

## News from Senator

# BOB DOLE



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### S.1: CUT FEDERAL SPENDING

WASHINGTON -Senate Majority Leader Bob Dole (R-KS) and Senate Budget Committee Chairman Pete Domenici (R-NM) today introduced the first Senate bill of the new Congress, S.1. The bill would require major spending reductions in each of the next three fiscal years to combat federal deficits.

Following is the text of Senator Dole's introductory statement:

#### Reducing Spending For Fiscal Years 1986, 1987, and 1988

Today I am pleased to introduce as S.1 legislation requiring major spending reductions in each of the next three fiscal years. These spending reductions will constitute a major assault on our number one problem: federal deficits that are careening out of control. I am glad to say that the distinguished Chairman of the Budget Committee, Senator Domenici, joins me in introducing this legislation.

Let me say at the outset that this is just a modest first step towards launching our legislative efforts in the 99th Congress to reduce spending and bring the deficit under control. As drafted, S.1 states a goal most everyone agrees on: reducing the deficit as a percentage of the Gross National Product so that by fiscal year 1988 it would decline to 2 percent. The percentage prescribed for fiscal year 1986 is 4 percent, and for fiscal year 1987, 3 percent. These are essentially the targets Dave

Stockman has proposed for President Reagan, and which the Administration is working toward in preparing their budget. They are consistent with most of the freeze proposals that have been discussed, and with the growing consensus that spending has to be our first line of attack in dealing with the deficit.

### Setting Goals

I believe this legislation is important because it sets goals that we very much need to meet -- goals that are essential to our economic well-being. But I do not pretend that this bill is the answer to our problems, because clearly it is only a beginning. In many ways I would have preferred to have a specific budget plan to lay before the Congress, or at least specific deficit numbers or spending reduction numbers that we ought to achieve. But as everyone knows, the specific numbers keep shifting, and the President's budget will not be available for about a month. So it is best that we proceed with goals we do know, goals we can define, and goals that should govern the budget debate for the rest of this year. That is what S.1 is all about. It is my hope, and I believe Senator Domenici shares that hope, that this proposal can later become the vehicle for legislative action in the Senate to reduce the deficit.

### Top Priority

It is no overstatement to say that cutting the deficit must be the top priority of the new Congress. The health of our economy is the key to everything we try to achieve, both as individuals and as a nation. Without a strong economy, we cannot afford to aid the weak and the hungry around the world. Without a strong economy we lessen the reputation for leading the free world in the vanguard of human progress. And without a strong economy we lack the resources to strengthen our defenses, and the credibility we need to negotiate with the Soviet Union on our own terms. So in a very real sense, the deficit problem is linked to every one of our endeavors.

### Deficit Is The Problem

Let there be no doubt that reducing the deficit is the key to a healthy economy. Just yesterday the Finance Committee held a hearing, organized with the able direction of the new Chairman of that Committee, Bob Packwood, to examine just that question. Four distinguished economists -- diverse individuals who do not always agree on such matters -- concurred in the judgment that spending reductions that bring the deficit down would have a major favorable impact on the economy in terms of interest rates, growth, and jobs and investment over the long term. These witnesses -- Alan Greenspan, Martin Feldstein, Paul Craig Roberts, and Charles Schultze -- represent a broad range of economic viewpoints, yet they agreed that reducing federal spending is

probably the most vital task this Congress can address itself to. I hope their testimony will be widely read, and I am glad to have had the opportunity to join Senator Packwood in conducting that hearing.

The reasons why our colleagues in the economics profession are worried are not hard to find. Deficits in the \$200 billion range drain resources from the private sector, cause uncertainty in financial markets that raises interest rates, and undermine our trading position by keeping the dollar high. That means that until deficits are reduced, our economic recovery has a serious instability built into it. That instability must and will be removed, because the general welfare of the nation is at stake.

### Guiding Choices

I hope that the introduction of S.1 will help make several things clear that can guide our choices in dealing with the deficit. First, strong growth in the economy will not continue unless we have spending cuts that reduce the government's absorption of resources. A stable and responsible monetary policy is, of course, a necessary precondition for stable growth. Second, considering major tax changes at this time would be highly controversial -- particularly with the President, if they raise revenue -- and might impede progress on the deficit. Besides, most revenue-raisers would not have a positive effect unless linked to spending cuts of a greater magnitude. So I continue to prefer a separate track for now on deficit reduction and tax reform proposals such as that made by the Treasury.

All of this translates into a mandate to attack spending first and foremost as a means of controlling deficits. Once we have done that, and satisfied the financial markets that we are serious and will stick to our program, we can consider further options. But today we must begin focusing on the immediate challenge, and I hope that S.1 will help do that.