

REMARKS OF SENATOR BOB DOLE  
AMERICAN SOCIETY OF NEWSPAPER EDITORS  
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SOMETIMES ECONOMIC NEWS SEEMS TO BE THE PROVINCE OF THE TERMINAL PESSIMIST--YOU KNOW, THE FELLOW WHO SEES THE CLOUD LURKING BEHIND EVERY SILVER LINING. IF UNEMPLOYMENT DROPS, WE HEAR ABOUT THE DANGER OF THE ECONOMY OVERHEATING. IF THE DOLLAR APPRECIATES, WE WORRY ABOUT THE GROWING TRADE DEFICIT. IF THE DOLLAR DECLINES, THE FEAR ARISES THAT WE WILL BE UNABLE TO FINANCE OUR HUGE BUDGET DEFICITS. SOMETIMES, IF YOU BELIEVE EVERYTHING YOU SEE ON THE NIGHTLY NEWS OR READ IN THE PAPERS, IT IS HARD TO BELIEVE THAT THE ECONOMY CAN MOVE IN ANY DIRECTION AT ALL.

BUT NOTWITHSTANDING ALL THE CONFUSION, ECONOMIC RECOVERY HAS BEEN RATHER SPECTACULAR TO DATE AND APPEARS TO BE SETTLING DOWN TO A STEADY AND SUSTAINABLE PACE. THE ECONOMY HAS CREATED 5.4 MILLION JOBS SINCE RECOVERY BEGAN, AND INFLATION HAS STAYED LOW. WHILE GROWTH IN RECENT MONTHS HAS BEEN MORE RAPID THAN MANY EXPECTED, THE TRENDS IN ECONOMIC INDICATORS, INTEREST RATES, AND THE MONEY SUPPLY DO POINT TO SLOWER GROWTH FOR THE REMAINDER OF THE YEAR. EVERYONE AGREES THAT OUR JOB NOW IS

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TO MAINTAIN MODERATE GROWTH WITHOUT REKINDLING INFLATION OR FALLING BACK INTO RECESSION.

WHAT IS EVEN MORE REMARKABLE IS THAT THERE IS LITTLE DISPUTE--EITHER IN THE CONGRESS OR IN THE MEDIA--THAT THE MOST IMPORTANT THING WE CAN DO TO KEEP RECOVERY GOING IS TO REDUCE THE BUDGET DEFICIT. AND WE ARE TRYING TO DO THAT THIS YEAR, AT LEAST MAKE A BEGINNING, EVEN IF IT IS ONLY A DOWNPAYMENT ON THE MORE COMPREHENSIVE ASSAULT THAT IS REALLY NEEDED.

IN HIS SO-CALLED "ROSE GARDEN" AGREEMENT WITH CONGRESSIONAL REPUBLICANS, THE PRESIDENT ACCEPTED DEFENSE CUTS AND REVENUE INCREASES SO LONG AS THEY ARE COUPLED WITH CUTS IN NON-DEFENSE SPENDING. THIS IS THE BASIS FOR THE \$150 BILLION DEFICIT REDUCTION PLAN NOW BEFORE THE SENATE, INCLUDING \$71 BILLION IN SAVINGS INITIATED BY THE FINANCE COMMITTEE--ABOUT \$47 BILLION IN REVENUES, THE REMAINDER IN ENTITLEMENT SAVINGS, REDUCED DEBT SERVICE AND \$3.1 BILLION FROM GRACE COMMISSION RECOMMENDATIONS. THIS IS THE FIRST MOVE TO IMPLEMENT SOME OF THE GRACE PROPOSALS, WHICH MAY BECOME INCREASINGLY POPULAR AS MEMBERS CONSIDER THE ALTERNATIVES FOR SAVING MONEY.

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THIS IS A MODEST PACKAGE--\$150 BILLION OUT OF SOME \$550-\$600 BILLION IN CUMULATIVE DEFICITS OVER THE NEXT THREE YEARS. BUT INITIAL STEPS ARE IMPORTANT, AND IT DOES NOT ADVANCE OUR CAUSE TO HEAR REPEATED DOOMSDAY PREDICTIONS FROM INVESTMENT GURUS WITH SEVEN-DIGIT INCOMES. SOME FACTS HAVE TO BE FACED, AND ONE OF THEM IS THAT THE SPEAKER OF THE HOUSE AND THE PRESIDENT HAVE A VETO OVER OUR EFFORTS: TIP O'NEILL WITH HIS 100-VOTE MARGIN, AND PRESIDENT REAGAN WITH HIS CONSTITUTIONAL AUTHORITY. BUT WITHIN THAT REALITY WE ARE TRYING TO DO OUR BEST.

AS TO THE HUGE DEFICITS THAT WILL REMAIN EVEN WITH THE DOWNPAYMENT, THE ISSUES WILL BE HOTLY CONTESTED. LET US FOCUS ON THAT LARGER PROBLEM.

#### CLOSING THE GAP

TO CLOSE THE DEFICIT GAP, WE USUALLY FOCUS ON THREE BASIC AREAS: DEFENSE SPENDING, ENTITLEMENTS, AND REVENUES. THAT IS NOT SURPRISING. DEFENSE AND ENTITLEMENTS CONSTITUTE MOST OF THE BUDGET. AND JUST ABOUT EVERYONE AGREES THAT REVENUES WILL HAVE TO PLAY A ROLE, AS THEY DID IN THE 1982 TAX REFORM BILL AND AS THEY ARE DOING IN THIS YEAR'S MORE MODEST EFFORT.

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BUT THERE IS MORE TO IT THAN THAT. DEFENSE, ENTITLEMENTS, AND REVENUES GO TO THE HEART OF THE REAGAN REVOLUTION. WHAT WE DO IN EACH OF THOSE AREAS FOR BUDGET PURPOSES HAS TREMENDOUS IMPLICATIONS FOR THE DIRECTION WE TAKE AS A NATION, INDEPENDENT OF BUDGET CONSIDERATIONS. THAT IS WHY THE DEBATE IS SO INTENSE OVER WHERE TO STRIKE THE BALANCE WHEN WE ADDRESS THE DEFICIT PROBLEM.

THIS WILL BE A DIFFICULT AND EMOTIONAL DEBATE. CONCERN OVER THE STATE OF OUR NATIONAL DEFENSE WAS A MAJOR FACTOR IN THE 1980 CAMPAIGN, AND THE DEFENSE BUILDUP IS SEEN AS VITAL TO OUR ALLIES AS WELL AS OURSELVES: IT DETERMINES THE EXTENT OF OUR ABILITY TO INFLUENCE WORLD EVENTS FOR THE SECURITY OF OUR OWN PEOPLE AND OF FREE PEOPLES EVERYWHERE. AT THE SAME TIME, MANY HONORABLE MEN AND WOMEN WHO SUPPORT STRENGTHENING OUR DEFENSES BELIEVE THAT THE PACE OF THE BUILDUP MUST BE MODERATED TO SAFEGUARD OUR ECONOMIC STRENGTH, TO MINIMIZE DEBILITATING WASTE IN DEFENSE BUDGETING, AND TO FIT OUR SPENDING PLANS INTO A SOUND STRATEGIC DESIGN. THE QUESTION OF THE DEFENSE BUDGET IS AND MUST BE A HIGHLY-CHARGED ISSUE.

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SIMILARLY, ENTITLEMENTS MUST BE ADDRESSED, AND FEELINGS ARE VERY STRONG ON ALL SIDES. NO ONE HAS FORGOTTEN THE 1982 CAMPAIGN, WHEN THE VERY RECOGNITION OF A FUNDAMENTAL PROBLEM IN THE FINANCING OF SOCIAL SECURITY WAS USED AS A PRETEXT FOR BATTERING REPUBLICAN CANDIDATES WITH THE CHARGE OF INDIFFERENCE OR HOSTILITY TO THE ELDERLY. THE MEMORY OF THAT CAMPAIGN HAS NOT FADED, AND IT IS NO WONDER THAT SOME BITTER FEELINGS REMAIN. THOSE OF US WHO ARE LOOKING FOR A RESPONSIBLE SOLUTION TO THE IMMINENT PROBLEM OF MEDICARE FUNDING HAVE TO WONDER WHETHER WE WILL BE ALLOWED TO DISCUSS THE ISSUE IN A FREE AND FAIR FASHION.

IT DOES NOT HAVE TO BE THIS WAY. THERE IS RISING BIPARTISAN INTEREST IN THE PROBLEM OF GROWING ENTITLEMENTS, AND IN 1983 WE DID PUT THROUGH A SOCIAL SECURITY REFINANCING PACKAGE THAT, WHILE FAR FROM PERFECT, ADDRESSED SOME VERY MAJOR CONCERNS ON BOTH THE BENEFIT AND TAX SIDE. FOR THE PAST SEVERAL WEEKS THE SENATE HAS GIVEN SERIOUS CONSIDERATION TO ALTERNATIVE BUDGET PLANS THAT MAKE MAJOR CHANGES IN ENTITLEMENT PROGRAMS, SPONSORED FROM BOTH SIDES OF THE AISLE. SUCH SENSITIVE PROPOSALS AS FREEZING ENTITLEMENT SPENDING AND USING A CPI-3 FORMULA TO INDEX ENTITLEMENTS HAVE BEEN REJECTED SO FAR, AND I HAVE

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GENERALLY OPPOSED THEM BECAUSE THEY ARE JUST NOT GOING TO HAPPEN THIS YEAR--AND BECAUSE WE NEED TO FOCUS ON THE LIMITED CHANGES WE CAN ACHIEVE BEFORE THE ELECTION. BUT WHILE EACH OF THESE PLANS, IF ADOPTED, WOULD HAVE TREMENDOUS IMPLICATIONS FOR BENEFICIARIES OF THE AFFECTED PROGRAMS, THE MODEST AMOUNT OF INK SPILLED IN THE PRESS DISCUSSING THESE PROPOSALS PALES BY COMPARISON WITH THE FRONT-PAGE HEADLINES GENERATED WHEN A CABINET OFFICIAL SPEAKS IN VAGUE TERMS ABOUT THE NEED FOR FUTURE SOCIAL SECURITY ADJUSTMENTS. IT SEEMS THAT THE POLITICAL HISTORY OF THIS ISSUE, RATHER THAN THE PRESENT REALITY OF WHAT IS BEING PROPOSED, DICTATES THE LEVEL OF MEDIA ATTENTION. AND THAT, IN A WAY, IS A MAJOR PART OF THE PROBLEM WITH ADDRESSING ENTITLEMENTS.

FINALLY, REVENUES WILL BE ON THE TABLE FOR ANY LARGE-SCALE DEFICIT REDUCTION EFFORT. AGAIN, PERMANENT TAX REDUCTIONS HAVE BEEN A MAJOR PART OF PRESIDENT REAGAN'S PROGRAM, AND THE RESISTANCE TO THE SCOPE AND NATURE OF THOSE TAX CHANGES HAS BEEN CONSIDERABLE. SO FAR OUR RESPONSE HAS BEEN TO RAISE REVENUES BY CLOSING LOOPHOLES, IMPROVING TAX COMPLIANCE, AND CUTTING BACK ON EXEMPTIONS AND PREFERENCES RATHER THAN BY RAISING TAX RATES. THE HISTORY OF TAX POLICY OVER THE PAST THREE YEARS

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IS PROBABLY A GOOD INDICATOR OF THE KINDS OF THINGS WE WILL BE LOOKING AT FOR DEFICIT REDUCTION PURPOSES, AS WE HEAR MORE TALK OF MAJOR REFORMS, LOWER-RATE SYSTEMS, CONSUMPTION TAXES AND THE LIKE.

### SETTING PARAMETERS

SO THE BUDGET DEBATE WILL BE AS MUCH OVER THE POLICY IMPLICIT IN OUR CHOICES AS IT WILL BE OVER BUDGET CONCERNS PER SE. IN MAKING THOSE CHOICES WE MUST DECIDE WHAT IS RIGHT ABOUT THE GOVERNMENT'S HANDLING OF THE ECONOMY. WE MUST KNOW WHAT NEEDS TO BE PRESERVED IF WE WANT TO MAKE SENSIBLE CHOICES ABOUT WHAT TO CHANGE.

THE REASONS WE MUST REDUCE THE DEFICIT ARE WELL KNOWN. THEY THREATEN HIGHER INTEREST RATES, HIGHER INFLATION, OR A PERMANENT DECLINE IN OUR TRADE POSITION--OR SOME COMBINATION OF THESE. HUGE DEFICITS ARE A THREAT TO RECOVERY, AND TO SUSTAINING OVER THE LONG TERM THE GAINS WON AT GREAT EFFORT IN RECENT YEARS. I REFER TO THE REDUCTION IN INFLATION FROM DOUBLE DIGITS TO THE 4-5 PERCENT RANGE; THE RESTORED CONFIDENCE IN THE DOLLAR AROUND THE GLOBE; THE RESUMPTION OF GROWTH IN

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REAL INCOMES OF OUR CITIZENS; GAINS IN PRODUCTIVITY PERFORMANCE;  
AND LAYING THE GROUNDWORK FOR HIGHER LEVELS OF INVESTMENT THAT  
MEAN FUTURE JOBS.

BUT IF FAILURE TO REDUCE THE DEFICIT CAN UNDERMINE THOSE  
ACHIEVEMENTS, SO CAN ASSAULTING THE DEFICIT IN THE WRONG WAY.  
TO TAKE AN EXTREME EXAMPLE, WE COULD MAKE A REAL DENT IN THE  
DEFICIT BY PUMPING UP INFLATION. INFLATION REDUCES THE REAL  
VALUE OF THE OUTSTANDING DEBT, AND IT CAN ALSO GENERATE  
CONSIDERABLE REVENUES IF WE FAIL TO INDEX THE INCOME TAX. BUT  
WE HAVE TRIED THAT ROUTE BEFORE--CLEARLY IT IS NOT SOMETHING  
WE WANT TO TRY AGAIN.

MANY IMPORTANT POLICY CHANGES NEED TO BE PRESERVED IF  
WE WANT TO REDUCE THE DEFICIT IN A PRODUCTIVE, FORWARD-LOOKING  
WAY. ONE IS TO KEEP INCOME TAX RATES DOWN, SO THAT WORK AND  
SAVINGS EARN A FAIR REWARD. ANOTHER IS TO MAINTAIN A  
FAVORABLE CLIMATE FOR INVESTMENT, WITH FAIR TAX TREATMENT OF  
CAPITAL INVESTMENT AND REASONABLE RESTRAINT ON REGULATION.



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WE ALSO SHOULD WORK TO KEEP DISCRETIONARY SPENDING IN CHECK: ONE OF OUR MAJOR ACCOMPLISHMENTS HAS BEEN TO ARREST THE GROWTH OF "CONTROLLABLE" SPENDING PROGRAMS, AND IT WOULD BE FRUITLESS IF WE TACKLE DEFENSE AND ENTITLEMENTS ONLY TO UNCORK DISCRETIONARY SPENDING ONCE MORE.

THESE GENERAL PARAMETERS--MAINTAINING LOW INFLATION THROUGH STABLE MONEY GROWTH, RESTRAINING THE TAX BURDEN ON WORK, SAVINGS, AND INVESTMENT, AND CONTROLLING SPENDING AND REGULATION--GIVE US A FRAMEWORK FOR EVALUATING DEFICIT REDUCTION EFFORTS. LET US REVIEW HOW JUST ONE DEFICIT PROPOSAL LOOKS IN THIS LIGHT.

#### MODEST PROPOSAL

IN JANUARY ONE OF THE MAJOR PRESIDENTIAL CONTENDERS--I WON'T IDENTIFY HIM, BUT HE IS YOUR LUNCHEON SPEAKER--UNVEILED A SIGNIFICANT DEFICIT REDUCTION PLAN. IT IS A MULTI-YEAR PLAN, AIMED AT SCALING DEFICITS DOWN OVER THE REST OF THIS DECADE. LET US SEE HOW OUR CANDIDATE'S PLAN FARES UNDER THE CRITERIA I HAVE OUTLINED.

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THE PLAN CUTS DEFENSE SPENDING LARGELY BY CANCELLING THE MX MISSILE AND B-1 BOMBER. THAT WOULD SAVE SOME MONEY, AND MAYBE WE COULD EVEN DO BETTER. BUT THE MX AND B-1 HAVE BEEN DEBATED OVER AND OVER, AND HAVE BEEN ACCEPTED--IT MIGHT BE BETTER TO LOOK ELSEWHERE FOR SAVINGS.

THE PLAN WOULD RAISE INDIVIDUAL TAX RATES IN THREE WAYS. FIRST, TAX INDEXING WOULD BE REPEALED FOR ALL BUT THE LOWEST INCOME TAXPAYERS IN ORDER TO RAISE REVENUE BY LETTING INFLATION MOVE PEOPLE INTO HIGHER TAX BRACKETS. SECONDLY, THE THIRD YEAR OF THE REAGAN TAX CUT WOULD BE CAPPED FOR TAXABLE INCOME OVER \$60,000. HOW YOU CAN CAP A TAX CUT THAT HAS ALREADY TAKEN EFFECT IS NO DOUBT A TECHNICAL QUESTION. FINALLY, THIS CANDIDATE WOULD IMPOSE A 10 PERCENT SURTAX FOR INCOMES OVER \$100,000. THAT, BY THE WAY, IS THE WORST WAY TO RAISE REVENUE, BECAUSE IT DOESN'T TOUCH THOSE WHO AVOID TAX BY USE OF VARIOUS LEGAL LOOPHOLES.

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THE REST OF THE TAX SIDE WOULD COME FROM A NEW CORPORATE TAX AND UNSPECIFIED LOOPHOLE CLOSERS, ASSUMING THAT WE HAVEN'T EXHAUSTED THE LOOPHOLE ROUTE IN THIS YEAR'S TAX BILL. MORE REVENUE IS PROMISED FROM BETTER ENFORCEMENT EFFORTS.

SO MUCH FOR TAXES. FOR NON-DEFENSE SPENDING, OUR PRESIDENTIAL HOPEFUL TARGETS SAVINGS FROM MORE SENSIBLE AGRICULTURAL POLICIES. WE ARE ALL IN FAVOR OF THAT, AT LEAST THE RHETORIC. MORE WOULD BE SAVED IN HEALTH CARE AND HOSPITAL COSTS THROUGH SOME FORM OF COST CONTROLS. AND TO TOP IT OFF, INTEREST COSTS ON THE NATIONAL DEBT WOULD BE REDUCED AS A RESULT OF THIS BOLD INITIATIVE.

BUT THERE IS MORE TO THE STORY. OUR MAN ALSO WANTS TO USE SOME OF YOUR TAX DOLLARS THE OLD-FASHIONED WAY: HE SPENDS THEM. ABOUT \$30 BILLION OF THE "DEFICIT REDUCTION" IN THIS PACKAGE WOULD BE DEVOTED TO RESTORING SOME OF THE SPENDING CUTS IN DOMESTIC PROGRAMS MADE OVER THE PAST FEW YEARS, AND TO "PROMOTE EXPORTS".

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SO TO SUM UP, WE HAVE A PLAN THAT MAINLY RAISES MARGINAL TAX RATES, INCREASES DISCRETIONARY SPENDING, INCREASES REGULATION OF THE HEALTH CARE INDUSTRY, AND MODERATES SPENDING FOR DEFENSE AND AGRICULTURE. ALL THIS IS SUPPOSED TO REDUCE DEFICITS FOR THE REST OF THIS DECADE, WHEN WE ARE FACED WITH ANNUAL \$200 BILLION DEFICITS--A POTENTIAL DOUBLING OF THE NATIONAL DEBT.

PERSONALLY I BELIEVE THIS PLAN LACKS CREDIBILITY.

#### GETTING TO THE POINT

IN ALL FAIRNESS, HARDLY ANYONE IS BEING TOO SPECIFIC ABOUT THE KIND OF LARGE-SCALE ASSAULT ON THE DEFICIT WE MIGHT ATTEMPT NEXT YEAR. BUT THE PLAN I HAVE DISCUSSED, IF IT IS TAKEN AS A SERIOUS APPROACH TO THE DEFICIT PROBLEM, IS NEITHER BOLD NOR IMAGINATIVE. IT LOOKS BACKWARD, AND IS UNLIKELY TO REDUCE THE DEFICIT ENOUGH TO JUSTIFY THE QUESTIONABLE TAX POLICY CHOICES IT ENTAILS.

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WE WILL HAVE TO GET TO THE POINT ON DEFICIT REDUCTION NEXT YEAR ONE WAY OR THE OTHER, AND TIME WILL BE OF THE ESSENCE. WHEN PRESIDENT REAGAN TOOK OFFICE THERE WAS A LOT OF TALK ABOUT HIS DESIRE TO "HIT THE GROUND RUNNING." WHOEVER IS ELECTED IN NOVEMBER, AND I ASSUME IT WILL BE RONALD REAGAN, HAD BETTER BE PREPARED, WITH SPECIFICS, TO BE ON THE GROUND AT FULL SPEED COME JANUARY ON THE DEFICIT PROBLEM. FAILURE TO ACT ALREADY HAS HAD SIGNIFICANT COSTS: THE PRIME RATE IS UP 1 1/2 POINTS THIS YEAR ALREADY, THE TRADE DEFICIT EXPANDING TO RECORD LEVELS. WITH FUTURE JOBS AND INVESTMENT AT STAKE, FURTHER DELAY WOULD BE INEXCUSABLE.

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OUR GOAL MUST BE TO MOVE A MAJOR BIPARTISAN DEFICIT REDUCTION PACKAGE AS EARLY AS POSSIBLE IN 1985, ADDRESSING ENTITLEMENTS, DEFENSE, AND REVENUES. TO ACCOMPLISH THAT TASK WILL REQUIRE STRONG POLITICAL LEADERSHIP. IT WILL REQUIRE THAT THE PUBLIC BE INFORMED OF THE ISSUES, THOROUGHLY AND ACCURATELY BECAUSE IF CONGRESS FAILS TO ACT, THE PRESIDENT MUST TAKE HIS CASE TO THE PEOPLE.

I MUST ADD THAT, AS USUAL, THE AMERICAN PEOPLE ARE FAR AHEAD OF THE POLICYMAKERS AND POLITICIANS ON THE DEFICIT ISSUE. WE CAN MOVE ON THE DEFICIT, WITHIN THE PARAMETERS I HAVE OUTLINED, BECAUSE THE PUBLIC UNDERSTANDS THE STAKES AND WILL NOT BE DISTRACTED BY A REHASH OF YESTERDAY'S DEBATES. BETWEEN NOW AND NOVEMBER VOTERS WILL DEMAND SPECIFICS ON HOW WE WILL DEAL WITH **THE** PROBLEM. THEY HAVE HEARD ENOUGH OF "ELECT ME AND I'LL FIX IT." THE FACT IS THAT WE ARE NOT GOING TO RETURN TO A HIGH TAX RATE POLICY, OR TO A LOOSE MONETARY POLICY, OR TO BANKROLLING NEW PROGRAMS FOR EVERY PROBLEM THAT COMES TO OUR ATTENTION. THIS PRESIDENT AND THIS CONGRESS -- WORKING TOGETHER, AND SOMETIMES WORKING IN OPPOSITION -- HAVE SET NEW TERMS TO THE DEBATE. AND EVEN THOUGH THAT FACT IS SELDOM

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REFLECTED ON THE NIGHTLY NEWS, THE PEOPLE KNOW THAT ~~WE~~ WE CANNOT STAND STILL. THEY EXPECT BETTER FROM THEIR LEADERS, FROM THE PRESIDENT ON DOWN.

SINCE WE CANNOT TURN BACK, AS SOME WOULD HAVE US DO, WE NEED TO FACE OUR PROBLEMS WITH IMAGINATION AND CREATIVITY. THIS INCLUDES THE DEFICIT PROBLEM BOTH THE IMMEDIATE PROBLEM AND THE LONG-TERM PROBLEM. CONSIDER A FEW EXAMPLES.

- TAX REFORM. THE TAX RATE CUTS OF 1981, COMBINED WITH THE BASE-BROADENING MEASURES OF 1982 AND THIS YEAR, HAVE PAVED THE WAY FOR SERIOUS CONSIDERATIONS OF A LOWER-RATE, BROADER-BASED TAX SYSTEM. THE FOCUS IS NOW ON HOW TO RAISE REVENUES MORE SIMPLY AND FAIRLY AND INTERFERING AS LITTLE AS POSSIBLE WITH THE GOAL OF ECONOMIC EFFICIENCY. WE WILL SEE WHAT FORMS OF TAXATIONS WOULD BE BETTER FOR EVERYONE, AND RAISE ADDITIONAL REVENUE AS WELL. THE SENATE FINANCE COMMITTEE WILL HOLD HEARINGS THIS SUMMER ON TAX REFORM, WITH ALL OPTIONS OPEN. I UNDERSTAND THE TREASURY WILL HOLD SIMILAR FIELD HEARINGS, AND THE ADMINISTRATION IS DUE TO REPORT ON MAJOR

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TAX OPTIONS BY DECEMBER. THIS IS ALL TO THE GOOD, BECAUSE THE DEFICIT DILEMMA HAS STIMULATED NEW THINKING ABOUT WHAT OUR TAX SYSTEM IS SUPPOSED TO DO. NO ONE EXPECTS REFORM OVERNIGHT, BUT WORKING FOR AGREEMENT ON THE BEST OPTIONS SHOULD ENABLE US TO STRUCTURE ANY DEFICIT-REDUCING TAX MEASURES WITH LONG TERM REFORM IN MIND. WE CAN RAISE REVENUES IN A WAY THAT COULD PROVIDE A TRANSITION TO A BETTER SYSTEM, AS WE HAVE TRIED TO DO ALREADY WITH BASE-BROADENING AND COMPLIANCE MEASURES.

• RESTRAINTS ON FISCAL DECISIONS. THE MOUNTING IMPATIENCE WITH OUR SEEMING IMPOTENCE ON THE BUDGET PROBLEM MEANS RENEWED ATTENTION ON WAYS TO REFORM OUR FISCAL PROCEDURES IN THE INTEREST OF CONSTRAINING SPENDING AND DEFICITS. THIRTY-TWO STATES HAVE CALLED FOR A CONSTITUTIONAL CONVENTION TO DRAFT A BALANCED BUDGET AMENDMENT, AND THE CONSTITUTIONAL ROUTE LOOKS INCREASINGLY ATTRACTIVE AS STATUTORY BUDGET CONTROLS HAVE NOT DONE THE JOB. THE LEADING CANDIDATE FOR ACTION IS THE BALANCED BUDGET-TAX LIMITATION AMENDMENT PENDING IN THE JUDICIARY COMMITTEE, AND IT TAKES THE RIGHT GENERAL APPROACH OF



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REFORMING PROCEDURES RATHER THAN MANDATING SPECIFIC OUTCOMES. THIS, OR ANOTHER ALTERNATIVE, IS LIKELY TO RECEIVE SERIOUS CONSIDERATION THIS YEAR OR NEXT, PARTICULARLY IF WE GET CLOSER TO THE THIRTY-FOUR STATES NEEDED TO PETITION FOR A CONSTITUTIONAL CONVENTION.

- BUDGET ROLES OF PRESIDENT AND CONGRESS. THE PRESIDENT ASKED FOR A LINE-ITEM VETO POWER, AND WHILE SOME OF MY COLLEAGUES DISAGREE, I BELIEVE THIS WOULD ADDRESS A SERIOUS PROBLEM IN THE LIMITED ABILITY OF THE PRESIDENT TO BARGAIN WITH CONGRESS OVER BUDGETS AND SPENDING. WHILE THE SENATE HAS REJECTED A STATUTORY APPROACH TO THIS ISSUE FOR NOW, THE CONSTITUTIONAL ROUTE REMAINS OPEN. IN ADDITION, THERE ARE SEVERAL SERIOUS PROPOSALS TO ENHANCE THE PRESIDENT'S POWER TO RESCIND SPENDING AUTHORIZED BY CONGRESS. ONE OF THESE, SPONSORED BY SENATOR LONG AND SENATOR ARMSTRONG OF THE FINANCE COMMITTEE, TIES THE PRESIDENT'S RESCISSION POWER TO ENFORCING THE PUBLIC DEBT LIMIT. VARIOUS OPTIONS ARE WORTH CONSIDERING, BUT THERE IS CONSIDERABLE INTEREST IN FINDING A BETTER WAY TO MANAGE THE RELATIVE DUTIES AND POWERS OF CONGRESS AND THE PRESIDNET WHEN IT COMES TO BUDGETING.

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NONE OF THIS, OF COURSE, SOLVES THE IMMEDIATE PROBLEM THAT WE WILL HAVE TO FACE UP TO NEXT YEAR. BUT THEY WILL HELP MAKE ANY SOLUTION WE COME UP WITH STICK, AND THEY ILLUSTRATE A CREATIVE RESONSE TO THE KINDS OF INSTITUTIONAL PROBLEMS THAT HAVE MADE MANAGING THE BUDGET MORE DIFFICULT THAN IT SHOULD BE.

### THE REAL STORY

THE NEXT PRESIDENT AND THE NEXT CONGRESS WILL NEED YOUR HELP. THE MAN OR WOMAN WHO PICKS UP A NEWSPAPER BETWEEN NOW AND NEXT JANUARY WILL WANT TO KNOW WHAT'S IN STORE FOR THEM -- HOW WILL ACTIONS IN WASHINGTON MAKE LIFE BETTER OR WORSE FOR THEM, AND WHAT WOULD HAPPEN IF WASHINGTON DOES NOTHING?

MANY PEOPLE PREFER IT WHEN WASHINGTON DOES NOTHING, AND WASHINGTON HAS BEEN DOING A LOT OF THAT LATELY. BUT IF OUR GOVERNMENT IS NOT ALWAYS A CREATIVE INSTITUTION, AT LEAST IT SHOULD BE A RESPONSIVE ONE. WHEN THE PEOPLE KNOW THE WHOLE STORY, AND

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FOCUS ON WHAT REALLY MATTERS, THEN WE IN CONGRESS MUST RESPOND EFFECTIVELY.

THE REAL STORY -- THE ONE I HOPE WILL BE TOLD IN THE MONTHS AHEAD -- IS THAT TREMENDOUS ECONOMIC PROGRESS HAS BEEN MADE, AND THAT MORE IS IN STORE IF WE HAVE THE GUTS TO PULL TOGETHER AND TACKLE THE DEFICIT DILEMMA. IT IS A POSITIVE STORY, AND WE HAVE THE POWER TO SEE THAT IT HAS A HAPPY ENDING. NO ONE PRETENDS THAT OUR GOVERNMENT IS BEING BOLD ABOUT THE DEFICIT THIS YEAR, BUT THE IMPORTANT THING IS TO DO AS MUCH AS POSSIBLE AND FOLLOW THROUGH NEXT YEAR.

OUR CITIZENS KNOW WHAT THE STAKES ARE IN THE BUDGET GAME. IN MY VIEW WE RISK LOSING THE BEST CHANCE IN MANY YEARS TO PRESERVE AND SUSTAIN A NONINFLATIONARY RECOVERY. BUT WE STAND TO GAIN THE OPPORTUNITY TO PARTICIPATE IN A GROWING, VITAL, STABLE ECONOMY THAT WILL BE THE GREATEST ENGINE OF JOB-CREATION IN THE WORLD. WITH REGARD TO THE DEFICIT WE HEAR A LOT ABOUT SHARED SACRIFICE FROM SOME WHO NEGLECT TO PUT UP THEIR OWN SHARE. LET US SPREAD THE WORD THAT WE TRULY HAVE A COMMON INTEREST IN RESTORING FISCAL SANITY TO OUR GOVERNMENT, AND THAT PAROCHIALISM IS THE WAY OF THE PAST. THAT IS THE MESSAGE WE ALL OUGHT TO CARRY.

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