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TARPON SPRINGS, FLORIDA

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THE REPUBLICAN LANDSLIDE OF 1980 IS NOW HISTORY. THIS ELECTION PRODUCED THE CLEAREST MANDATE FOR CHANGE THAT I HAVE WITNESSED IN MY POLITICAL CAREER. IN MY VIEW, THE ELECTION REPRESENTS A PROFOUND VICTORY FOR EVERY BUSINESSMAN AND WOMAN IN AMERICA, FOR EVERYONE IN THE PRODUCTIVE SECTOR, FOR EVERY ENTREPRENEUR AND RISK TAKER, AND GENERALLY FOR EVERY OVERBURDENED TAXPAYER ACROSS THIS LAND.

#### A NEW ECONOMIC CLIMATE

THIS ELECTION WILL HOPEFULLY SOUND THE CLARION CALL FOR A NEW ECONOMIC CLIMATE IN THIS COUNTRY -- A CLIMATE THAT WILL BE MUCH MORE CONDUCIVE TO FREE ENTERPRISE. THE AMERICAN PEOPLE JUSTIFIABLY EXPECT THE REAGAN ADMINISTRATION AND THE NEW CONGRESS TO DELIVER ON THE PROMISE TO GET THE FEDERAL GOVERNMENT OFF ITS BACK. THEY EXPECT AN EFFECTIVE PROGRAM TO COMBAT INFLATION. THEY EXPECT A REDUCTION IN THE REGULATORY MEDDLING THAT BURDENS EVERY SECTOR OF SOCIETY FROM EDUCATION TO ENERGY PRODUCTION. FINALLY, THEY EXPECT SHARP REDUCTIONS OF RUNAWAY FEDERAL SPENDING AND A SIGNIFICANT SLASH IN THE LEVEL OF FEDERAL TAXATION.

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IT IS NOW UP TO THE NEW REPUBLICAN LEADERS TO MOVE THE COUNTRY TOWARD THESE OBJECTIVES. REPUBLICANS AT LAST HAVE AN OPPORTUNITY TO DEMONSTRATE THAT THEY CAN GET THE JOB DONE. MANY OF US WHO HAVE SUDDENLY BEEN THRUST IN KEY COMMITTEE CHAIRMANSHIPS ARE STILL CONTEMPLATING THE WEIGHT OF THIS NEW RESPONSIBILITY. WE ARE MOVING CAREFULLY AND DELIBERATELY TO COORDINATE WITH THE REAGAN TRANSITION TEAM TO CHART A NEW ECONOMIC COURSE FOR THE COUNTRY.

#### THE BATTLE FOR ECONOMIC RECOVERY

DESPITE OUR ELECTION GAINS, IT IS IMPORTANT TO REMEMBER THAT THE ECONOMY STILL LINGERS ON THE CRITICAL LIST. THERE MAY BE DEBATE AMONG ECONOMISTS AS TO WHETHER WE ARE STILL IN A RECESSION. IT IS NOT DEBATABLE, HOWEVER, THAT THERE ARE STILL MORE THAN EIGHT MILLION UNEMPLOYED AMERICANS. IT ALSO CANNOT BE DEBATED THAT INFLATION IS STILL RAGING AT THE RATE OF 12.7%. NO ONE CAN DISPUTE THAT THE PRIME RATE OF INTEREST IS OVER 16% AND ON THE RISE.

THUS, THE BATTLE FOR ECONOMIC RECOVERY IS JUST BEGINNING. IF ALL OF YOU WHO HAVE CARRIED THE BANNER OF ECONOMIC REVITALIZATION FOR THE LAST SEVERAL MONTHS JUST GO HOME AND DON'T CONTINUE THE PRESSURE, YOU MAY FIND THAT THE VICTORIES WE HAVE WON ARE HOLLOW.



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### INFLATION AND FEDERAL DEFICITS

INFLATION IN MY VIEW REMAINS PUBLIC ENEMY NUMBER ONE. NONE OF THE MYRIAD POLICIES INITIATED OVER THE LAST FOUR YEARS TO DEAL WITH INFLATION HAS WORKED. THE WAGE-PRICE GUIDELINES ARE NOTHING BUT AN EMBARRASSING MONUMENT TO THE ADMINISTRATION'S ANTI-INFLATION FAILURES. DESPITE AN APPARENT WORSENING OF THE INFLATIONARY CYCLE, I DO NOT VIEW THE PROBLEM AS ONE THAT IS INTRACTABLE. WE CAN AND MUST FIND SOME EFFECTIVE SOLUTION BEFORE THE CORROSIVE EFFECTS OF INFLATION DISSOLVE THE ECONOMIC FABRIC OF THE COUNTRY.

I AM ONE WHO STRONGLY BELIEVES THAT FEDERAL DEFICIT SPENDING IS ONE OF THE CHIEF VILLAINS RESPONSIBLE FOR INFLATION SINCE IT RESULTS IN THE PUMPING OF MORE MONEY INTO THE ECONOMY WITHOUT ANY CORRESPONDINGLY INCREASE IN NATIONAL PRODUCTIVITY. IN 19 OF THE LAST 20 YEARS, THE FEDERAL BUDGET HAS BEEN IN DEFICIT. DEFICITS ARE RUN REGARDLESS OF WHETHER BUSINESS CONDITIONS ARE POOR OR THE ECONOMY IS BOOMING. THE BUDGET HAS NOT BEEN BALANCED AT ALL IN THE LAST DECADE.

DESPITE ALL OF THE RECENT PROMISES ABOUT CUTTING SPENDING AND BALANCING THE FEDERAL BUDGET, THE FISCAL RECORD OF PRESIDENT CARTER AND THE DEMOCRATIC CONGRESS HAS BEEN DISMAL.

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IT IS NOW CLEAR THAT PRESIDENT CARTER'S MUCH HERALDED "LEAN AND AUSTERE" BALANCED BUDGET FOR FISCAL YEAR 1981 WILL BE NOWHERE NEAR BALANCED. THE ADMINISTRATION'S JULY ECONOMIC REPORT FORECAST A \$30 BILLION DEFICIT FOR FY 1981 WITHOUT A TAX CUT AND \$50 BILLION WITH ONE.

THE \$59 BILLION DEFICIT FOR THE JUST CONCLUDED FISCAL YEAR WILL BE THE LARGEST IN U.S. HISTORY, WHEN "OFF BUDGET" SPENDING IS ADDED IN. THE CURRENT DEFICIT IS FUELED BY THE SINGLE LARGEST INCREASE IN FEDERAL SPENDING IN OUR HISTORY. FEDERAL SPENDING INCREASED BY \$79 BILLION IN FISCAL YEAR 1980, A SPENDING GROWTH RATE OF 17.5%.

#### REASON FOR DEFICITS

THE REASON FOR THESE CONTINUED DEFICITS IS SIMPLE. POLITICANS HAVE LIKED TO BUY NOW AND PAY LATER JUST LIKE EVERYONE ELSE. THE APPEAL OF CREDIT IS EVEN MORE ALLURING WHEN YOU BUY DURING AN ELECTION YEAR AND MAY NOT HAVE TO PAY UNTIL AFTER YOU RETIRE. HOPEFULLY, THIS WILL CHANGE NOW THAT A FEW OF THE BIG SPENDERS HAVE BEEN RETIRED BY THE VOTERS.

THIS LACK OF CONGRESSIONAL SELF-RESTRAINT IS THE PRINCIPAL REASON THAT SINCE 1978 I HAVE INTRODUCED AND HAVE ADVOCATED ENACTMENT OF SOME FORM OF CONSTITUTIONAL AMENDMENT TO REQUIRE A



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BALANCED FEDERAL BUDGET. UNFORTUNATELY, THAT EFFORT SEEMS RECENTLY TO HAVE RUN OUT OF STEAM, BUT IT MAY HAVE A MORE RECEPTIVE AUDIENCE IN CONGRESS NEXT YEAR. BUT IN ANY EVENT, THE RECENT FAILURE OF THE CONGRESSIONAL BUDGET PROCESS MAKES THE NEED FOR SOME KIND OF ADDITIONAL MECHANISM FOR FISCAL RESTRAINT PAINFULLY OBVIOUS. I AM OPTIMISTIC THAT THE NEW CONGRESS WILL SPEND MORE TIME TIGHTENING AND OVERSEEING EXISTING PROGRAMS RATHER THAN CREATING NEW ONES. THIS WILL BE ONE OF THE HARDEST AND MOST IMPORTANT TASKS THAT WE FACE.

#### A NEW TAX POLICY

AS PART OF OUR ATTACK ON INFLATION, WE ALSO NEED TO SUBSTANTIALLY REDUCE THE TAX DRAG ON THE ECONOMY. THE PERCENTAGE OF THE NATIONAL ECONOMY CONSUMED BY FEDERAL TAXATION IS NOW AT THE HIGHEST LEVEL IN PEACETIME HISTORY. THUS, I BELIEVE WE NEED A TAX CUT ALONG WITH AN EFFECTIVE LIMIT ON THE GROWTH OF FEDERAL SPENDING.

IN CONSIDERING THE ADVISABILITY OF SUCH A MOVE, I FLATLY REJECT THE VIEW THAT WE HAVE TO FOREGO ANY KIND OF TAX CUT BECAUSE IT NECESSARILY WILL BE INFLATIONARY. THIS CHARGE STRIKES ME AS AN ELECTION-YEAR SCARE TACTIC THAT WAS SIMPLY NOT SUPPORTED BY THE FACTS. A NUMBER OF THE NATION'S MOST

PROMINENT ECONOMISTS, INCLUDING NOBEL PRIZE WINNER DR. LAWRENCE KLEIN, TESTIFIED BEFORE THE SENATE FINANCE COMMITTEE THAT A PROPERLY STRUCTURED TAX CUT WOULD ACTUALLY REDUCE INFLATION WHEN COMPARED WITH DOING NOTHING.

### PROGRESS TOWARD A TAX CUT

AS I AM SURE YOU ALL KNOW, I HAVE BEEN PRESSING FOR PROMPT ENACTMENT OF A SUBSTANTIAL TAX CUT BILL SINCE EARLY LAST SUMMER. ON JUNE 25TH, I INTRODUCED THE REPUBLICAN TAX CUT PACKAGE IN COORDINATION WITH A PUBLIC ANNOUNCEMENT OF SUPPORT BY GOVERNOR REAGAN. THIS PACKAGE CONTAINED A 10% ACROSS-THE-BOARD REDUCTION OF INDIVIDUAL TAX RATES AND THE "10-5-3" BUSINESS DEPRECIATION PROPOSAL. I TWICE BROUGHT THIS PROPOSAL TO A VOTE ON THE SENATE FLOOR. THE PROPOSAL WAS DEFEATED ON BOTH OCCASIONS ON A PARTY-LINE VOTE.

IN MID-AUGUST THE SENATE FINANCE COMMITTEE RESPONDED TO A REPUBLICAN TAX CUT INITIATIVE BY REPORTING OUT A BROAD-GAUGED BILL DESIGNED TO OFFSET PART OF THE \$86 BILLION IN TAX INCREASES SCHEDULED FOR 1981. THIS BILL WOULD REDUCE INDIVIDUAL'S TAXES BY ABOUT \$22 BILLION IN CALENDAR YEAR 1981 AND WOULD ALSO MAKE ABOUT \$16.5 BILLION IN CAPITAL FORMATION AND PRODUCTIVITY-ORIENTED TAX CHANGES. THIS BILL IS THE PRODUCT OF A REMARKABLE BIPARTISAN EFFORT AND ACKNOWLEDGMENT OF THE FACT THAT TAXES HAVE REACHED EXCESSIVE LEVELS. IT WAS REPORTED OUT OF THE FINANCE COMMITTEE BY A 19 TO 1 VOTE.



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### NO TAX CUT THIS YEAR

UNFORTUNATELY, HOWEVER, ALL OF OUR PARLIAMENTARY MANEUVERS TO GET THE FINANCE COMMITTEE BILL TO THE FLOOR HAVE BEEN BLOCKED BY THE DEMOCRATIC LEADERSHIP. CONSEQUENTLY, THERE NOW APPEARS TO BE NO CHANCE OF GETTING A TAX CUT IN PLACE BY THE FIRST OF JANUARY.

I AM EXTREMELY DISAPPOINTED AT THIS RESULT. IT MEANS THAT PARTISAN POLITICS HAVE BEEN ALLOWED TO OVERRIDE THE NATIONAL GOOD. THE ECONOMY NEEDS A TAX CUT NOW. IT MAKES NO SENSE TO WAIT UNTIL WE HAVE FULLY RECOVERED FROM THE RECESSION TO PUT THE TAX CUT INTO EFFECT.

### TIMING OF TAX CUT NEXT YEAR

THERE IS NO DOUBT THAT A TAX CUT BILL WILL BE THE FIRST ORDER OF BUSINESS FOR THE NEW CONGRESS. NEVERTHELESS, I AM NOT OPTIMISTIC THAT THE BILL WILL BE SIGNED INTO LAW BEFORE LATE SPRING OR EARLY SUMMER. IN MY EXPERIENCE, IT TAKES SEVERAL MONTHS FOR A NEW ADMINISTRATION AND CONGRESS JUST TO GET EFFECTIVELY ORGANIZED.

AFTER WE HAVE AN ADMINISTRATION PROPOSAL, WE WILL PRESUMABLY HAVE TO UNDERTAKE A WHOLE NEW ROUND OF TAX CUT HEARINGS AND WAIT FOR THE HOUSE TO MARK UP A BILL. SINCE THE HOUSE MIGHT BE LESS

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SYMPATHETIC TO THE REAGAN PROPOSAL THAN THE SENATE, I WOULD EXPECT THAT WE MIGHT SPEND SOME TIME WRANGLING IN A HOUSE-SENATE CONFERENCE ON THE BILL. AS A RESULT, I WILL THINK IT WOULD BE A SIGNIFICANT ACCOMPLISHMENT IF THE TAX CUT IS SIGNED INTO LAW BY JUNE 1ST.

### INDIVIDUAL TAX CUTS

THE SHAPE OF NEXT YEAR'S TAX CUT WILL BE LARGELY DICTATED BY WHAT THE NEW ADMINISTRATION PROPOSES. OBVIOUSLY IT IS QUITE LIKELY THAT ANY ADMINISTRATION PACKAGE WILL INCLUDE AT LEAST A 10% ACROSS-THE-BOARD CUT IN INDIVIDUAL TAX RATES. IT IS EVEN POSSIBLE THAT THE ADMINISTRATION WILL SEND UP A PROPOSAL CONTAINING THE FULL 30% IN RATE CUTS OVER THREE YEARS AND TAX INDEXING FOR LATER YEARS. THESE ACROSS-THE-BOARD RATE REDUCTIONS WOULD REPLACE THE MORE DIFFUSE INDIVIDUAL REDUCTIONS IN THE FINANCE COMMITTEE BILL, WHICH INCLUDED MORE MODEST RATE CUTS, AN INCREASE WITH PERSONAL EXEMPTION AND THE ZERO BRACKET AND OTHER TINKERING WITH THE EXISTING TAX FRAMEWORK.

### MERITS OF A RATE REDUCTION

A REDUCTION IN TAX RATES IS LONG OVERDUE. WE HAVE NOT HAD A RATE REDUCTION SINCE 1964. SINCE THAT TIME, INFLATION HAS PROPELLED MORE AND MORE AMERICANS UPWARD TOWARDS THE 70% BRACKET



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EVEN THOUGH THEIR REAL INCOME HAS NOT SIGNIFICANTLY INCREASED. THIS INCREASE IN THE TAX BURDEN HAS SAPPED THE INCENTIVE FOR INDIVIDUALS TO WORK HARDER AND INVEST MORE. THE RESULT HAS BEEN THE DWINDLING NATIONAL PRODUCTIVITY AND OUR PITIFULLY LOW RATE OF PERSONAL SAVING AND INVESTMENT. INDEED, OUR PERSONAL SAVINGS RATE HAS RECENTLY FALLEN BELOW 3% AND IS THE LOWEST OF ANY WESTERN INDUSTRIALIZED COUNTRY.

WE OBVIOUSLY NEED TO SHARPLY REVERSE THIS COURSE. A SUBSTANTIAL RATE CUT MIGHT BE JUST THE TOOL TO BRING ABOUT THIS REVERSAL. CAN YOU IMAGINE THE EXPLOSION OF NEW INVESTMENT THAT WOULD BE BROUGHT ABOUT BY LOWERING THE TOP TAX RATE FROM 70% TO 50%? THAT IS PRECISELY WHAT A 30% TAX REDUCTION WOULD DO. THIS WOULD BE GOOD FOR NOT ONLY OIL INVESTMENT, BUT FOR EVERY PRODUCTIVE SECTOR IN THE ECONOMY.

#### A NOTE OF CAUTION

WHILE I AM ENTHUSIASTIC ABOUT THE POTENTIAL BENEFITS OF A SUBSTANTIAL RATE REDUCTION, THAT ENTHUSIASM IS TEMPERED BY SOME INSTINCTIVE RESERVATIONS. ANY SUBSTANTIAL TAX CUTS MUST BE LINKED TO SPENDING CUTS. BEFORE WE EMBARK A THREE YEAR TAX

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CUT PROGRAM, I WANT TO BE SATISFIED THAT CONGRESS CAN ACTUALLY CUT SPENDING. I HAVE HEARD TOO MUCH EMPTY RHETORIC ABOUT SPENDING CUTS NOT TO BE SKEPTICAL. IT IS ESSENTIAL THAT WE TAKE THESE STEPS SO THAT THE TAX CUT DOES NOT SIMPLY FUEL INFLATION. CLEARLY, WE CANNOT HAVE SUSTAINED ECONOMIC PROSPERITY IF WE HAVE 18% INFLATION AND A 20% PRIME RATE.

### BUSINESS CUTS

TURNING TO THE BUSINESS SIDE OF NEXT YEAR'S TAX CUT, I EXPECT THE REAGAN ADMINISTRATION TO PROPOSE SOME MAJOR REFORM OF THE BUSINESS DEPRECIATION SYSTEM SUCH AS THE "2, 4, 7, 10" PROPOSAL THAT IS IN THE FINANCE COMMITTEE BILL. THE CURRENT DEPRECIATION SYSTEM IS UNDULY COMPLEX AND DOES NOT ALLOW A BUSINESS TO FULLY RECOVER CAPITAL EXPENDITURES. THERE SEEMS TO BE GENERAL AGREEMENT IN CONGRESS CONCERNING THE NEED FOR ENACTMENT OF SOME FORM OF COMPREHENSIVE DEPRECIATION REFORM.

ALTHOUGH IT IS BY NO MEANS CLEAR THAT THEY WILL BE INCLUDED IN THE REAGAN PACKAGE, THERE ARE A NUMBER OF TAX REDUCTION PROPOSALS THAT HAVE SUPPORT AMONG FINANCE COMMITTEE MEMBERS. FOR EXAMPLE, THERE IS INTEREST IN REDUCING CORPORATE TAX RATES AND EXPANDING THE CORPORATE BRACKETS, CUTTING THE





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### BAD ENERGY POLICY

I STRONGLY OPPOSED THE FINAL VERSION OF THE WINDFALL TAX BECAUSE IT WAS BAD ENERGY POLICY. THERE IS NO DOUBT THAT THE TAX HAS SUBSTANTIALLY UNDERCUT THE BENEFITS OF DECONTROL BY LESSENING THE ECONOMIC INCENTIVES FOR EXPLORATION AND GREATLY REDUCING THE CAPITAL AVAILABLE FOR THOSE WHO WOULD LOOK FOR NEW OIL.

✓ SOME HAVE ESTIMATED THIS LOSS IN NEW PRODUCTION TO BE AS MUCH AS 1.5 MILLION BARRELS PER DAY BY 1990. THIS IS 1.5 MILLION BARRELS PER DAY THAT WE WILL HAVE TO BUY FROM UNDEPENDABLE FOREIGN COUNTRIES AT INFLATED PRICES. IN MY OPINION, WE SIMPLY CANNOT AFFORD TO LOSE THIS PRODUCTION. THE SERIOUS NEGATIVE EFFECTS OF THIS ON OUR ECONOMY AND THE ASPIRATIONS OF OUR CITIZENS ARE OBVIOUS.

### POSSIBLE MODIFICATIONS

THE MODIFICATIONS TO THE WINDFALL TAX THAT ARE MOST LIKELY TO PREVAIL ARE THOSE THAT WILL HAVE A DEMONSTRABLE PRODUCTION RESPONSE. FOR THIS REASON, I SUSPECT THAT AN ELIMINATION OR SUBSTANTIAL REDUCTION OF THE TAX ON NEWLY



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DISCOVERED OIL WILL HAVE THE STRONGEST APPEAL. IN THE SHORT RUN, A NEWLY DISCOVERED OIL EXEMPTION WILL HAVE A RELATIVELY MINOR REVENUE ON TOTAL TAX COLLECTIONS. IN FISCAL YEAR 1981, SUCH AN EXEMPTION WOULD CAUSE A SEVERE LOSS OF ONLY ABOUT \$700 MILLION OUT OF NEARLY \$15 BILLION IN TOTAL WINDFALL TAX RECEIPTS.

I SUSPECT THAT THERE WILL BE CONSIDERABLE SUPPORT FOR REDUCING THE TAX BURDEN ON OTHER MARGINAL CATEGORIES OF OIL SUCH AS STRIPPER, ENHANCED RECOVERY AND POSSIBLY HEAVY OIL. I HAVE A PARTICULAR INTEREST IN STRIPPER OIL SINCE MORE THAN 90% OF THE WELLS IN KANSAS FALL IN THE STRIPPER CATEGORY. A RECENT STUDY PREPARED BY THE INTERSTATE OIL COMPACT COMMISSION PREDICTED THAT THE WINDFALL TAX WILL FORCE THE PREMATURE ABANDONMENT OF APPROXIMATELY 24,000 WELLS OVER THE NEXT DECADE. CONSEQUENTLY, THERE WILL BE OBVIOUS INTEREST IN REVIEWING WHAT CHANGES CAN BE MADE TO KEEP THOSE WELLS IN OPERATION. LAST JULY, THE SENATE EXPRESSED ITS CONCERN ABOUT THIS PROBLEM BY OVERWHELMINGLY APPROVING AN AMENDMENT TO PARTIALLY EXEMPT STRIPPER WELLS. WHILE THIS AMENDMENT PROBABLY WILL BE DROPPED IN CONFERENCE, IT IS INDICATIVE OF THE SENATE'S CURRENT THINKING.

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I ALSO EXPECT THAT ANY MODIFICATION OF THE WINDFALL TAX WILL INCLUDE SOME RELIEF FOR SMALL ROYALTY OWNERS. THIS GROUP WAS LARGELY IGNORED DURING THE CONSIDERATION OF THE ORIGINAL VERSION OF THE TAX. AS A RESULT, COUNTLESS WIDOWS, FARMERS AND RETIRED PENSIONERS WERE QUITE UNPLEASANTLY SURPRISED LAST APRIL TO FIND THEIR \$100 AND \$200 ROYALTY CHECKS CUT BY ONE THIRD AS A RESULT OF THIS TAX. IN MY VIEW, THIS INEQUITY MUST BE CORRECTED. ALREADY, THE SENATE HAS APPROVED A \$1000 TAX CREDIT FOR 1980 TO GIVE RELIEF TO THESE SMALL ROYALTY OWNERS.

IT WOULD BE A MISTAKE FOR THOSE IN THIS ROOM TO DISMISS THEIR ROYALTY OWNERS" PROBLEM AS NOT BEING YOUR CONCERN. THERE ARE APPROXIMATELY 2 MILLION ROYALTY OWNERS THROUGHOUT THE UNITED STATES. THEY ARE NOW FORMING ORGANIZATIONS TO CARRY THEIR FIGHT TO WASHINGTON. THESE ROYALTY OWNERS SHOULD BE VIEWED AS VALUABLE ALLIES BECAUSE THEY ARE LIKELY TO BE FAR MORE EFFECTIVE IN FORCING A REVIEW OF THE WINDFALL PROFIT TAX THAN ALL INDEPENDENTS AND MAJORS COMBINED.

THE KEY TO ANY SUCCESSFUL RECONSIDERATION OF THE WINDFALL TAX IS CRACKING THE NEAR-MYSTICAL \$227 BILLION REVENUE FIGURE. UNLESS THIS IS DONE, ALL CHANGES WILL BE MERELY A SHIFTING OF



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AN ONEROUS TAX BURDEN FROM ONE GROUP OR CATEGORY OF PRODUCTION TO ANOTHER. THAT IS NOT REAL REFORM.

### PERCENTAGE DEPLETION

FINALLY, I WOULD LIKE TO COMMENT ON THE PROSPECTS AHEAD FOR PERCENTAGE DEPLETION. I AM ONE SENATOR WHO UNDERSTANDS THE VITAL IMPORTANCE OF PERCENTAGE DEPLETION AS AN INCENTIVE TO OIL AND GAS EXPLORATION IN THE UNITED STATES. ONE HAS TO LOOK NO FURTHER THAN THE TAX REFORM ACT OF 1969 TO FIND EVIDENCE OF THE IMPORTANCE OF PERCENTAGE DEPLETION. IN THAT ACT, THE RATE OF DEPLETION WAS REDUCED FROM 27½% TO 22%. AS A RESULT, IN THE FOLLOWING YEAR, THERE WAS THE BIGGEST SINGLE YEAR DROP IN EXPLORATORY DRILLING IN THE HISTORY OF THE OIL INDUSTRY.

I AM PROUD TO SAY IT WAS MY AMENDMENT THAT SEVERAL YEARS AGO SALVAGED PERCENTAGE DEPLETION IN ITS CURRENT FORM. BUT AS YOU ALL KNOW, PERCENTAGE DEPLETION CONTINUED TO BE ONE OF THE CHERISHED TARGETS OF SELF-APPOINTED TAX REFORMERS. DURING THE CURRENT CONGRESS, THERE WERE A NUMBER OF ASSAULTS MADE ON PERCENTAGE DEPLETION, THE

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MOST SERIOUS OF WHICH WAS THE SHARP CUT BACK ON DEPLETION INCLUDED HOUSE-VERSION OF THE WINDFALL PROFIT TAX ACT. IT TOOK THE DETERMINED EFFORT OF RUSSELL LONG, MALCOLM WALLOP, MYSELF AND A FEW OTHERS TO KEEP DEPLETION INTACT.

I KNOW THAT THERE ARE A NUMBER OF PEOPLE WHO LIKE TO SEE THE DEPLETION RATE RESTORED TO 27½%. I DO NOT THINK THIS OBJECTIVE IS OBTAINABLE UNLESS THERE IS A DRAMATIC SHIFT IN HOUSE SENTIMENT ON DEPLETION. PERHAPS FREEZING DEPLETION AT 22% IS A SOMEWHAT MORE REALISTIC GOAL, BUT EVEN THAT MAY PROVE ELUSIVE. NEVERTHELESS, THE CLIMATE FOR THIS KIND OF PRODUCTION-ORIENTED CHANGE WILL BE MUCH IMPROVED IN THE 97TH CONGRESS. I URGE YOU TO KEEP UP THE VILIGENCE, AND THE CONTINUING EFFORT TO EDUCATE MEMBERS ON SUCH VITAL ENERGY ISSUES.