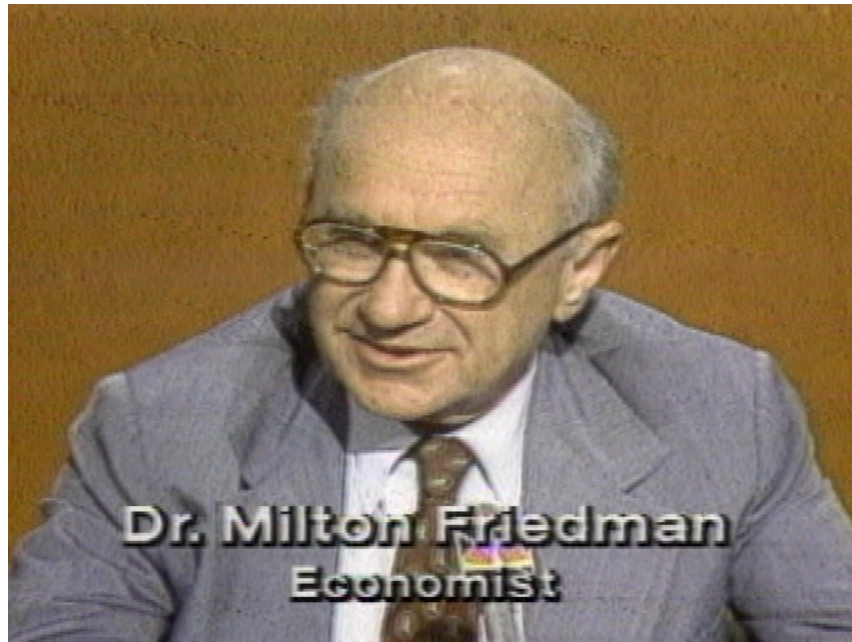


## Economist Milton Friedman Defends President Ronald Reagan's Economic Plan

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### Description

Economist Milton Friedman says the country's fiscal policy has been too loose and its monetary policy too erratic.

### Keywords

economy, economic policy, economic theories, The White House, Reaganomics, Milton Friedman, Nobel Prize winner, economist, Senior Research Fellow, Hoover Institution, President Reagan's Economic Advisory Board, Ronald Reagan, fiscal policy, monetary policy, government spending, state and local spending, Congress, Republicans and Democrats, military spending, defense spending, tax rises, tax increases, tax cuts, constitutional amendment requiring a balanced budget, spending cuts, deficit forecasts, deficits, economic predictions, trimming the budget, fiscal policy.

## Transcript

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BILL MONROE, anchor: Our guest today on MEET THE PRESS is economist Milton Friedman, Nobel Prize winner, senior research fellow at the Hoover Institution, Stanford University, and a member of President Reagan's economic policy advisory board. Dr. Friedman there is a stalemate between Congress and President Reagan over the budget. The Congress says that \$100 billion deficits, which the President is planning for the next several years, are too high. The President says that he doesn't like them either but he does not wish to trim the growth of military spending or to consider tax increases for next year to lower the deficits, as most in Congress seem to want. Are you recommending to the President that he not compromise?

Dr. MILTON FRIEDMAN: I don't know what compromise means. I am strongly opposed to any retreat on the subject of taxes. I think raising taxes will not in fact reduce the deficit, it will simply increase spending. I too agree that the deficit is too large but I think there is only one way that is appropriate to reduce it, and that is to cut spending. There are a lot of areas where spending can be cut and needs to be cut. Governmental spending in this country is much too high. If we take federal state and local spending together, it amounts to over 40 percent of our national income. I wonder how many people who are listening to this program think that they are getting their money's worth, for the 40 percent of their income, which is being spent supposedly on their behalf by governments.

MONROE: Compromise in this case, Dr. Friedman, according to the voices we are hearing from Congress, Republican and Democratic, would mean either considering tax increases or deferring tax cuts in 1983 or reducing the growth in military spending. Now you have not indicated that you are opposed to the reduction of growth in military spending.

Dr. FRIEDMAN: I am not opposed to the reduction of growth in military spending on strictly military grounds. I am opposed to the reduction of growth in military spending on budgetary grounds. This nation can afford to have a strong defense. Military spending is scheduled to be something like 5 or 6 percent of our GNP. Fifteen years ago, it was 8 or 9 percent. We can afford that. On the other hand, I have no doubt that there is waste in the military area. I have no doubt that we ought to be able to get the same amount of strength for less so if you can find ways in which we can achieve the same military defense for less money, of course we need to do that. There are lots of other places where we can cut spending. I am strongly opposed to any postponement of the tax cuts or any rise in taxes.

MONROE: Is there a contradiction between advocating a constitutional amendment requiring a balanced budget as you do and supporting President Reagan in a policy that would produce hundreds of billions of dollars of deficits in the next several years.

Dr. FRIEDMAN: I do not believe that that policy would in fact produce hundreds of billions of dollars of deficits. Contrary to common opinion, I believe the President has achieved a great triumph. I believe he has forced Congress to consider the issue on the right terms. The easiest way out for Congress is to raise taxes, but the right way out for Congress is to cut spending, and what President Reagan has achieved has been to put Congress in the position where it is going to have to face up to that hard choice. My prediction is that the actual deficits over coming years will be far smaller than is now forecast. You know, as a

matter of fact, one of the things that I think is most absurd about this whole business is the seriousness with which these estimates are taken. If you go back and look at future forecasts of deficits, they are very unreliable. There's no reason to suppose that these are more than numbers on papers. Moreover, they are numbers that are subject to the control of Congress by its actions on spending.

MONROE: Thank you Dr. Friedman.