

191. 1983-84

- 5 -

THIRD ALTERNATIVE

I DO HAVE SERIOUS RESERVATIONS, THOUGH, ABOUT DECONTROLLING SO-CALLED OLD GAS. I BELIEVE IN THE FREE MARKET, BUT FEAR THAT OLD GAS DECONTROL WOULD SERIOUSLY HAMPER NEW EXPLORATION AND DEVELOPMENT, IN ADDITION TO BEING A FINANCIAL WINDFALL FOR THE MAJOR OIL COMPANIES.

THEREFORE, IT SEEMS TO ME THAT THERE IS A THIRD ALTERNATIVE WHICH STRIKES A COMPROMISE. AND, I SUGGEST AN APPROPRIATE COMPROMISE WOULD MAINTAIN PRICE CONTROLS ON SECTION 104 "OLD GAS", BUT EMPLOY THE ADMINISTRATION'S METHOD FOR RESOLVING THE PROBLEMS CAUSED BY EXISTING GAS CONTRACTS BY ESTABLISHING A UNIVERSAL MARKET OUT.

THIS APPROACH PRESERVES THE LOW COST OLD GAS CUSHION WHILE LETTING THE MARKET SET THE NEW GAS PRICE BY ALLOWING ALL NEW AND RENEGOTIATED CONTRACTS TO OPERATE BY THEIR OWN TERMS AND ALLOWING EITHER PARTY TO MARKET OUT OF AN UNFAVORABLE CONTRACT ON JULY 1, 1984, OR SOME OTHER DATE CERTAIN. AS IN THE ADMINISTRATION PROPOSAL, I WOULD ALLOW FOR A REDUCTION IN TAKE OR PAY LEVELS TO 70 PERCENT WITH THE REQUIREMENT THAT A PIPELINE EXERCISING THIS RIGHT PROVIDE TRANSPORTATION TO ANOTHER BUYER FOR GAS NOT TAKEN BETWEEN ENACTMENT AND THE MARKET OUT DATE. IN ADDITION, THE CONTRACT CARRIAGE PROVISIONS OF THE ADMINISTRATION'S PROPOSAL AND SOME SORT OF IMPRUDENCE STANDARD FOR PIPELINE PASSTHROUGHS



The Editor's Page

Red Ink: Time Is Running Out

By Marvin Stone

While the rest of the country was winding down to its holiday break, Senator Robert Dole was conducting hearings on a critical problem. He did not expect the expert witnesses to agree on everything, and they didn't, but on one point they achieved near unanimity: Disaster stares the U.S. in the face unless federal deficits are drastically reduced.

Dole himself, as chairman of the Senate Finance Committee, offered a frightening calculation: "The deficit... feeds upon itself. ... Each year of 200-billion-dollar deficits adds about 15 billion dollars in interest costs to the following year's spending levels. This amount is nearly the size of the entire medicare program. ...

"The public debt now stands at about \$6,000 for every man, woman and child in the U.S. If nothing is done to reduce the deficits over the next five years, the debt will grow to over \$10,000 per person. At this level, by 1989 it will take about 50 percent of all Americans' personal income-tax payments, or about \$1,100 per person, just to pay the federal government's interest bill."

One witness compared our potential plight to earlier catastrophes in Mexico and Brazil. Even some economists who had doubted damage by deficits thus far were quick to declare that we now are entering a stage of "structural" deficits, budgets with built-in deficiencies that cannot be corrected by swings to prosperity. For example, Benjamin Friedman, Harvard professor of economics, asserts:

"Under a continuation of current federal tax and spending policies, the effects of the government deficit in the financial and foreign-exchange markets will pose a major threat to the economic well-being of the United States. ... By sharply curtailing or even eliminating altogether the economy's net investment in new plant and equipment, it will cut deeply into the economy's ability over time to achieve improved productivity. ...

"The deficits now in prospect... will continue to keep the dollar at a value highly disadvantageous to U.S. businesses either exporting goods abroad or competing at home against foreign imports. The recent sharp rise in the dollar's real exchange rate is almost surely the chief reason (although there are others as well) underlying the flagging international competitiveness of the U.S. economy."

If that's not enough, listen to Allen Sinai, senior vice president and chief economist of Lehman Brothers Kuhn Loeb:

"If nothing is done to change the deficit outlook, huge risks confront the U.S. and worldwide economies. ... Potential difficulty is the clash that might arise late in 1984 or 1985 as private-sector credit demands bump against the huge volume of Treasury financing. Here, a surge of interest rates would likely bring recession in 1985 or 1986. ... A meaningful deficit-reduction plan is necessary by early 1984."

That puts it up to Congress and the President. Dole expects to have a bill ready by February 15 calling for specific tax and spending changes, the totals of tax raises and spending cuts to match 1 for 1.

The Dole formula may be a worthwhile starting point. But questions are being raised. Is 1 for 1 equitable? Should Social Security recipients, who already give up quite a lot, be hit again, and are other retirees bearing their share of the burden? Labor, of course, opposes more cuts in benefits. Taxpayer organizations claim against tax raises. The President resists more slowdown in defense increases.

The country, thus divided over ways to shore up the budget, is united only in the desperate need to reduce runaway deficits, coming on top of today's 1.4-trillion-dollar national debt. The people cannot solve this puzzle themselves. That is why we elect a government. Congress and President must cooperate to exert leadership in compromises that can honestly be presented as being, however painful, fair to all. They must realize that time is running out.

- 6 -

SHOULD BE INCLUDED IN THIS COMPROMISE PROPOSAL.

BECAUSE I BELIEVE IN THE LONG RUN OUR BEST INTERESTS ARE SERVED BY HAVING ONLY ONE CLASS OF NATURAL GAS, WE MAY WANT TO CONSIDER AN EXTENDED PHASE OUT OF OLD GAS CONTROLS, OR, TO MAXIMIZE OLD GAS PRODUCTION, SOME SORT OF PRICE INCENTIVE FOR FURTHER DEVELOPMENT AND INCREASED PRODUCTION FROM OLD GAS WELLS.

THIS COMPROMISE GETS AT THE HEART OF OUR CURRENT PROBLEM -- GAS PURCHASE CONTRACTS THAT HAVE NOT RESPONDED TO MARKET CONDITIONS. BUT IT ALLOWS THE PARTIES TO THOSE CONTRACTS TO NEGOTIATE THEIR OWN AGREEMENT. AGREEMENTS APPROPRIATE TO INDIVIDUAL CIRCUMSTANCES, NOT ARBITRARY PRICE AND TAKE LEVELS MANDATED BY THE FEDERAL GOVERNMENT. OUR CURRENT PROBLEM IS NOT CAUSED BY PRICES PAID FOR RECENTLY DISCOVERED GAS. THAT GAS WILL NOT COMMAND AN NGPA CEILING IN TODAY'S MARKET. SO WHY EXTEND THOSE CEILINGS?

I WOULD PREFER THAT WE ADOPT AN APPROACH THAT IS NOT MERELY A REPEAT OF PAST MISTAKES. BUT I AM NOT YET CONVINCED THAT THE ADMINISTRATION PROPOSAL WILL WORK AS ANTICIPATED AND PROVIDE THE PROMISED CONSUMER PRICE PROTECTION. MY COLLEAGUES HERE ARE CONVINCED THAT THEIR INITIATIVES WILL RESULT IN LOWER PRICES WITHOUT ADVERSELY EFFECTING FUTURE SUPPLIES. I DO NOT SHARE THAT CONVICTION. I BELIEVE THERE IS A COMPROMISE THAT PROTECTS

CONSUMERS FROM THE UPWARD PRICE PRESSURE OF OLD GAS DECONTROL AND LETS THE FREE MARKET RESOLVE CONTRACTUAL PROBLEMS IN THE NEW GAS MARKET.

The metamorphosis of Bob Dole

Maturity, political strategy give senator a new image

KE Times 2-6

By Stephen C. Fehr
Washington Correspondent

WASHINGTON — It was the Sunday morning before Thanksgiving. Republican Sen. Bob Dole of Kansas and his wife, Elizabeth, were sitting in a pew in the modified Gothic sanctuary of Washington's 80-year-old Foundry United Methodist Church, where they have worshipped for about five years.

The minister, the Rev. Edward W. Bauman, asked the congregation of 650 people to call out names of people for whom they were grateful. A voice from the back of the church cried, "I'm thankful for Senator Dole and all he's doing to help this country." The minister quickly added, "And to Elizabeth Dole and everything she is doing." The congregation applauded, and the Doles acknowledged the tribute.

Washington is agog over Bob and Elizabeth H. Dole. As chairman of the Senate Finance Committee and secretary of the Department of Transportation, respectively, the Doles are a sensation in a city infatuated with the political and the sensational.

But Mr. Dole, described by Kansas politicians and historians as the most dominant political figure in the state's 130-year history, faces a critical juncture in 1984. At the end of the year Senate Republicans will choose new leaders and, depending on whether the GOP retains control of the Senate, Mr. Dole could become the next majority or minority leader, succeeding the retiring Howard H. Baker Jr. of Tennessee as the party's chief spokesman in the Senate.

Mr. Dole's pursuit of his party's top Senate job is part of a three-pronged approach for 1984, his closest political advisers said. The senator is making plans for what he expects will be a stiff Democratic challenge for re-election in 1988 from either Kansas Gov. John Carlin or Rep. Dan Glickman of Wichita, and is doing spadework to possibly compete for the Republican nomination for president in 1988.

Going into 1984, Mr. Dole has several advantages that boost his political ambitions. He is one of the most visible, productive and powerful lawmakers in Washington, the result of being chairman of the committee that raised the government's revenue and of being a dominant force in shaping the nation's agriculture policy.

Another advantage is that the 60-year-old Kansaser is a darling of national news organizations that seek him out for comment on the nation's problems. And he is held in a pedestal by numerous colleagues, congressional aides, lobbyists, and other officials in Washington who laud his legislative skill.

Generally the popular view of Mr. Dole is that he has been transformed from a nasty, partisan hatchet man who a former GOP colleague once said "couldn't sell beer on a troop ship" into a sensitive, thoughtful statesman who former rival and Democratic presidential candidate George McGovern said "would be my choice if we have to have a Republican president."

Yet a close look at Mr. Dole, gleaned from dozens of interviews over three months with the senator's political associates, revealed a complex politician of deep contrasts despite the much-publicized change of image. In a lengthy interview, Mr. Dole disagreed with some of the characterizations and agreed with others.

• To a person, Mr. Dole's most loyal supporters said the senior senator from Kansas is a warm, witty, good-natured person with a big heart. But even as they praised him, they portrayed a short-tempered man who frequently berates his staff and others with whom he deals, and is stingy with praise. They said many people fear him. They said many people fear him. They said many people fear him. They said many people fear him. They said many people fear him.

• As a public man whose career depends in large measure on image and exposure, Mr. Dole is one of the more ubiquitous lawmakers on Capitol Hill. He craves attention and gets it. His demanding pace puts him in touch with hundreds of people each week. In his private life, Mr. Dole does not have a wide circle of non-political friends, and he has few outside interests.

• In recent years Mr. Dole has sharpened his image by taking the lead on issues that show compassion for the disadvantaged, such as food stamps, civil rights and expanded programs for the handicapped. Yet in the 1960s and early 1970s he voted against many social reforms, including food stamps and Medicare. Mr. Dole and his associates said the image change reflected both a genuine maturing and a calculated political decision to win favor with voters who may have believed that Republicans were uncaring.

• Although Mr. Dole has been portrayed as one of the nation's most influential leaders, his popularity in his home state is waning. See MATURITY, Page A-4, Col. 1

of Bob Dole

Continued
Next Page

MICROFILMED FROM
BEST AVAILABLE COPY