds, since 1975. Omits countries (e.g., Bolivia and Philippines) in which the rate reduction was offset by falling thresholds.

¹Income at which the highest tax rate applies divided by per capita GNP in 1982 (1980 dollars).

²GDP through 1982 — 1983 data not available.

Sources: Price Waterhouse, IMF. Exchange rates used: March 1, 1979 and December 31, 1984.

theory provides an explanation that is fully consistent with this evidence, while no other systematic monetarist or Keynesian explanation has been, or could be, offered.

Truly devastating taxation of poor people is relatively new in modern history, occurring since 1980 in most cases and since 1983 in a few. Before that, many "developing" countries merely stagnated under European-style tax penalties on added income. Only a few had taxed themselves into continually falling per capita income. In Jamaica, an early example, per capita real GDP fell 38% from 1972 to 1982.

Since 1977, the Jamaican dollar dropped from parity with the U.S. dollar to 5-to-1. Consumer prices tripled, and Jamaicans now find themselves in a 58% tax bracket at an income of \$2,800 a year. A

third of Jamaica's professionals and managers have reportedly left the country, and there is considerable barter and underground commerce in tourist currencies.

A few years ago, the individual income tax still raised 17% of Jamaica's shrinking tax revenues—small reward for ruining the country. Jamaica's budget deficit was 21% of GDP by 1980, and the unavailability of recent figures is rarely a sign of progress.

The "threshold-income ratio" reveals that the top tax rate applies at only 2-times per capita GNP in Costa Rica (\$2,300 a year), but at 100-times per capita GNP in Panama. That is because Panama is on the dollar standard, while Costa Rica is on the IMF standard ("floating"). Puerto Rico is also on the dollar, but their 68% tax rate remains uncompetitive. Reducing that rate to 50% would theoretically reduce revenue by a mere \$10 million, but would actually attract and retain skilled people and related capital.

Even Nicaragua, which resisted rapid devaluation until 1984, did relatively well (albeit from a deep depression in 1978) compared with the runaway "bracket gallop" in Costa Rica and El Salvador. Guatemala and Honduras also kept their currencies relatively sound, avoiding extreme "taxflation."

In the Asian-Pacific area, there are more success stories. But Western Samoa and Papua New Guinea (like Costa Rica and Jamaica) let their currencies sink. Most other countries have "phantom" tax brackets, like the U.S. in 1965 or Japan in 1977, where top tax rates only apply to taxable incomes higher than the economies can yet produce. Quite unlike any other region, over half of the Asian countries have not only avoided bracket creep, but have raised tax thresholds since 1979. Malaysia is a good example; Malaysia's economy grew by 7.3% in 1984. There were also huge reductions in tax rates in South Korea, Indonesia and Singapore.

India just announced an increase in thresholds and a cut in the top tax rate to 50% (agriculture was always tax-exempt). The corporate tax rate is cut from 25% to 15%, the wealth tax has been reduced, and death duties abolished. "The cuts are partly aimed at encouraging industrial investment and faster growth and at curbing the country's booming black economy," reports the Financial Times (March 18), but the tax package "was larger than would have been allowed by the International Monetary Fund if its...arrangement had not been terminated by India last year."

The Indian currency, already stronger than the Deutschemark, instantly rose on the news. The Bombay stock market experienced "an unprecedented boom," and the stock market was closed "when stock exchange authorities feared that prices would crash once the initial reaction to the budget's tax cuts...had subsided." Yet "bullish fervour" remained strong.¹¹

Indonesia slashed marginal tax rates and trebled thresholds in 1983 to maintain a growth rate that has averaged 7.5% a year since 1968. Real tax revenues rose 47% from 1978 to 1982. Imports rose 47% from 1980 to 1983. The country produces some oil, but so does Iran. With a tax rate of 90% at about \$40,000, the Iranian economy has been shrinking steadily since 1976.

In China, the marginal tax rate on agriculture is zero. The state collects a fixed amount of produce and tax, under a contract extended from 5 to 15 years in 1983, and "the contractor is free to dispose of excess produce in free markets....The system has infused the rural areas with a new enthusiasm and has been much better able to draw on the resourcefulness of the peasants....The more efficient utilization of the rural work force has made about one-third of the agricultural workers

redundant....Industrial production in the rural areas and nonagricultural activities...have been stimulated and are currently, in fact, the fastest growing sectors in the economy."¹² *Agricultural production rose 9% a year in 1981-83, and total GNP rose 13% last year.* Zhang Jialing recently published a favorable book on supply-side economics in Shanghai.

Hong Kong has long been a supply-side paradigm, but the situation there has been slipping. The increased marginal tax rate of 25% is certainly modest, and comes with a 17% ceiling on average tax rates, but those higher tax rates now apply to significantly lower incomes. Revenue from higher tax rates has, as always, been disappointing, pushing Hong Kong's budget into significant deficit in 1983-84 for the first time in 38 years.¹³

The Philippines is a sad example of how rapidly tax policy can collapse an economy under Western advice. Paul Wolfowitz, Assistant Secretary of State, applauds "an IMF arrangement involving stringent austerity...a floating peso and broad new taxes."¹⁴ Already suffering from bracket creep, the Philippines were pushed over the cliff by IMF-State Department assistance. *The Philippines' new "floating peso" fell 65% in 1984, inflation quadrupled to 50%, and real GNP fell by 5.5%—the first drop since World War II.*¹⁵

Such exceptions prove the rule. *The tax-slashing, import-led, strong-currency boom that still dominates Asia remains the supply-side model for the rest of the world.*

Most African countries are under IMF tutelage, and have therefore raised tax rates through both legislation and devaluation. Sudan is typical, with a 60% tax rate at \$4,000 reimposed last November. "Only a handful of African countries have managed to avoid the unwelcome embraces of the International Monetary Fund in the past few years", reports the Financial Times (April 15).

Zambia and Zaire, like Jamaica and Ghana, have been severely overtaxed for a decade or more. Real GDP fell by 3.1% a year in Zambia from 1975 to 1979, slightly worse than Zaire. *In April 1979, Zambia cut the top tax rate from 80% to 75%, and later to 70%. Real GDP rose by 4.1% a year in 1980-81, and real tax revenues jumped 16% in a single year. In 1982, however, Zambia raised the top tax rate back to 80%. Real GDP fell 2%, and recovered only 1.5% in 1983. From 1974 to 1982, real tax revenues fell by 45%.*

The 5.5% average growth in Zimbabwe is misleading. The economy grew by 13.2% a year in 1980-81, but Zimbabwe has since suffered a series of massive tax increases. *Real output fell 1.3% in 1982, and by about 3% a year in 1983 and 1984. "Fiscal measures designed to produce ready cash for the regime serve to intensify the crisis rather than ameliorate it," writes the Swiss Review of World Affairs. "The new strategy risks alienating...the growing black urban middle class that faces higher prices and taxes while coping with a government-imposed wage freeze," adds the Washington Post.*¹⁶

The top tax rate in Malawi was 40% before 1979, but was raised to 50% by 1980. Real revenues quickly fell by 14%. Still, Malawi remains a relatively low-tax country by African standards, and real GDP rose by 7.6% in 1984.

Egypt both reduced tax rates and multiplied thresholds by ten under the late President Sadat. Growth of real GDP averaged 8.5% a year from 1975 to 1982.

The other supply-side success story in Africa is Botswana. The 11% growth rate is sub-par for this country, due to a severe drought in 1982. Annual growth of real GDP in Botswana has actually averaged

14.2% a year since 1968. Real tax revenues rose 154% from 1977 to 1983, inflation is about 7%, and Botswana's budget surplus in 1983 was 7% of GDP. Tax rates have been reduced, and the threshold remains comfortably high relative to income. The top corporate tax rate is 35%, with no Social Security tax.

The standard explanations do not work. Botswana started with an extremely low income, but so did many neighboring nations which nonetheless drove income even lower. Botswana has casinos and many men working in South Africa, but that does not explain rapid growth in both agriculture and manufacturing—far outperforming South Africa or surrounding nations (Zimbabwe, Zaire, Zambia). Botswana and Egypt have the lowest tax rates in Africa, and the results are the same as in Asia.

In South America, accelerating devaluation and bracket creep have been pushed to their logical conclusion. No nation in the area can escape the collapse of its trading partners, but two have done better than the others. *Paraguay has no individual income tax, just a flat 26% payroll tax and a 30% corporate tax. Columbia both reduced tax rates and doubled thresholds.* The rest of the continent is being taxed into oblivion.

In Peru, the top tax rate of 65% now applies at an annual income of \$40. Not surprising, "only one out of every three Peruvians is steadily employed in the formal (non-underground) economy."¹⁷ Brazil, Argentina and Ecuador raised tax rates and lowered thresholds. None of these countries is doing well, to put it mildly. Peru, Brazil and Argentina are currently under IMF programs, like Sudan, Zambia, Jamaica and Ghana. Just as India could not cut tax rates until the IMF left, these countries presumably face the same constraint.

Tax revenues are not the issue when poor countries are being taxed into even deeper poverty. Among 20 countries the World Bank categorizes as *the poorest of the poor LDCs*, the individual income tax accounts for only 7% of government revenue, on average. Most revenue instead comes from sales taxes and, unfortunately, tariffs.

These least-developed countries could easily substitute a 10% flat tax, with generous exemptions for the poor, without even a static "paper loss" of revenue. A humane gesture would be for Western nations to offer aid to make-up for any revenue loss from tax reform. Since revenues would unquestionably soar, the gesture is free.

Revenue statistics from developing countries are scarce and late, particularly in contracting economies. Table 8 presents the most recent available data on changes in real, inflation-adjusted tax revenues among countries with the highest and lowest tax rates (at relatively modest incomes). As in the overtaxed industrial countries, the Laffer Curve is quite apparent.

The welfare of governments is not the main concern. Table 9 shows changes over two decades in per capita incomes of high-tax and low-tax countries. The sample is necessarily small, because there were not many less-developed countries facing really punitive taxation before 1979. If "austerity programs" are the solution to anything, then the top five countries—with devalued currencies and soaring tax rates—should be doing well. But bad economic advice can be literally fatal.

Keith Marsden of the World Bank recently compared tax rates and performance among ten pairs of countries with initially similar per capita incomes. Marsden found that "those with lower taxes experienced more rapid expansion of investment, productivity, employment, and government services, and had better growth rates—without discriminating against the poor." Marsden also found that

Table 8
CHANGES IN REAL TAX REVENUE*

High-tax Countries:

Bolivia	- 153%	1977-82
Zaire	- 60%	1974-81
Zambia	- 45%	1974-82
Peru	- 12%	1980-82
Jamaica	- 10%	1975-80
Costa Rica	- 6%	1978-81

Low-tax Countries:

Colombia	176%	1975-79
Singapore	148%	1975-83
Panama	128%	1975-82
Botswana	116%	1975-82
Honduras	48%	1975-83
Paraguay	65%	1975-81

*Central government tax revenue divided by GNP deflator.

Source: IMF, *International Financial Statistics Yearbook*, 1984.

Table 9
Long-Term Development:
Per Capita Real GNP
(in 1980 dollars)

	1962	1972	1982	Change 1972-82
<i>High Income Tax:</i>				
Israel	\$2998	\$5130	\$4855	- 6%
Jamaica	1172	1762	1274	- 38
Zambia	555	720	551	- 31
Ghana	490	497	330	- 51
Zaire	555	237	176	- 35
<i>Low Income Tax:</i>				
Singapore	\$1421	\$3019	\$5568	84%
Hong Kong	1337	2556	5028	97
Paraguay	754	875	1484	70
Thailand	318	502	753	50
Botswana	263	485	855	76

Source: IMF

"expansion of the tax base generated increased revenues," and "with the exception of Japan, government deficits were smaller in low-tax countries than in their high-tax counterparts."¹⁸

Ved Gandhi, head of tax policy research at the IMF, likewise concluded that "the tax systems of developing countries would look very different if efficient allocation were the sole concern....The rates of taxation...would contain little or no progression."¹⁹

The trouble is that such research had not yet been applied to IMF or World Bank policy. No international agency even bothers to collect and publish the relevant data on the structure of taxation. *No international aid or loans are contingent on maintaining a currency's value or reforming demoralizing tax rates.* Instead, the United States and international agencies continue to subsidize, and often demand, policies that invariably produce economic contraction.

* * * * *

The agenda for the Bonn summit leaves room for constructive criticism on both sides. Europe and Japan can rightly criticize U.S. monetary policy for driving the dollar too high and commodity prices too low. The United States can rightly criticize most European countries for taxing themselves into chronic stagnation, thus contracting their share of world trade. And both sides can criticize each other for encouraging the poorest countries in the world to destroy themselves with runaway inflation and punitive taxation. But when the criticism is over, the time is late for major international initiatives.

Back in 1979, Congressman Jack Kemp concluded his book, *An American Renaissance*, as follows:

We can't escape the fact that there really are no purely domestic solutions. We can take all these actions, repeal those unnecessary regulations, cut all those tax rates necessary to get the United States back on the track of the American dream, but unless we see to the buoyancy of the rest of the world, our troubles will be frequent....

We have an idea that fathers prosperity and hope. It is time to offer it, not selectively, not grudgingly, but with confidence to a world that needs the human dream that grew up in America.

* * * * *

¹U.S. Department of Commerce, "Current International Trade Position of the United States" (February 1985).

²"Paul Volcker...reiterated his suggestion that some European countries—particularly West Germany—consider stimulating their own economies through tax cuts....Mr. Volcker also raised the possibility that governments eventually may have to consider some changes in the global exchange-rate system." *The Wall Street Journal* (April 2, 1985).

³IMF, *International Financial Statistics: Supplement to Output Statistics* (1984).

⁴Samuel Brittain, "A 13-Point Case for Joint Tax Cuts" *Financial Times* (April 11, 1985).

⁵Ulf Jakobsson, "Economic Growth in Sweden" in Arnold Harberger (ed.), *World Economic Growth* (Institute for Contemporary Studies 1984) p. 87.

⁶Alan Reynolds, "Less Will Get You More" *The Wall Street Journal* (January 23, 1985).

⁷A regression of the increase in U.S. real GNP against real federal, state and local revenues, 1961-84 ($R^2 = .64$) suggests that revenues are extremely sensitive to economic growth. At 2% real growth, real revenues rise by less than 1%, but at 6% growth, real revenues rise by more than 6%.

⁸James Gwartney and James Long, "Is the Flat Rate Tax a Radical Idea?" presented at Florida State University Conference, March 14-15, 1985.

⁹Vito Tanzi, *The Individual Income Tax and Economic Growth* (Johns Hopkins 1969) p. 109; Hugh Patrick in Wm. W. Lockwood (ed.), *The State and Economic Enterprise in Japan* (Princeton University 1965) pp. 594-96.

¹⁰United Nations, *World Economic Survey: 1984*, p. 67; World Bank, *World Development Report: 1984*, p. 11.

¹¹"Brief return after boom in Bombay" *Financial Times* (April 2, 1985) p. 33.

¹²Luc DeWulf, "Economic Reform in China" *Finance and Development* (IMF, March 1985).

¹³Alvin Rabushka, *From Adam Smith to the Wealth of America* (Transaction 1985) p. 143.

¹⁴Paul D. Wolfowitz, "U.S. Encourages Constructive Changes in the Philippines" *The Wall Street Journal* (April 15, 1985).

¹⁵"Investors in Philippines Bear Economic Woes" *The Journal of Commerce* (April 2, 1985).

¹⁶Ulrich Meister, "Zimbabwe: Toward Socialist Dictatorship?" *Swiss Review of World Affairs* (October 1984); "Zimbabwe Shifts Strategy to Tough Austerity Plan" *The Washington Post* (September 14, 1983) p. A23.

¹⁷Felipe Ortiz de Zevallos, "Will Peru's Next President Outlast His Image?" *The Wall Street Journal* (April 12, 1985).

¹⁸Keith Marsden, *Links Between Taxes and Economic Growth: Some Empirical Evidence* (World Bank Working Paper No. 605, 1983); "Low Taxes Signal a Healthy Economy" *The Wall Street Journal* (December 18, 1984).

¹⁹Ved P. Gandhi, "Tax Structure for Supply-Side Economics in Developing Countries" (IMF Fiscal Affairs Dept., January 11, 1985).

APPENDIX 1

Tax Revenues as a Percent of GDP, 1982-83

	Total*	Individual	Soc. Sec.	Consumption	Corporate & Property
<i>Major Industrial:</i>					
Sweden	51	20	21	12	2 %
Netherlands	47	11	19	11	5
Belgium	47	17	14	12	4
Italy	40	10	19	7	4
Denmark	46	24	1	16	3
France	44	6	19	13	4
Norway	48	12	10	17	10
Germany	37	11	13	10	4
Luxembourg	40	11	11	8	8
United Kingdom	38	11	7	7	9
Austria	41	9	13	13	2
Canada	35	12	1	12	6
Finland	36	16	3	15	3
Switzerland	31	11	10	6	4
United States	30	12	8	5	5
Japan	27	7	8	4	7
<i>Other OECD:</i>					
Greece	32	4	10	13	3
Ireland	41	12	6	18	3
Portugal	33	7 ^e	9	13	4 ^e
Spain	25	5	12	6	2
Turkey	24	11	1	6	4
Australia	31	14	2	10	5
New Zealand	34	20	0	8	5

*Totals are for the latest available year, usually 1983, and may therefore exceed the sum of the components, since the last three columns are for 1982.

Source: *OECD Observer* (Mar. 1985) and *Revenue Statistics, 1965-83*

©1985 POLYCONOMICS, INC. All rights reserved.

This service is provided as part of a brokerage relationship with Autranet, Inc., a New York Stock Exchange Member firm specializing in independently originated research.

No portion of this report may be reproduced in any form without prior written consent. The information has been compiled from sources we believe to be reliable, but we do not hold ourselves responsible for its correctness. Opinions are presented without guarantee

Rise of the Totalitarians: 1930-39

Depression. A worldwide financial panic and economic depression began with the Oct. 1929 U.S. market crash and the May 1931 failure of the Austrian Credit-Anstalt. A credit crunch caused international bankruptcies and unemployment: 12 million jobsless by 1932 in the U.S., 5.6 million in Germany, 2.7 million in England. Governments responded with tariff restrictions (Smoot-Hawley Act 1930; Ottawa Imperial Conference, 1932) which edged up world trade. Government public work programs were vitiated by delinquent budget balancing.

Germany. Years of agitation by violent extremists was brought to a head by the Depression. New leader Hitler was named chancellor by Pres. Hindenburg Jan. 1933, and given dictatorial power by the Reichstag in Mar. Opposition parties were disbanded, strikes banned, and all aspects of economic, cultural, and religious life brought under central government and Nazi party control and manipulated by sophisticated propaganda. Severe persecution of Jews began (Nuremberg Laws Sept. 1935). Many Jews, political opponents and others were sent to concentration camps (Dachau, 1933) where thousands died or were killed. Public works, renewed conscription (1935), arms production, and a 4-year plan (1936) ended unemployment.

Hitler's expansionism started with reincorporation of the Saar (1935), occupation of the Rhineland (Mar. 1936), and annexation of Austria (Mar. 1938). At Munich, Sept. 1938, an indecisive Britain and France sanctioned German dismemberment of Czechoslovakia.

Russia. Urbanization and education advanced. Rapid industrialization was achieved through successive 5-year plans starting 1928, using severe labor discipline and mass forced labor. Industry was financed by a decline in living standards and exploitation of agriculture, which was almost totally collectivized by the early 1930s (*kolkhoz*, collective farm; *sovkhoz*, state farm, often in newly-worked lands). Successive purges increased the role of professionals and management at the expense of workers. Millions perished in a series of man-made disasters: elimination of kulaks (peasant land-owners), 1929-34; severe famines, 1932-33; party purges (Great Purge, 1936-38); suppression of nationalities; and poor conditions in labor camps.

Spain. An industrial revolution during World War I created an urban proletariat, which was attracted to socialism and anarchism; Catalan nationalists challenged central authority. The 5 years after King Alfonso left Spain, Apr. 1931, were dominated by tension between intermittent leftist and anti-clerical governments and clericals, monarchists and other rightists. Anarchist and communist rebellions were crushed, but a July, 1936, extreme right rebellion led by Gen. Francisco Franco and aided by Nazi Germany and Fascist Italy succeeded, after a 3-year civil war (over 1 million died in battles and atrocities). The war polarized international public opinion.

Italy. Despite propaganda for the ideal of the Corporate State, few domestic reforms were attempted. An entente with Hungary and Austria, Mar. 1934, a pact with Germany and Japan, Nov. 1937, and intervention by 50-75,000 troops in Spain, 1936-39, sealed Italy's identification with the fascist (anti-Semitic laws after Mar. 1938). Ethiopia was conquered, 1935-37, and Albania annexed, Jan. 1939, in conscious imitation of ancient Rome.

East Europe. Repressive regimes fought for power against an active opposition (liberals, socialists, communists, peasants, Nazis). Minority groups and Jews were restricted within national boundaries that did not coincide with ethnic population patterns. In the destruction of Czechoslovakia, Hungary occupied northern Slovakia (Mar. 1938) and Ruthenia (Mar. 1939), and a pro-Nazi regime took power in the rest of Slovakia. Other boundary disputes (e.g., Poland-Lithuania, Yugoslavia-Bulgaria, Romania-Hungary) doomed attempts to build joint fronts against Germany or Russia. Economic depression was severe.

East Asia. After a period of liberalism in Japan, militarists dominated the government with peasant support. Manchuria was seized, Sept. 1931-Feb. 1932, and a puppet state set up (Manchukuo). Adjacent Jehol (Inner Mongolia) was occupied in 1933. China proper was invaded July 1937; large areas were conquered by Oct. 1938.

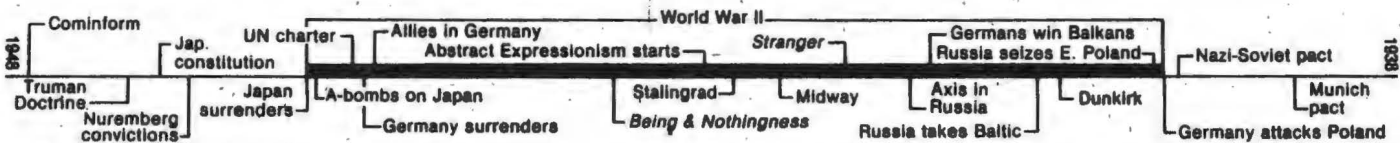
In China Communist forces left Kuomintang-beleaguered strongholds in the South in a Long March (1934-35) to the North. The Kuomintang-Communist civil war was suspended Jan. 1937 in the face of threatening Japan.

The democracies. The Roosevelt Administration, in office Mar. 1933, embarked on an extensive program of social reform and economic stimulation, including protection for labor unions (Newly industries organized), social security, public works, wages and hours laws, assistance to farmers. Industrialist sentiment (1937 Neutrality Act) prevented U.S. intervention in Europe, but military expenditures were increased in 1939.

French political instability and polarization prevented resolution of economic and international security questions. The Popular Front government under Blum (June 1936-Apr. 1938) passed social reforms (40-hour week) and raised arms spending. National coalition governments ruled Britain from Aug. 1931, brought some economic recovery, but failed to define a consistent foreign policy and Chamberlain's government (from May 1937), which practiced deliberate appeasement of Germany and Italy.

India. Twenty years of agitation for autonomy and then for independence (Gandhi's salt march, 1930) achieved some constitutional reform (extended provincial powers, 1935) despite Moslem-Hindu strife. Social issues assumed prominence with peasant uprisings (1921), strikes (1928), Gandhi's efforts for untouchables (1932 "caste untouchables"), and social and agrarian reform by the provinces after 1937.

Art. The streamlined, geometric design motifs of Art Deco (from 1925) prevailed through the 1930s. Abstract art flourished (Moore sculptures from 1931) alongside a new realism related to social and political concerns (Socialist Realism the official Soviet style from 1934; Mexican muralists Rivera, 1886-1957, and Orozco, 1883-1949), which was also expressed in fiction and poetry (Steinbeck's *Grapes of Wrath*, 1939; Sandburg's *The People, Yes*, 1936). Modern architecture (*International Style*, 1932) was unchallenged in its use of man-made materials (concrete, glass), lack of decoration, and commercialism (Rockefeller Center, 1929-40). U.S.-made films captured a world-wide audience with their larger-than-life fantasies (*Gone with the Wind*, 1939).



Sept. 9, 1946
Strike by 400,000 union workers began Apr. 1; other industries followed.
Philippines given independence by U.S. July 4, 1947
Truman Doctrine: Pres. Truman asked Congress to aid Greece and Turkey to combat Communist terrorism Mar. 12, Approved May 15.
United Nations Security Council voted unanimously Apr. 2 to place under U.S. trusteeship the Pacific islands formerly mandated to Japan.
Jackie Robinson on Brooklyn Dodgers Apr. 11, broke the color barrier in major league baseball.
Tent-Hawley Labor Act curbing strikes was vetoed by Truman June 26; Congress overrode the veto.
Proposals later known as the Marshall Plan, under which the U.S. would extend aid to European countries, were made by Sec. of State George C. Marshall June 5. Congress authorized some \$12 billion in next 4 years.
USSR began a land blockade of Berlin's Allied sectors Apr. 1. This blockade and Western counter-blockade were lifted Sept. 30, 1949, after British and U.S. planes had lifted 2,343,315 tons of food and coal into the city.
Organization of American States founded Apr. 30.
Alger Hiss, former State Dept. official, indicted Dec. 15 for perjury, after denying he had passed secret documents to Whitaker Chambers for transmission to a communist spy ring. His second trial ended in conviction Jan. 21, 1950, and a sentence of 5 years in prison.
Klansy Report on Sexuality in the Human Male published.
1949
U.S. troops withdrawn from Korea June 29.
North Atlantic Treaty Organization (NATO) established Aug. 24 by U.S., Canada, and 10 West European nations, agreeing that "an armed attack against one or more of them in Europe and North America shall be considered an attack against all."
Mfr. I. Toquart D'Aquinio (Tokyo Rose of Japanese wartime broadcasts) was sentenced Oct. 7 to 10 years in prison for treason. Paroled 1986, pardoned 1977.
Eleven leaders of U.S. Communist party convicted Oct. 14, after 9-month trial in N.Y. City, of advocating violent overthrow of U.S. government. Ten defendants sentenced to 5 years in prison each and the 11th, to 3 years. Supreme Court upheld the convictions June 4, 1951.
1950
U.S. Jan 14 recalled all consular officials from China after the latter asked the American consulate general in Peking. Masked bandits robbed British Leg., Boston express office, Jan. 17 of \$2.8 million, of which \$1.2 million was in cash. Case solved 1964, 8 sentenced to life.
Pres. Truman authorized production of H-bombs Jan. 31.
United Nations asked for troops to restore Korea peace June 25.
Truman ordered Air Force and Navy to Korea June 27 after North Korea invaded South. Truman approved ground forces, air strikes against North June 30.
U.S. sent 35 military advisers to South Vietnam June 27, and agreed to provide military and economic aid to anti-Communist government.
Army sealed all railroads Aug. 27 on Truman's order to prevent a general strike; roads returned to owners in 1952.
U.S. forces landed at Iwakuni Sept. 15; UN force took Pyongyang Oct. 20, reached China border Nov. 20, China sent troops across border Nov. 26.

May 11, 1946, and finally closed Oct. 21.
Eastern Airco PDR to A-bomb opportunity in Aug. 2 let-
U.S. declares its neutrality in European war Sept. 5.
Roosevelt proclaimed a limited national emergency Sept. 4, as unlimited emergency May 27, 1941. Both ended by Pres. Truman Apr. 26, 1952.
John Stuenkel published *Gropes of Wrath*.
1946
U.S. authorized sale of surplus war material to Britain June 3, announced transfer of 50 overaged destroyers Sept. 1.
First peacetime draft approved Sept. 14.
Richard Wright published *Native Son*.
1941
The Four Freedoms learned essential by Pres. Roosevelt in speech to Congress Jan. 6, freedom of speech and religion, freedom from want and fear.
Lend-Lease Act signed Mar. 11, providing \$7 billion in military credits for Britain. Lend-Lease for USSR approved in Nov.
U.S. occupied Iceland July 7.
The Atlantic Charter, 8-point declaration of principles, issued by Roosevelt and Winston Churchill Aug. 14.
Japan attacked Pearl Harbor, Hawaii, 7:55 a.m. Dec. 7, 19 ships sunk or damaged, 2,300 dead. U.S. declared war on Japan Dec. 8, on Germany and Italy Dec. 11 after those countries declared war.
1942
Federal government forcibly moved 110,000 Japanese-Americans (including 75,000 U.S. citizens) from West Coast to detention camps. Exclusion lasted 3 years.
Battle of Midway June 3-6 was Japan's first major defeat. Marines landed on Guadalcanal Aug. 7; last Japanese not expelled until Feb. 9, 1943.
Marines landed on North Africa Nov. 8.
First nuclear chain reaction (fission of uranium isotope U-235) produced at Univ. of Chicago, under physicist Arthur Compton. Enrico Fermi, others Dec. 2.
1943
All war contractors barred from racial discrimination May 27.
Pres. Roosevelt signed June 10 the pay-as-you-go Income Tax bill. Starting July 1 wage and salary earners were subject to a paycheck withholding tax.
Rice riot in Detroit June 21; 34 dead, 700 injured. Riot in Harlem section of N.Y. City; 6 killed.
U.S. troops invaded Italy Sept. 9.
Marines advanced in Gilbert Is. in Nov.
1944
U.S. Allied forces invaded Europe at Normandy June 6. G.I. Bill of Rights signed June 22, providing veterans benefits.
U.S. forces landed on Leyte, Philippines Oct. 20.
1945
Yalta Conference met in the Crimea, USSR, Feb. 3-11. Roosevelt, Churchill, and Stalin agreed Russia would enter war against Japan.
Marines landed on Iwo Jima Feb. 19; U.S. forces invaded Okinawa Apr. 1.
Pres. Roosevelt, 63, died of cerebral hemorrhage in Warm Springs, Ga. Apr. 12.
Germany surrendered May 7.
First atomic bomb, produced at Los Alamos, N.M., exploded at Alamogordo, N.M. July 16. Bomb dropped on Hiroshima Aug. 6, on Nagasaki Aug. 9. Japan surrendered Aug. 15.

Sept. 9, 1946
Strike by 400,000 union workers began Apr. 1; other industries followed.
Philippines given independence by U.S. July 4, 1947
Truman Doctrine: Pres. Truman asked Congress to aid Greece and Turkey to combat Communist terrorism Mar. 12, Approved May 15.
United Nations Security Council voted unanimously Apr. 2 to place under U.S. trusteeship the Pacific islands formerly mandated to Japan.
Jackie Robinson on Brooklyn Dodgers Apr. 11, broke the color barrier in major league baseball.
Tent-Hawley Labor Act curbing strikes was vetoed by Truman June 26; Congress overrode the veto.
Proposals later known as the Marshall Plan, under which the U.S. would extend aid to European countries, were made by Sec. of State George C. Marshall June 5. Congress authorized some \$12 billion in next 4 years.
USSR began a land blockade of Berlin's Allied sectors Apr. 1. This blockade and Western counter-blockade were lifted Sept. 30, 1949, after British and U.S. planes had lifted 2,343,315 tons of food and coal into the city.
Organization of American States founded Apr. 30.
Alger Hiss, former State Dept. official, indicted Dec. 15 for perjury, after denying he had passed secret documents to Whitaker Chambers for transmission to a communist spy ring. His second trial ended in conviction Jan. 21, 1950, and a sentence of 5 years in prison.
Klansy Report on Sexuality in the Human Male published.
1949
U.S. troops withdrawn from Korea June 29.
North Atlantic Treaty Organization (NATO) established Aug. 24 by U.S., Canada, and 10 West European nations, agreeing that "an armed attack against one or more of them in Europe and North America shall be considered an attack against all."
Mfr. I. Toquart D'Aquinio (Tokyo Rose of Japanese wartime broadcasts) was sentenced Oct. 7 to 10 years in prison for treason. Paroled 1986, pardoned 1977.
Eleven leaders of U.S. Communist party convicted Oct. 14, after 9-month trial in N.Y. City, of advocating violent overthrow of U.S. government. Ten defendants sentenced to 5 years in prison each and the 11th, to 3 years. Supreme Court upheld the convictions June 4, 1951.
1950
U.S. Jan 14 recalled all consular officials from China after the latter asked the American consulate general in Peking. Masked bandits robbed British Leg., Boston express office, Jan. 17 of \$2.8 million, of which \$1.2 million was in cash. Case solved 1964, 8 sentenced to life.
Pres. Truman authorized production of H-bombs Jan. 31.
United Nations asked for troops to restore Korea peace June 25.
Truman ordered Air Force and Navy to Korea June 27 after North Korea invaded South. Truman approved ground forces, air strikes against North June 30.
U.S. sent 35 military advisers to South Vietnam June 27, and agreed to provide military and economic aid to anti-Communist government.
Army sealed all railroads Aug. 27 on Truman's order to prevent a general strike; roads returned to owners in 1952.
U.S. forces landed at Iwakuni Sept. 15; UN force took Pyongyang Oct. 20, reached China border Nov. 20, China sent troops across border Nov. 26.

THE AUTHORITY SINCE 1868

THE WORLD ALMANAC & BOOK OF FACTS 1984

MARCH							APRIL						
T	W	T	F	S	S	M	T	W	T	F	S		
		1	2	3		1	2	3	4	5	6	7	
8	9	10	11	12	13	14	15	16	17	18	19	20	21
22	23	24	25	26	27	28	29	30	31				

JULY							AUGUST						
T	W	T	F	S	S	M	T	W	T	F	S		
1	2	3	4	5	6	7	8	9	10	11	12	13	14
15	16	17	18	19	20	21	22	23	24	25	26	27	28
29	30	31											

NOVEMBER							DECEMBER						
T	W	T	F	S	S	M	T	W	T	F	S		
		1	2	3		1	2	3	4	5	6	7	8
9	10	11	12	13	14	15	16	17	18	19	20	21	22
23	24	25	26	27	28	29	30	31					

17 — Passover; April 22 — Easter; May 28 — Me-
t. 3 — Labor Day; Oct. 6 — Yom Kippur; Oct. 8 —
Dec. 25 — Christmas Day.

Approximations

When you know	Multiply by	To find	Symbol
Length			
inches	2.5	centimeters	cm
feet	30	centimeters	cm
yards	0.9	meters	m
miles	1.6	kilometers	km
Area			
square inches	6.5	sq. centimeters	cm ²
square feet	0.09	square meters	m ²
square yards	0.8	square meters	m ²
square miles	2.6	sq. kilometers	km ²
acres	0.4	hectares	ha
Mass (weight)			
ounces	28	grams	g
pounds	0.45	kilograms	kg
short tons (2000 lb)	0.9	tonnes	t
Volume			
teaspoons	5	milliliters	ml
tablespoons	15	milliliters	ml
fluid ounces	30	milliliters	ml
cups	0.24	liters	l
pints	0.47	liters	l
quarts	0.95	liters	l
gallons (U.S.)	3.8	liters	l
gallons (Imp.)	4.5	liters	l
cubic feet	0.03	cubic meters	m ³
cubic yards	0.76	cubic meters	m ³
2.54 cm (exactly)			



Published Annually by
NEWSPAPER ENTERPRISE ASSOCIATION, INC.
New York



and such control obviously can have either beneficent or maleficent effects.

The following baffling questions have arisen with respect to totalitarianism. (1) How can those who seek to impose a totalitarian order tell good from bad, right from wrong? This consideration has been one of the central preoccupations of ancient and modern philosophers, including Plato, Aristotle, Cicero, Aquinas, Kant, and Hegel. (2) To what standards of ethics should one recur for the establishment and maintenance of a totalitarian regime?

Answers to these questions vary. Ancient and medieval theorists concentrated on the perennial question of the essence of justice in the eyes of man and of the gods. The early utilitarians, most notably Jeremy Bentham and

VOLUME 29

Wilmot Proviso to Zygote

T H E E N C Y C L O P E D I A
AMERICANA
I N T E R N A T I O N A L E D I T I O N

COMPLETE IN THIRTY VOLUMES
FIRST PUBLISHED IN 1829



GROLIER INCORPORATED

International Headquarters: Danbury, Connecticut 06816

Table 2—ARMED FORCES PEAK STRENGTHS AND BATTLE DEATHS OF THE PRINCIPAL ALLIED POWERS

Nation	Peak strength	Battle deaths
Australia	680,000	23,365
Belgium	650,000	7,760
Canada	780,000	37,476
China	5,000,000	2,200,000 ¹
Denmark	25,000	3,006 ²
France	5,000,000	210,671
Greece	414,000	73,700 ²
India	2,150,000	24,338
Netherlands	410,000	6,238
New Zealand	157,000	10,033
Norway	45,000	1,000
Poland	1,000,000	320,000
USSR	12,500,000	7,500,000
Union of South Africa	140,000	6,840
United Kingdom	5,120,000	244,723
United States	12,300,000	292,131
Yugoslavia	500,000	410,000 ²

¹ Casualties beginning with the Japanese invasion in 1937. ² Most of these casualties were suffered in guerrilla warfare that followed German occupation of the country. In the case of Denmark they include more than 1,200 merchant sailors in the service of the Allied powers.

Table 3—ARMED FORCES PEAK STRENGTHS AND BATTLE DEATHS OF THE AXIS POWERS

Nation	Peak strength	Battle deaths
Bulgaria	450,000	10,000 ¹
Finland	250,000	82,000
Germany	10,200,000	3,500,000
Hungary	350,000	140,000
Italy	3,750,000	77,494 ²
Japan	6,095,000	1,219,000
Rumania	600,000	300,000 ¹

¹ A limited number of these casualties occurred after the country joined the Allies. ² Of these, 17,494 were killed after Italy became a co-belligerent with the Allies.

Civilian Casualties.—Casualties among civilians were much less accurately recorded than military losses. In part, this was unavoidable because of the population shifts that took place as civilians fled before invading armies or the continual air attacks on major industrial centers, or were sent to Germany or the Soviet Union for forced labor.

Civilian casualties in the United Kingdom, slightly over half of which were inflicted in the London area, were as follows:

Agent	Killed	Seriously injured	Total
Aircraft bombs	51,509	61,423	112,932
V-1 (flying bombs)	6,184	17,981	24,165
V-2	2,754	6,523	9,277
Artillery fire	148	255	403
Total	60,595	86,182	146,777

Civilian casualties in the USSR have been placed roughly at 2,500,000 killed. The loss of population (including both military and civilian casualties) caused directly or indirectly by the war has been stated at 20,000,000. Air raids against Germany killed approximately 300,000 Germans and seriously injured about 780,000 more. Numerous additional casualties occurred during the Soviet invasion of 1944-1945, but no specific estimates are available. Japanese civilian casualties probably approached 500,000 killed and 625,000 seriously injured, plus a considerable number reported as missing after the fire raids and atomic bombings. In addition, about 360,000 Japanese captured by the Russians in Manchuria, Korea, and the Kuril Islands were still missing in 1950; a large number of them have never been accounted for. Chinese civilian losses are unknown but probably numbered several million.

Industrial Conversion and War Production. In the final analysis, victory was won by the Allied powers' technological superiority—the ability to raise, arm, equip, move, and supply superior forces throughout the world, and through them to break up and destroy the technological resources (as well as much of the armed forces) of the Axis nations. Of all the Allies, it was the United States that possessed the materials, skilled manpower, and industries that made their victory possible. This potential American technological power, however, required precious time to change from peacetime to military production. The process of conversion, and of reconversion at the war's end, is illustrated in Table 4.

Table 4—UNITED STATES BUDGET EXPENDITURES, JULY 1, 1940–AUG. 31, 1945 (Billions of dollars)

Expenditures	1940	1941	1942	1943	1944	1945
Defense expenditures:						
War Department	\$0.9	\$ 7.3	\$29.5	\$46.5	\$49.2	\$34.4
Navy Department	0.9	4.2	14.0	24.6	29.6	19.4
Other departments	0.1	2.7	8.9	14.1	12.1	4.4
Total	1.9	14.2	52.4	85.2	90.9	58.2
Nondefense expenditures:						
Total	3.4	6.0	5.4	5.0	6.3	5.2
Total	\$5.3	\$20.2	\$57.8	\$90.2	\$97.2	\$63.4

Among the varied items purchased by United States defense expenditures were 57,027 medium tanks (9 different types), 676,433 two-and-a-half-ton, six-wheel-drive trucks (11 types), 1,004 eight-inch howitzers (48 of them self-propelled), 476,628 2.36-inch rocket launchers (bazookas), 4,014,731 Garand rifles, 106,658 gunner's quarrels, 4,072,000,000 rounds of .45-caliber ammunition, 57,488,000 wool undershirts, 116,000,000 pounds of peanut butter, 206,753 SCR-504 (Handie-Talkie) radio sets, 500,754 30-1 bottles of influenza virus vaccine, 7,570 locomotives (48 types), 23,510,030 military gas masks (2 types), and 3,898 B-29 (Superfortress) very heavy bombers. One of the best indications of the growing tempo of American military production during the war is the following data on machine-gun production, covering the period July 1, 1940–Aug. 31, 1945:

Year	.50 Caliber ¹	.30 Caliber	Year	.50 Caliber	.30 Caliber
1940	5,155	3,633	1943	641,638	188,217
1941	49,479	27,672	1944	677,011	121,991
1942	347,492	314,839	1945	239,821	62,898

¹ The increasing preponderance of .50-caliber machine guns reflects their growing use as aircraft and armored vehicle armament.

Shipping Losses.—Allied merchant shipping losses during the war were as follows:

Year	Number of vessels	Tonnage
1939	221	753,250
1940	1,059	3,491,044
1941	1,299	4,328,000
1942	1,664	7,790,000
1943	597	3,220,150
1944	205	1,041,620
1945	105	478,671
Total	5,150	21,570,000

Of the 5,150 Allied merchant vessels sunk, 2,000 were victims of Axis submarines, principally German. The parallel German submarine losses (revised according to the latest British Admiralty assessment) therefore furnish an interesting

The New Encyclopædia Britannica

in 30 Volumes

MACROPÆDIA
Volume 19

Knowledge in Depth

FOUNDED 1768
15 TH EDITION



Encyclopædia Britannica, Inc.
William Benton, Publisher, 1943–1973
Helen Hemingway Benton, Publisher, 1973–1974
Chicago/Geneva/London/Manila/Paris/Rome
Seoul/Sydney/Tokyo/Toronto

something far more sinister was in hand, as the Americans were telling the Soviets at Potsdam.

In 1939 physicists in the United States had learned of experiments in Germany demonstrating the possibility of nuclear fission and had understood that the potential energy might be released in an explosive weapon of unprecedented power: on August 2, 1939, Albert Einstein had warned Roosevelt of the danger of Nazi Germany's forestalling other nations in the development of an atomic bomb. Eventually, the U.S. Office of Scientific Research and Development was created in June 1941 and given joint responsibility with the war department in the Manhattan Project to develop a nuclear bomb. On July 16, 1945, an atomic device was set off in a desert area at Alamogordo, New Mexico, generating an explosive power equivalent to that of more than 15,000 tons of TNT. Thus the atomic bomb was born. Truman, the new U.S. president, calculated that this monstrous weapon might be used to defeat Japan in a way less costly of U.S. lives than a conventional invasion of the Japanese homeland. Japan's unsatisfactory response to the Allies' Potsdam Declaration decided the matter. On August 6, 1945, an atomic bomb carried from Tinian Island in the Marianas in a specially equipped B-29 was dropped on Hiroshima, at the southern end of Honshu, north of Kyushu; the combined heat and blast pulverized everything in the explosion's immediate vicinity, generated spontaneous fires some distance away, produced winds that fanned the flames in Hiroshima's craterlike configuration so powerfully that they burned almost 4.4 square miles (11 square kilometres) completely out, and killed between 70,000 and 80,000 people (flash burns killed 20-30 percent, radiation 15-20 percent), besides injuring more than 70,000 others. A second bomb, dropped on Nagasaki, Kyushu, on August 9, 1945, killed between 35,000 and 40,000 people, injured a like number, and devastated 1.8 square miles (4.7 square kilometres).

Between these two demonstrations of U.S. superiority, the Soviet Union on August 8 declared war against Japan.

The Japanese surrender. On August 10, 1945, the Japanese government issued a statement substantially agreeing to the terms that the Allies had enunciated at Potsdam. In their reply the Allies granted Japan's request that the Emperor's sovereign status be maintained, subject only to their Supreme Commander's directives. Japan accepted this proviso on August 14, and the emperor Hirohito urged his people to accept the decision—previously so unthinkable—to surrender. Imperial princes delivered the Emperor's message in person to distant Japanese Army forces in China and in Korea, hoping thus to mitigate the shock. A clique of diehards nevertheless attempted to assassinate the new prime minister, Adm. Suzuki Kantarō; but by September 2, when the formal surrender ceremonies took place, the way had been smoothed.

Truman designated MacArthur as the Allied powers' supreme commander to accept Japan's formal surrender, which was solemnized aboard the U.S. flagship "Missouri" in Tokyo Bay: the Japanese foreign minister, Shigemitsu Mamoru, signed the document first, on behalf of the Emperor and his government. Allied troops had meanwhile occupied the forts guarding the bay and Yokosuka naval base. MacArthur likewise was to command the Allied forces in occupation of Japan.

Japan concluded a separate surrender ceremony with China in Nanking on September 9, 1945.

For Japan's surrender in Korea, the United States and the U.S.S.R. agreed to a demarcation line along the 38th parallel, which was ultimately to divide Korea into a Communist north and a non-Communist south. (For information relating to the postwar settlement see INTERNATIONAL RELATIONS.)

Cost. World War II is estimated, rather uncertainly, to have cost between 35,000,000 and 60,000,000 lives. The U.S.S.R. has been reckoned to have lost 11,000,000 combatants and 7,000,000 civilians; Poland, 5,800,000 lives altogether, including, however, some 3,200,000 of the 5,700,000 Jews put to death by the Nazis in the course of the war; Germany, 3,500,000 combatants dead and 780,000 civilians; China, 1,310,224 combatants in the

Nationalist forces alone, with civilian losses dubiously estimated at 22,000,000; Japan, 1,300,000 combatants and 672,000 civilians; Yugoslavia, 305,000 and 1,200,000; the United Kingdom, 264,443 and 92,673; the United States, 292,131 and 6,000.

BIBLIOGRAPHY. The causes of World War I, from 1878, are best presented by LUIGI ALBERTINI, *Le origini della guerra del 1914*, 3 vol. (1942-43; Eng. trans., *The Origins of the War of 1914*, 3 vol., 1952-57). More controversial is FRITZ FISCHER, *Griff nach der Weltmacht*, 3rd ed. (1964; Eng. trans., *Germany's Aims in the First World War*, 1967), an indictment of German militarism, to which GERHARD RITTER, *Staatskunst und Kriegshandwerk*, 2nd ed., 4 vol. (1959-68; Eng. trans., *The Sword and the Scepter*, 4 vol., 1969-72), provides an answer. The background of the precipitating crisis of 1914 is thoroughly investigated by JOACHIM REMAK, *Sarajevo: The Story of Political Murder* (1959). The military events of World War I are authoritatively narrated by B.H. LIDDELL HART, *A History of the World War, 1914-1918* (1934); and by CYRIL B. FALLS, *The Great War* (1959; British title, *The First World War*, 1960). JAMES E. EDMONDS (comp.), *A Short History of World War I* (1951); and JOHN TERRAINE, *The Great War, 1914-1918: A Pictorial History* (1965), are useful introductions. The standard work on the war at sea is ARTHUR J. MARDER, *From the Dreadnought to Scapa Flow: The Royal Navy in the Fisher Era, 1904-1919*, 5 vol. (1961-70). International politics are studied by Z.A.B. ZEMAN, *A Diplomatic History of the First World War* (1971); but the individual insights of WINSTON CHURCHILL, *The World Crisis* (6 vol., 1923-31; new ed., 4 vol., 1950-), are also illuminating. The U.S. position is analyzed by ERNEST R. MAY, *The World War and American Isolation, 1914-1917* (1959). On the peacemaking after World War I, the standard narrative in English remains that of H.W.V. TEMPERLEY (ed.), *A History of the Peace Conference of Paris, 1919* (1920-24); which, however, is supplemented by ARNO J. MAYER, *Politics and Diplomacy of Peacemaking: Containment and Counter-revolution at Versailles, 1918-1919* (1967). The influential criticism of the Treaty of Versailles by JOHN MAYNARD KEYNES, *The Economic Consequences of the Peace* (1920), is criticized in its turn by ETIENNE MANTOUX, *The Carthaginian Peace; or, The Economic Consequences of Mr. Keynes* (1952). For the 1920s and 1930s, the reader should first consult PIERRE RENOUVIN, *Les Crises du xx^e siècle*, 2 vol. (1957-58; Eng. trans., *War and Aftermath, 1914-1929 and World War II and Its Origins: International Relations 1929-45*, both 1968). A less dispassionate account is given by WINSTON CHURCHILL in *The Gathering Storm* (1948). ARNOLD WOLFERS, *Britain and France Between Two Wars: Conflicting Strategies of Peace Since Versailles* (1940), explains the weakness of the West; WILLIAM L. LANGER and S. EVERETT GLEASON, *The Challenge to Isolation, 1937-1940* (1952), surveys the U.S. position; MAX BELOFF, *The Foreign Policy of Soviet Russia, 1929-1941*, 2 vol. (1947-49), deals masterfully with a much-debated theme. On German-Italian relations, see ELIZABETH WISKEMANN, *The Rome-Berlin Axis* (1949); on U.S.-Japanese relations, JOSEPH C. GREW, *Turbulent Era: A Diplomatic Record of Forty Years, 1904-1945*, 2 vol. (1952). For World War II there is a good survey for the general reader by BASIL COLLIER, *A Short History of the Second World War* (1967); while the specifically military theme is expounded by J.F.C. FULLER, *The Second World War, 1939-45: A Strategic and Tactical History* (1948). For a classic survey by a military commentator of internationally recognized authority, see B.H. LIDDELL HART (ed.), *History of the Second World War* (1966-). The standard naval histories are STEPHEN W. ROSKILL, *The War at Sea, 1930-1945*, 3 vol. (1954-61); and FRIEDRICH RUGE, *Der Seekrieg, 1939-1945* (1954; Eng. trans., *Sea Warfare, 1939-1945: A German Viewpoint*, 1957). CHARLES K. WEBSTER and NOBLE FRANKLAND are authoritative in *The Strategic Air Offensive against Germany, 1939-1945*, 4 vol. (1961), as are, for the U.S. aspect, WESLEY F. CRAVEN and JAMES L. CATE (eds.), in *Army Air Forces in World War II*, 7 vol. (1948-50). Inter-Allied relations are examined by J.R.M. BUTLER (ed.), *Grand Strategy*, 6 vol. (1956-). The series of books by HERBERT FEIS: *The Road to Pearl Harbor: The Coming of the War Between the United States and Japan* (1950), *The China Tangle: The American Effort in China from Pearl Harbor to the Marshall Mission* (1953), *Churchill, Roosevelt, Stalin: The War They Waged and the Peace They Sought* (1957), *Between War and Peace: The Potsdam Conference* (1960), and *Japan Subdued: The Atomic Bomb and the End of the War in the Pacific* (1961), are valuable not only on U.S.-Japanese and U.S.-Chinese relations but also on British and Soviet interests in the war in the Far East.

(J.R.-S.)

Close Hold

Tony - fyi

President's Television Address
Pre-Geneva November 1985
Thematic Outline

Why I Am Going to Geneva

-- In a few days, will be meeting with General Secretary Gorbachev in Geneva.

-- My purpose is to renew a dialogue with the Soviet leader on the most important question of our time: what we must do to build a better, safer world for both our peoples and mankind as a whole.

-- It is my fervent hope that the two of us can begin a process which our successors and our peoples can continue: a process of facing our differences frankly and openly so that we can begin to narrow and resolve them; a process of communicating effectively so that our actions and intentions are not misunderstood; a process of building bridges between us and cooperating wherever possible for the greater good of all.

-- I see our meeting as a stepping stone to the kind of future both our peoples want:

o to reduce and eventually eliminate the danger of nuclear destruction;

o to relax regional tensions which can spread and engulf both our countries in conflict;

o to respect the dignity of each human being;

o to build bridges between our peoples.

-- Historic opportunity to set a steady course through the 21st century.

-- We have prepared carefully and extensively for this moment: want to share my thoughts and vision of the future that I will present to Gorbachev.

A Historic Opportunity

-- Americans have reason to be satisfied: economy flourishing, alliances strong, military might second to none, and we enjoy individual freedoms about which much of the world can only dream.

o Our strategy of deterrence has worked: since I have been President not one inch of free territory has fallen to communist subjugation. Indeed, the number of free countries calling themselves democracies has grown by (4?).

-- But what about the future?

-- US-Soviet relationship holds key to world's future: progress in solving mankind's problems depends on what we do in coming months and years.

-- Differences between us are profound -- our history, economic systems, and ~~the amount of~~ freedom our citizens enjoy.

o But we also have a history of cooperation: World War II alliance to defeat fascism. In the two major wars of this century we have been on the same side.

-- We have a common interest -- and mankind has an interest -- in dealing with our differences peacefully, and finding ways to cooperate wherever possible.

-- The most important task for General Secretary Gorbachev and me is to chart a course for the future:

- o not just to avoid war, but to strengthen peace;
- o not just to prevent confrontation, but to remove the sources of tension;
- o not just to paper over differences but to address them;
- o not just to talk about what our citizens want, but to let them talk to each other.

Peace is Indivisible

-- History has shown that peace is indivisible. Ensuring a safe future requires addressing the complex of problems we see, not just focusing on one or two issues, important as they may be. Thus our agenda for Geneva includes:

Putting the Nuclear Genie Back...

-- Since the dawn of the nuclear age, every American President has sought to limit and end the dangerous competition in nuclear arms. I have no higher priority than to finally realize that dream.

-- We have gone the extra mile in arms control:

(Recap US arms control proposals for deep reductions, greater strategic stability, effective verification of agreements.)

-- Wouldn't it be better for both our countries and for the world for us to concentrate on reducing the weapons that exist today?

-- And wouldn't the world benefit if we could mutually find a way to render nuclear ballistic missiles obsolete and useless?

-- Wouldn't it be better if Mr. Gorbachev and I could discuss this, without artificial preconceptions and pretense?

-- Our discussions will be an opportunity to inject new momentum into the Geneva Nuclear and Space Talks, and will have consequences long beyond our November meeting.

Sources of Tension

-- Reducing the levels of nuclear arms is not the whole answer: since World War II, about twenty million people have died in regional wars, not one involving nuclear weapons.

-- Soviet Union's use of force or threat of force to intervene directly or through proxies in in Afganistan, Poland, Angola, Nicaragua has made world more dangerous.

-- We cannot isolate these activities from other aspects of our relationship. The Soviet invasion of Afghanistan killed any hope of SALT II ratification.

-- That is why I proposed a plan for resolving regional conflicts that have taken such a heavy toll on the people involved, which threaten to engulf their neighbors and draw in outside powers which includes:

(Recap regional initiative)

Peace Depends on People

-- Freedom and democracy are the best guarantors of peace: people who enjoy freedom and human rights will not encourage their governments to commit aggression against others. History has shown that democractic nations do not start wars.

-- Respect for the individual and the rule of law is as fundamental to peace as arms control. A government which does not respect its citizens' rights and its international commitments to protect those rights is not likely to respect its other international undertakings.

-- We hold these beliefs deeply, but are not trying to impose them on others. We do ask, however, that countries live up to their freely undertaken international commitments.

Building Bridges

-- Finally, enduring peace requires openness, honest communications and opportunites for our peoples to get to know one another directly.

-- This applies to all aspects of our relationship, whether it be negotiating arms control agreements, reducing regional tensions and in the day to day business between our two governments.

o Imagine if Joe Smith in Poughkeepsie could meet and visit Sergei Ivanov in Sverdlovsk, if Sergei's son or daughter could spend a year, or even three months living with the Smith family, going to summer camp or classes at Poughkeepsie High, while Smith's son or daughter went to school in Sverdlovsk? Soviet young people could learn first hand what spirit of freedom rules our land, and that we do not wish the peoples of the Soviet Union any harm. Our young people would get first hand knowledge of life in the USSR.

o Imagine if people in Minneapolis could see the Kirov ballet live, while citizens in Mkhatchkala could see an American play or hear Duke Ellington's band? And how about Soviet children watching Sesame Street?

-- We have had educational and cultural exchanges for 25 years, and are now close to completing a new agreement. But I feel the time is ripe for us to take bold new steps to open the way for our peoples to participate in an unprecedented way in the building of peace. That is why I have proposed to the Soviet government:

1) To encourage our young people to get to know one another - reciprocal exchange of thousands of undergraduate students, and thousands of high school students; Soviet-American scholarship program.

2) To use the resources of technology for better communications - elimination of jamming, mutual satellite transmissions, exchanges in computer educational materials. We welcome the free competition of ideas and respect the right to hold different views.

3) To pool scientific talent - cooperative research and space programs where there is something to be learned on both sides. Important past accomplishments include Apollo-Soyuz, mechanical heart. How much more could be done by working together?

4) To bring cultural achievements closer - establishment of cultural centers, increased publication and distribution of books, possibly a book store in each country, increased language study. We have much to learn from one another.

5) To channel competition into healthy athletic outlets - increased sports exchanges, joint events. If we must compete, let it be in the athletic arena, rather than arms factories, in sweatsuits rather than military uniforms.

-- Our open society is our greatest strength, believe the only way to break down barriers of mistrust is through more information, communication and contact between our people. That is part of my vision of the future, and what I want to discuss further with Soviet leader Gorbachev in Geneva.

-- Differences between our two countries are substantial, but now is time to get programs like these underway. They will not solve our problems overnight, but can move us in the right direction.

Not An Impossible Dream

-- It is not an impossible dream that we can begin to reduce nuclear arsenals, reduce the risk of war and build a solid foundation for peace. It is not an impossible dream that our children and grandchildren can some day travel freely back and forth between America and the Soviet Union, visit each other's homes, work and study together, enjoy and discuss plays, music, television, and even root for each other's soccer teams.

-- The American people are ready for this. I have confidence in their ability to sift fact from fiction, propaganda from honest proposals. The people of the Soviet Union should have the same opportunity.

-- But governments can only do so much: once they get the ball rolling, they should step out of the way and let people get together to share, enjoy, help, listen and learn from each other, especially young people.

-- Peace involves everyone. It is built on the daily actions of citizens, especially in a democracy.

-- History has shown us that peace is indivisible. Addressing all the problems we face together is the only way to develop a healthy, sound relationship based on equality, mutual trust and fairness:

- o no matter how good an arms control agreement may be, its chances of being approved are diminished if Soviet behavior in other areas is unacceptable;

- o similarly, the prospects for more trade and other bilateral exchanges are improved when governments treat their people with respect;

- o and the chances for reaching an arms control agreement are improved if the barriers between people are lowered, and regional tensions not exploited.

-- That is the dream I am taking to Geneva. It is not an impossible dream. Our relationship will continue to be competitive in many ways, but, just as we have cooperated in the past to defeat a common enemy, we can do so again to defeat today's enemies: hunger, disease, poverty, illiteracy.

-- Our peoples want nothing so much as peace, a better life for themselves and their children. We can have a more cooperative relationship with the Soviet Union only if the Soviet leaders also want it.

-- As the poet Robert Frost said ".... and many miles to go before we sleep."

-- But our meeting in Geneva need not be an end: it could be the beginning of a renewed commitment to working together to shape a safer future for both our countries and the world. History will not forgive us if we do not make a start.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

SPEECHWRITING, OFFICE OF: RESEARCH OFFICE RECORDS

Withdrawer

MJD 6/20/2007

File Folder

11/14/1985 ADDRESS TO THE NATION (5)

FOIA

S07-069

Box Number

241

43

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
-----------	---	------------------------------	-----------------	---------------------------------

37415 PAPER

1

ND

B1

RE GENEVA SUMMIT

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.