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THE WHITE HOUSE  
WASHINGTON

September 8, 1976



MEMORANDUM TO: DICK CHENEY  
FROM: MIKE DUVAL *Mike*  
SUBJECT: MEETING WITH DANIEL YANKELOVICH

Yankelovich is giving us three documents which were put together by the "Public Agenda Foundation" and asks that we pass along to the President.

They have done three reports:

1. Inflation and Unemployment
2. Foreign Policy Issues
3. Morality in Government

He thinks these would be useful to the President in preparation for the debates. I am reviewing them and will send them along to you as debate policy material.

Dan made one very important point concerning the election. He believes that if you add the "soft" Carter and President Ford voters with the truly undecided it comes to 56% of the electorate.

In his view the "campaign" won't really begin until the first debate.

September 16, 1976

MEMORANDUM FOR

MIKE DUVAL

FROM:

BILL GOROG *WFG*

SUBJECT:

Debate Approaches in Light of the Yankelovich Study

From a careful study of the Yankelovich material, I believe that we should stick to a thematic approach to answering highly specific questions concerning economic policy. As the attached memo will indicate, Yankelovich tells us a great deal about what the voters will and will not understand, if we accept his findings. Our position on the broad problems of inflation and the link it has with unemployment will find broad appeal with the electorate.

I am preparing questions and answers to four topical points which may arise out of journalists' use of the study. However, as I have pointed out above and in the memo, there is a more important lesson to be learned from this material than a narrow focus on possible questions.

I will submit the questions and answers this afternoon.



The Yankelovich study provides a framework for setting the issues of unemployment and inflation for public debate. If we accept this framework and his analysis, we can 1) determine how debate questions on these issues might be phrased, and 2) determine which of our issue positions are most favorable in the eyes of the voter.

If a candidate promises that a program will cut inflation or increase employment, the voter wants to know 1) if the program can realistically work, and 2) what the hidden consequences or downside risks of the program might be. Translated into current issue terms, if Carter promises that Humphrey-Hawkins will help solve unemployment problems, then voters will be attuned to our charges that Humphrey-Hawkins is really just another lavish spending program that will not work, or that the inflationary consequences would be severe. Likewise, when the President promises that his programs of spending restraint will curb inflation and allow for gradual unemployment decreases, the voter will want to know if spending restraint will actually lead to cuts in the inflation rate, and whether the costs may be in the form of exacerbated unemployment. On the first count, evidence of the decreases in inflation over the past eighteen months should serve as prima facie evidence. A mixed description of the general decline in unemployment and the continuous rise in employment over recent months







should satisfy this concern. Again, the key to establishing voter confidence in issue positions is the ability to demonstrate positively that the position is responsible and feasible, and to allay fears or concerns about downside risks. Conversely, lack of voter confidence in Carter's issue positions, and thus Carter himself, can be accentuated by the reverse process.

There are certain anomalies to voter positions which must be taken into account. While a majority of voters endorses on a case-by-case basis many of the government programs that cause spending to increase, voters overwhelmingly insist that government spending be limited because they recognize its impact on inflation and individual taxes. In current terms, this tells us we should focus constantly on the aggregate new spending of \$103 billion contained in the Carter platform, emphasizing the inflationary and tax costs.

Similarly, while voters overwhelmingly support the market economy with private ownership, large majorities also support the concept and practice of government regulation. Hence, while our regulatory reform efforts may appeal to the ideologically-oriented few, these efforts may not be understood by the larger electorate. Rather, we should pitch our regulatory reform remarks in a manner

that talks vaguely about an insensitive and unresponsive government encroaching into individual lives. The theme is subtly anti-Washington, but the President has been successful in linking this mood to the actions of Congress.

Yankelovich studied voter attitudes towards pursuing policies aimed at simultaneously combatting inflation and unemployment, and he came up with a finding that reveals an interesting flaw in Carter's positions. The electorate rejects the use of wage and price controls. Carter and the Democratic platform mention the use of wage and price controls, based on the generalized assumption that an incomes policy of this sort would have to be used if the simultaneous solution approach to inflation and unemployment is used. Tied in with our remarks concerning the dangers of Carter's spending programs, as noted previously, the President could point to the fact that Carter wants standby wage/price control authority to handle inflation when it heats up again. On the other hand, the President is successfully pursuing policies to prevent future inflationary occurrences. He is engineering spending programs that will build in inflation; we are structuring an economy that will seal out inflation. Again, this serves to subtly reinforce voter fears of the downside risks to Carter's promises.

If the Yankelovich study can be used as a barometer of likely debate questions, it is almost certain that a question concerning simultaneous solutions to inflation and unemployment will arise. If so, the President can confidently assume a strong stance in pointing out that inflation causes unemployment, that it imposes terrific burdens upon the taxpayer, and that by solving the inflation problem, which we are doing, we will continue to make great progress towards solving unemployment. Carter calls for more spending; that means more inflation, and more unemployment. The President is cutting spending and inflation; the results will be lower unemployment. Yankelovich infers that this positive relationship between spending, unemployment, and inflation would be easily understood. We have hinted at it; we will have a forum to use it directly.

The Yankelovich study also goes to considerable length to outline three scenarios of potential proposals, which while simplistic and well-known to economists, are too involved to have appeal or understanding among the electorate. This is reinforced by data indicating that public awareness or interest in each of these proposals and their components is low. For this reason, the President will be best positioned with respect to public support and public awareness if he maintains an association with the thematic approach (less government, less Washington) tied to the





easily understood and agreed upon general positions (more spending means more inflation means more unemployment). Where necessary, this can be backed up by specific reference to our initiatives in the areas of unemployment insurance, limited use of public works and public service employment, and job training programs (See Tab A).

Attached at Tab B are materials which outline the terms of the issue debate as comprised of three options. Any questions that are phrased in terms of "do you support the Option A, Option B, or Option C approach" should not be answered along the lines of strict adherence to one of the three options. We should respond on our terms, avoiding an answer which separates concentration on inflation at the expense of unemployment, or vice versa. Again, the two should be related directly, followed by an outline of the improvements in both sets of statistics as somewhat indicative of our ability to solve these problems by relating them.

TAB A

### Programs for the Unemployed

The Budget reduces the size of the major programs for the unemployed in 1977 to correspond to improvements in the economy. Unemployment benefits are reduced by \$2.5 billion; temporary employment assistance (public service jobs) is reduced by \$1.2 billion. New initiatives were undertaken in both areas at the start of the recession.

Other important programs for the unemployed also discussed below are the regular employment and training programs authorized by the Comprehensive Employment and Training Act (CETA), and the summer youth employment program.

### Unemployment Compensation

The most important program for the unemployed is the regular Unemployment Insurance (UI) system which provides up to 26 weeks of compensation for those covered by the program. Unemployment insurance serves as a first line of defense in the national economy during periods of high unemployment. The program restores part of wages lost and helps maintain purchasing power, and thus helps both the unemployed worker and the community as a whole. The program operates through a Federal-State partnership in which the expenses of administration of State unemployment compensation laws are borne by the Federal Government and benefit payments are made largely from tax receipts collected from employers at rates established by the State. Except for limited standards in the Federal laws, the States develop their own programs and have wide latitude in their administration.

The Federal Government currently collects from the employer a tax of 0.5% on the first \$4,200 of wages paid each covered employee. These taxes pay for Federal and State administrative costs. In addition, the Federal tax pays one half the cost of extended benefits (State unemployment taxes pay the other half), which provide up to an additional 13 weeks of benefits during periods of high unemployment. The combination of regular and extended benefits provides up to 39 weeks of compensation.



Types of employment covered by the program have been gradually expanded over the past forty years as experience has indicated the need; average weekly benefits have also risen. About 85% of the work force is covered by regular UI.

In the fall of 1974, the Administration and the Congress began work to make temporary adjustments in recognition of the worsening employment situation. The initial set of measures were enacted in December 1974. They provided:

- A temporary extension of unemployment insurance benefits beyond the 39 weeks of maximum duration up to 52 weeks, financed by the Federal unemployment tax.
- Creation of a special unemployment assistance program, financed from general revenues, for workers not covered under the regular program (about 12 million), or those without adequate work history in the base period used by many States to determine eligibility for the regular UI programs, to provide for them a total of up to 26 weeks of benefits.

Later in 1975, amendments extended the maximum number of weeks of benefits available for those covered by the regular program to 65 and the maximum number of weeks for the others to 39.

These actions were important but of a stop gap nature. A two-stage effort has been proposed by the President to make more permanent improvements in unemployment compensation. On July 14, 1975, the Administration transmitted to the Congress a bill which would:

- Expand coverage under the regular UI program to 92% of the work force by including:
  - . Agricultural workers (about 710,000 who work for larger employers - about two-thirds of all agricultural workers).
  - . Domestic workers (about 400,000 who work for employers who pay \$500 or more in quarterly wages).
  - . State and local hospital employees and elementary and secondary school employees (about 4.8 million workers).

- Increase benefit levels by requiring each State to provide each eligible claimant with a weekly benefit amount equal to at least 50% of his pre-tax average weekly wage. States could place a limit on the amount of benefits payable to any individual equal to at least two-thirds of the State-wide average weekly wage for covered workers.
- Strengthen the financing of the UI system by permanently increasing the wages subject to tax from \$4,200 to \$6,000 a year and by temporarily increasing the net Federal tax rate from 0.5% to 0.65% until the general funds used to finance extended benefits during the recession have been repaid.
- Increase the system's responsiveness to changes in the economy which determine when extended benefits will be paid under the regular UI program.
- Establish a National Commission on Unemployment Compensation which will undertake a thorough and comprehensive examination of the present unemployment compensation system and proposed changes, and make recommendations for further improvements. The Commission will study the appropriate objectives for UI, including railroad UI, and the appropriate role of UI in income maintenance and its relationship to other social insurance and income maintenance programs. The Commission will examine the relationship between UI and training and employment programs, and will study the relationship of UI to the economy, with a focus on the long range UI funding needs. In addition, the Commission will explore eligibility requirements, disqualification provisions, and factors to consider in determining appropriate benefit amounts and duration.

Because of these proposals and anticipated improved economic conditions, no proposal is made to extend legislative authority for the two emergency temporary unemployment assistance programs which will expire in 1977. These programs were conceived to provide additional support during the worst period of the recession. The extension of benefits to 65 weeks under the regular program is now being phased down under the temporary law on a State-by-State basis as unemployment rates decline. Many workers now benefiting from the temporary special unemployment assistance program will be taken into the regular program under expanded coverage proposed to take effect January 1, 1977.

In FY 1977, it is estimated that some \$14.8 billion of unemployment insurance will be paid to approximately 8.9 million beneficiaries under the regular UI program, the temporary extension to 65 weeks and the proposed legislation. In addition, some 700 thousand people will be paid an estimated \$.9 billion under Federal programs which provide unemployment benefits to former Federal personnel, to workers qualifying under the temporary special unemployment assistance program, and workers qualifying for trade adjustment assistance.

#### Employment and Training Services

The principal Federal programs providing employment and training services to the unemployed are authorized by the Comprehensive Employment and Training Act of 1973 (CETA). CETA makes available a broad range of employment and training activity primarily through grants to States and localities. Under the major program, Title I, about \$1.6 billion is proposed for 1977, the same level as 1976. These funds will permit more than 430 prime sponsors (states, counties, cities with populations of 100,000 or more, or voluntary combinations of local governments) to serve an estimated 1.3 million economically disadvantaged, unemployed, and underemployed persons in various training and employment programs. With the expected improvements in the economy by 1977, more emphasis is expected to be placed on training programs aimed primarily at serving the economically disadvantaged, and less emphasis is expected to be placed on training programs aimed primarily at serving the economically disadvantaged, and less emphasis on work experience.

Other parts of CETA offer nationally directed programs for Indians, Migrants and Seasonal Farmworkers, severely disadvantaged youth, and other groups.

The President's Budget also includes a special program of summer jobs in 1976 and 1977 for disadvantaged youth. The precise funding level for this program will be determined after a careful review of unemployment rates and other economic indicators each year. Supplemental budget requests will be submitted as soon as projections for the summer youths are available (generally in March).

Finally, CETA authorizes public service employment both as a transitional employment device for the disadvantaged who may need work experience or a period of stable employment before moving into regular jobs, and as a temporary employment device for some of the workers who lost jobs in the economic downturn.



Total 1977 outlays for CETA programs, excluding temporary employment assistance, are estimated at \$2.8 billion.

One of the programs enacted in December 1974, with the unemployment compensation revisions, was Temporary Employment Assistance (TEA).

TEA authorized public service employment (PSE) similar to the existing CETA programs. Here, however, the emphasis was on rapid hiring for one-year jobs, rather than on individual development and transition to regular jobs.

A total of \$2.5 billion was appropriated for TEA to enable some 260,000 jobs to be created through the end of 1976. Another 50,000 jobs are being financed under the regular CETA programs.

Because of the uncertainty of the economic situation last spring, no decisions could be made on TEA beyond 1976.

By the fall of 1975, however, it was clear that the worst of the recession was over and that the economy generally was improving. It is also known that the job creating impact for PSE programs dissipates rapidly after the first year. Increasingly, States and localities substitute these Federal funds for expenditures they would have made from their own resources.

It was, therefore, necessary to consider how to phase out the TEA program. The pattern of economic recovery is likely to be uneven across the country. It is also likely that improvement in employment will lag somewhat behind improvement in other economic indicators.

The President is therefore proposing:

- . Maintenance of the regular CETA PSE program for 1977 at a level of \$400 million for about 50,000 jobs;
- . Funding of regular State and local CETA programs at \$1.6 billion, the same level as 1976, to provide 466,000 training and employment opportunities which will serve approximately 1.3 million new enrollees;
- . Maintenance of CETA national programs at the 1976 level for 1977 at \$414 million;

- . Funding of the CETA summer youth employment program at about \$400 million to provide 672,000 jobs (subject to change based on 1977 data);
- . Continued funding into 1977 for the 243,000 TEA jobs that are in areas of substantial unemployment, at which time a 9-month phase out will begin, so that by September 30, 1977, the TEA program can be completed.
- . Providing some discretionary funds to areas with lower unemployment rates (which now have about 17,000 TEA jobs) so they can phase out their programs earlier.

To simplify planning for States and localities, both the continuation and subsequent phase out funding for the Temporary Employment Assistance Program are requested in FY 1976 as one supplemental for \$1.7 billion.

The new TEA funding will only be available to pay a Federal contribution to salaries of up to \$7,000 per year. This provision is intended to discourage further substitution of Federal funds for local resources and to encourage transition of enrollees into unsubsidized employment. The average wage for most Public Service Employment enrollees is now slightly below \$7,000.



## Summer Youth Employment Program

A program to provide jobs for economically disadvantaged youth aged 14 to 21 during the summer months is included in the President's budget request for 1976 and 1977. Eligible youth are generally those from families whose income is below the Federal poverty line (\$5,050 for a family of four). A preliminary estimate of \$440.3 million for the 1976 program will support approximately 740,000 9-week part-time summer jobs at the minimum wage. This proposed level is equivalent to the level of effort provided in the summer of 1975, allowing for an improvement in the unemployment rate for youth. The preliminary estimate for the 1977 summer program is \$400 million, which would provide 672,000 jobs.

This program provides part-time summer jobs in various organizations, including schools, hospitals, libraries, community service organizations and private nonprofit agencies. Traditionally, participants in the summer jobs program perform clerical work, school maintenance, or work in libraries and day care centers.

Supplemental budget requests for funds for this program will be formally transmitted to the Congress this year and in 1977 as soon as data on the projected level of youth unemployment and other relevant economic factors for the summers of 1976 and 1977 become available (approximately early March, each year). These funds will be distributed through the more than 430 State, county and other local prime sponsors of the Comprehensive Employment and Training Act.



## Public Works Programs to Combat Unemployment

The 1977 Budget includes \$291 million for the programs of the Economic Development Administration and the Regional Action Planning Commissions in the Department of Commerce. These programs are to be focused on developing permanent employment opportunities for residents of economically depressed areas of the country. In 1977 these agencies will once again turn their full attention to assisting the chronically depressed areas, after devoting considerable attention in 1975 and 1976 to creating temporary jobs for the unemployed. The \$42 million requested for the Regional Commissions will provide for the same level of program activity recommended in the 1976 Budget and is an increase over the 1975 level.

The \$249 million requested in 1977 for EDA's public works and business development projects and related programs is \$133 million lower than the amount appropriated in 1976, reflecting primarily the need for budget restraint and recognition that although each project helps the particular community that receives it, within any reasonable level of funding, the program will have limited effect in stimulating long-term economic development of economically depressed areas. While the appropriation request for EDA and the Commissions is being reduced, outlays from the economic development programs of these agencies will increase from \$505 million in 1976 to \$530 million in 1977.

The 1977 Budget does not request further funding for the Job Opportunities program which was added to the law in 1975, nor does it continue the 1976 expansion of the regular job programs of EDA and the Commissions. In the 1976 appropriations, Congress added \$92 million to these agencies for their ongoing programs, plus \$375 million for the Job Opportunities program. The Job Opportunities program is very difficult to administer effectively, and is, from the Administration's view, an undesirable means of allocating funds among agencies. Under this program, Commerce allocates the funds among the Federal agencies based on a minimum amount of information on the proposed use of the funds. This system weakens the normal budgetary and appropriation process for allocating funds to agencies and does not permit either the Congress or the President to assure that the funds are allocated effectively.

In addition to ending funding for temporary jobs, the 1977 budget proposes other restraints in the EDA programs. In particular, the new program of formula grants to States which provided \$20 million in 1976 is being suspended, and the new block grant program is being reduced from \$77 million in 1976 to \$45 million in 1977, pending an evaluation of the effectiveness of these programs which were proposed by the Administration in 1974. The evaluation will determine whether these new approaches to permanent improvements in economically depressed areas and adjustment assistance to economically impacted areas have been successful.

The President's Budget also proposes a rescission of the \$4 million Congress added for 1976 and the transition quarter to fund additional economic development planning districts. It would be inappropriate to expand the share of EDA funds going for this planning and administrative infrastructure when the available resources should be used to implement existing redevelopment plans and more effectively utilize the capabilities of established districts. The 1977 budget includes funds for those districts now being financed by the Economic Development Administration.



TAB B



CHART APRIMARY EMPHASIS ON CONTROLLING INFLATION

Principal Tools:

- Limit government spending, restrict monetary expansion.
- Deregulate business and industry.
- Provide incentives for investment and capital formation in the private sector.

Ideological Base: Maximum reliance on free-market forces.

Arguments in Favor	Arguments Against
<ol style="list-style-type: none"> <li>1. High rates of inflation undermine the confidence of consumers and investors, result in reduced levels of spending and investment, and generate low growth, high unemployment and technological stagnation.</li> <li>2. High rates of inflation distort the allocation of resources, as investors tend to prefer real assets over monetary assets.</li> <li>3. High rates of inflation invite government-imposed incomes policies and other forms of government interference with market forces; such interference is generally inefficient and incompetent and poses a serious threat to individual freedom, opportunity and advancement.</li> <li>4. Inflation affects everyone, while unemployment affects only a small percentage of the labor force.</li> <li>5. In the absence of government-imposed incomes policies (which are ineffective in any case), there is no way to bring about a faster reduction of unemployment without setting off an inflationary spiral, which in turn will produce another recession and higher rates of unemployment in the long run.</li> </ol>	<ol style="list-style-type: none"> <li>1. More than 7 million Americans are unemployed and need jobs now; giving primary emphasis to controlling inflation through free-market forces will reduce the rate of unemployment too slowly over too long a period of time.</li> <li>2. Such an approach will do little to supply jobs to the disproportionate number of young people, minorities and women who are persistently unemployed, even when there is not a recession.</li> <li>3. Such an approach is politically unacceptable to a large segment of the electorate which regards unemployment as a moral issue as well as a practical one.</li> </ol>

## CHART B

### PRIMARY EMPHASIS ON REDUCING UNEMPLOYMENT

- Principal Tools:
- Expand the government's role as employer/contractor to fulfill commitment to full employment (97% of job-seeking adults).
  - Supplement overall expansionary fiscal and monetary policies with special policies and programs for industries, sectors or regions with exceptionally high rates of unemployment to create more employment in the private sector.
  - Introduce planning and a more rational approach to resource allocation.
  - Allocate more revenue-sharing funds to state and local governments.

Ideological Base:      Emphasis on the limits of the job-creating capacity of the market, coupled with acceptance of government's obligation to provide a decent job to everyone willing and able to work.

Arguments in Favor	Arguments Against
<ol style="list-style-type: none"><li>1. High rates of unemployment lead to low rates of production and high transfer payments to people without jobs; the result is stronger recessionary and inflationary pressures.</li><li>2. Unfilled needs for public goods and services abound and cry out for being satisfied by people now unemployed or underemployed.</li><li>3. Human suffering and economic waste caused by unemployment are inexcusable and intolerable; in particular, young people who are without jobs may become permanently unemployable, drifting in and out of the labor force, which in turn may lead to a loss of output for many years to come.</li><li>4. Our society's commitment to the work ethic entails the moral obligation to provide jobs to those who are able and willing to work.</li><li>5. Millions of young people, minorities and women are intermittently and for long periods unemployed (or underemployed), and will never be brought into fully productive, steady jobs without special government action.</li></ol>	<ol style="list-style-type: none"><li>1. The tools necessary for reducing unemployment quickly, if utilized in the absence of an effective incomes policy, are likely to set off an inflationary spiral, which in turn will lead to a new recession and higher rates of unemployment in the long run.</li><li>2. In order to prevent such an inflationary spiral, government would be required to impose an incomes policy; such policies don't work, are an undesirable intrusion of government into the free play of the market and may limit job-creation in the private sector.</li><li>3. Kicking off a new and severe round of inflation is politically unacceptable to the American people.</li></ol>

## CHART C

### EQUAL EMPHASIS ON CONTROLLING INFLATION AND REDUCING UNEMPLOYMENT

- Principal Tools:      • Some of the same inflation-fighting and job-creating policies listed on Charts A and B, but linked with some form of an incomes policy, plus experimentation with new, untested economic and political policies (e.g., new bargaining arrangements between labor and management, stockpiling and managing basic foodstuffs and commodities, etc.)
- Ideological Base:      Unwillingness to tackle one problem at the expense of the other, leading to a readiness to experiment with economic and political policy tools.

Arguments in Favor	Arguments Against
<ol style="list-style-type: none"><li>1. The public will not be satisfied with a policy that emphasizes controlling inflation at the cost of continued high rates of unemployment, nor does it want to reduce unemployment at the cost of an inflationary spiral. It wants both problems solved simultaneously.</li><li>2. Both problems can be solved if the government will institute an effective incomes policy in order to control inflation as adult unemployment dips below 4½ to 5½ per cent of the labor force. Incomes policies can be effective if they are instituted before inflation gets out of hand.</li><li>3. Effective incomes policies do not constitute a major threat to the current state of the "free market," since the market is highly imperfect to begin with and already distorted by regulations, subsidies, laws and social attitudes.</li><li>4. The fact that incomes policies have been less than wholly successful in the past means that we must be more innovative and prepared to experiment in order to come up with an effective, workable form of an incomes policy.</li></ol>	<ol style="list-style-type: none"><li>1. Incomes policies won't work, are economically wasteful and inefficient if maintained for more than a short time; they also involve inappropriate government interference with the market, and are a threat to individual freedom, opportunity and advancement.</li><li>2. While the American people may currently want inflation and unemployment solved simultaneously, they do not understand the high risks involved in experimenting with untested policies.</li><li>3. Success depends not only on government economic policies but also on the support of business and labor, both of which tend to be skeptical toward this option.</li></ol>



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Moral Leadership in Government



A Public Agenda Foundation Report  
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Moral Leadership in Government

Drafted By: Daniel Yankelovich

Reviewed By: Amitai Etzioni, Ph.D.  
Robert Michels, M.D.  
Leon Shapiro, M.D.

This is one of three reports prepared in 1976 by the Public Agenda Foundation. The other two are entitled Inflation and Unemployment and U.S. Foreign Policy: Principles for Defining the National Interest. The Public Agenda Foundation is a nonprofit, nonpartisan organization established to identify the principal issues facing the country and to develop alternative approaches for dealing with these issues. The premise underlying all Public Agenda reports is that clarifying key national issues, particularly during a presidential election, will enhance citizen participation in the political process -- and that it is good for the country to do so. The Public Agenda takes no positions and makes no recommendations. It is designed to perform an educational and research service for the voters, particularly independent voters, and the candidates.

The Public Agenda's reports are based on interviews with experts, community leaders and voters. They are not intended to provide answers and they do not. They do provide a framework for thinking about the issues within which public debate might be pursued. We hope they will be used by the presidential candidates and their staffs to learn how various groups in the country regard crucial issues, and that they will also prove to be useful to the independent voter who would like to see certain vitally important choices raised in these reports discussed and clarified.