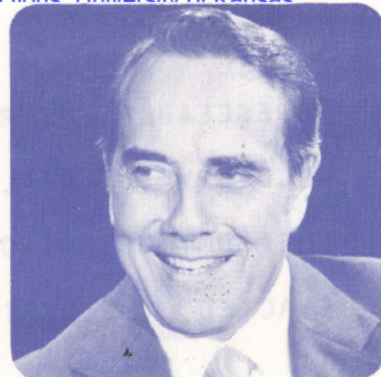


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FOR IMMEDIATE RELEASE:
MONDAY, MARCH 12, 1984

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REMARKS OF SENATOR DOLE FINANCIAL WORLD AWARDS BANQUET

MONDAY, MARCH 12, 1984--6:30 P.M.--PLAZA HOTEL, NEW YORK

WHY WORRY ABOUT THE DEFICIT

IF NOTHING IS DONE TO REDUCE DEFICIT SPENDING OVER THE NEXT FIVE YEARS, THE TOTAL FEDERAL DEBT WILL NEARLY DOUBLE TO OVER \$10,000 FOR EVERY MAN, WOMAN AND CHILD IN AMERICA. AT THIS LEVEL, BY 1989 IT WILL TAKE ONE-HALF OF ALL AMERICANS' PERSONAL INCOME TAX PAYMENTS JUST TO PAY THE FEDERAL GOVERNMENT'S INTEREST BILL OF \$250 BILLION--ABOUT \$1,100 FOR EVERY AMERICAN.

VIRTUALLY ALL ECONOMISTS AGREE THAT THE SUSTAINED ENORMOUS DEFICITS THAT WE ARE FACING WILL BE ECONOMICALLY HARMFUL. MANY AMERICANS WILL FIND HOME-BUYING MORE DIFFICULT WITH HIGHER DEFICITS. IF DEFICITS PUSH INTEREST RATES UP, TOTAL INTEREST COSTS OVER A 30 YEAR TERM MORTGAGE WILL BE \$15,500 MORE FOR EACH ONE PERCENTAGE POINT INCREASE. AND ALL AMERICANS WILL DIRECTLY FEEL THE RESULTS OF HIGH DEFICITS IF THEY LOSE JOBS AS A RESULT OF A CROWDING OUT OF PRIVATE INVESTMENT, OR DUE TO IMPORTED PRODUCTS MADE MORE COMPETITIVE BY AN ABNORMALLY STRONG DOLLAR OR IF THEY END UP PAYING HIGHER PRICES BECAUSE INFLATION IS REKINDLED.

WHAT IS THE FEDERAL DEFICIT LIKELY TO BE?

EVEN UNDER THE MOST OPTIMISTIC OF ECONOMIC ASSUMPTIONS, THE DEFICIT WILL REMAIN AT HISTORICALLY HIGH \$200 BILLION LEVELS OVER THE

FORESEEABLE FUTURE, UNLESS DRASTIC ACTION IS TAKEN. WITH A STRONG RECOVERY (4% REAL GROWTH OF GNP) OVER THE NEXT FEW YEARS AND ALL OF THE ADMINISTRATION'S PROPOSED SPENDING CUTS AND REVENUE PROPOSALS ARE ENACTED, THE DEFICITS ARE STILL PROJECTED TO BE AROUND \$180 BILLION.

BUT SLOWER GROWTH WOULD MEAN HIGHER DEFICITS, AND IF WE HAVE AN ECONOMIC DOWNTURN DURING THIS PERIOD, WE MAY BE FACING \$300 PLUS BILLION DEFICITS. WE CANNOT AFFORD TO RISK THAT.

WHY SHOULD WE ACT THIS YEAR ON THE DEFICIT

IF WE POSTPONE ACTION UNTIL 1985 AND SUFFER ANOTHER RECESSION, THE DEFICITS WOULD THEN HIT THE \$300-\$400 BILLION RANGE. AT THAT POINT, IT MAY BE DIFFICULT TO CUT THE DEFICIT WITHOUT FURTHER WEAKENING THE ECONOMY. OUR CHOICES WOULD BECOME VERY DIFFICULT INDEED.

BY POSTPONING ACTION OF THE DEFICIT, WE MAY INCREASE THE RISK OF RECESSION. THE AVERAGE INCREASE IN THE UNEMPLOYMENT RATE DURING A POSTWAR RECESSION IS ABOUT THREE POINTS, OR THREE MILLION JOBS. ALTERNATIVELY, THE FED COULD OFFSET THE DEFICITS' IMPACT ON INTEREST RATES BY "MONETIZING" THE DEBT, LEADING TO A RESURGENCE OF INFLATION IN 1985. IF WE DO NOTHING, WE WILL FORCE THE FED TO CHOOSE BETWEEN HIGH INTEREST RATES AND RECESSION, OR INFLATION.

FURTHER, FAILURE TO ACT ON THE DEFICITS MAY BE DEPRESSING THE STOCK MARKET. A KEY FACTOR IN DETERMINING EQUITY AND BOND PRICES IS INVESTORS' CONFIDENCE THAT CONGRESS AND THE ADMINISTRATION CAN PRODUCE A SOUND FISCAL POLICY. IF WE SEND THE SIGNAL THAT THE DEFICIT PROBLEM WILL BE DEALT WITH, EQUITY AND BOND PRICES MAY IMPROVE.

DEFICITS AND INTERNATIONAL FINANCE

IT IS CLEAR THAT HIGH INTEREST RATES AND A STABLE DOLLAR ATTRACT INVESTMENT FROM ABROAD INTO THE U.S. THIS IS NO DOUBT A RESULT OF MANY FACTORS, INCLUDING FEDERAL RESERVE POLICY, EXPANSIVE U.S. BUDGET DEFICITS; AND CONCERNS ON THE INTERNATIONAL SCENE THAT MAKE THE U.S. SEEM TO BE A SAFE HAVEN.

ATTRACTING CAPITAL HELPS FINANCE OUR NATIONAL DEBT, SO THAT HIGH BUDGET DEFICITS HAVE NOT YET RESULTED IN THE KIND OF "CROWDING OUT" OR HIGHER INTEREST RATES THAT MANY ANALYSTS FEAR. BUT IT IS NOT CLEAR HOW LONG THAT DAY OF RECKONING CAN BE POSTPONED IF OUR FISCAL IMBALANCE IS NOT CORRECTED. FINANCING OUR DEBT ABROAD, PLUS THE EFFECTS OF TAX CUTS AND A STOCK MARKET BOOM THAT REDUCE CREDIT NEEDS IN THE PRIVATE SECTOR, HAVE HELPED SO FAR. BUT AS OTHER COUNTRIES EXPERIENCE ECONOMIC RECOVERY THE SITUATION COULD CHANGE SIGNIFICANTLY.

A STRONG DOLLAR ALSO MAKES IT MORE DIFFICULT FOR U.S. PRODUCERS TO SELL THEIR GOODS OVERSEAS, AND EASIER FOR FOREIGN PRODUCERS TO MARKET GOODS HERE. THIS MEANS, AT LEAST IN THE SHORT RUN, SLOWER GROWTH AND FEWER JOBS IN U.S. COMPANIES THAT DEPEND HEAVILY ON EXPORT MARKETS. BUT IT ALSO MEANS LOWER COSTS TO U.S. CONSUMERS BECAUSE OF COMPETITION FROM IMPORTED GOODS.

IN THE LONG RUN THE PRESENT SITUATION--LARGE U.S. BUDGET DEFICITS, RESTRICTIVE OR MODERATE MONETARY POLICY, AND A LARGE U.S. TRADE DEFICIT--PROBABLY CANNOT BE SUSTAINED. LOWER DEFICITS, LOW INFLATION, AND HIGHER RATES OF CAPITAL FORMATION AND INVESTMENT REMAIN THE KEY TO A STABLE, GROWING ECONOMY. THAT IS WHY WE NEED TO TACKLE THE DEFICIT PROBLEM NOW, ENCOURAGE THE FEDERAL RESERVE TO RUN A STEADY COURSE WITHOUT THROTTLING RECOVERY, AND CHOOSE TAX AND SPENDING POLICIES THAT FOSTER SAVINGS AND INVESTMENT.

DEFICIT DOWNPAYMENT IN 1984

THE PRESIDENT HAS TAKEN THE LEAD TO BEGIN A DEFICIT-REDUCTION EFFORT IN 1984 BY CALLING FOR BIPARTISAN NEGOTIATIONS ON A PACKAGE TO REDUCE THE DEFICIT BY AT LEAST \$100 BILLION OVER 3 YEARS. AS THE PRESIDENT SUGGESTS, WE CAN WORK WITH A VARIETY OF MODEST SPENDING REDUCTIONS, AND TAX REFORMS THAT RAISE REVENUE, TO ENACT A SIGNIFICANT DEFICIT "DOWNPAYMENT" IN 1984. IF WE SET REASONABLE EXPECTATIONS, WE SHOULD BE ABLE TO MAKE A NOTICEABLE DENT IN THE DEFICIT THAT WILL MAKE OUR JOB EASIER IN THE YEARS AHEAD.

THE FINANCE COMMITTEE IS CONSIDERING SPENDING AND REVENUE OPTIONS JUST WITHIN ITS JURISDICTION TO ACHIEVE THE \$100 BILLION "DOWNPAYMENT" GOAL. WE ARE DRAWING ON A NUMBER OF PROPOSALS THAT HAVE BEEN ON THE TABLE FOR SOME TIME, INCLUDING THE FY 1984 RECONCILIATION BILL, S. 2062, WHICH AWAITS SENATE ACTION; TREASURY-ENDORSED PROPOSALS ON TAX SHELTERS; ADMINISTRATION-PROPOSED SPENDING CUTS THAT WERE NOT FOLLOWED THROUGH ON LAST YEAR; PROPOSALS MADE BY THE GRACE COMMISSION; AND SOME PROPOSALS FIRST CONSIDERED IN THE FINANCE COMMITTEE LAST FALL.

THE KEY IS TO FOLLOW THE PRESIDENT'S SUGGESTION AND CONCENTRATE ON RELATIVELY NON-CONTENTIOUS ITEMS, AVOIDING THINGS LIKE THE THIRD-YEAR TAX CUT AND INDEXING, MEAN-TESTED ENTITLEMENTS, SOCIAL SECURITY, AND THE LIKE. OUR EFFORT MUST BE BIPARTISAN AND BALANCED TO DO THE JOB: DEMOCRATS AND REPUBLICANS ALIKE WILL BENEFIT BY COOPERATING TO TAKE SWIFT ACTION ON THE DEFICIT. TIME IS OF THE ESSENCE IF WE ARE TO MAKE A BEGINNING THIS YEAR.