

REMARKS OF SENATOR BOB DOLE

COMMONWEALTH CLUB

SAN FRANCISCO, CALIFORNIA

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*Sam H.*

THANK YOU FOR THOSE KIND WORDS. IT'S A GREAT PLEASURE FOR ME TO RETURN TO THE COMMONWEALTH CLUB. A LOT CAN CHANGE IN SEVEN YEARS. WHEN I WAS LAST HERE, IN THE FALL OF 1976, RONALD REAGAN WAS A PRIVATE CITIZEN, GERALD FORD OCCUPIED THE WHITE HOUSE, JIMMY CARTER WAS TALKING TO PLAYBOY AND I WAS BEING ACCUSED OF WIELDING A HATCHET. INFLATION WAS BELOW 5 PERCENT. INTEREST RATES WERE UNDER 7 PERCENT. YOU ALL KNOW WHAT HAPPENED AFTER THAT ELECTION. INFLATION SOARED TO RECORD LEVELS. INTEREST RATES FOLLOWED IN THEIR WAKE. UNEMPLOYMENT CREPT HIGHER, AS THE AMERICAN ECONOMY WENT STIFF IN THE JOINTS. BY 1980, AFTER YEARS OF SPENDING MORE THAN WE PRODUCED, A THOROUGHLY PLUCKED CHICKEN CAME HOME TO ROOST. AND SUDDENLY, RONALD REAGAN WASN'T A PRIVATE CITIZEN ANYMORE.

TWO REVOLUTIONS--AND THE COMMONWEALTH CLUB

THERE WAS TALK OF A REAGAN REVOLUTION, A HISTORIC SHIFT IN NATIONAL PRIORITIES AND A STARTLING REDEFINITION OF THE INDIVIDUAL'S RELATIONSHIP WITH HIS GOVERNMENT. IT WASN'T THE FIRST TIME IN THIS CENTURY THAT AMERICANS EMBRACED SUCH A PHILOSOPHICAL U-TURN, AS THE MEMBERS OF THIS ORGANIZATION WOULD BE THE FIRST TO ACKNOWLEDGE. FOR IT WAS HERE, BEFORE THE COMMONWEALTH CLUB IN ANOTHER TIME OF NATIONAL UNCERTAINTY AND

ECONOMIC MALAISE, THAT FRANKLIN ROOSEVELT DELIVERED A LANDMARK ADDRESS THAT CONTAINED BOTH ENCOURAGING AND DISTURBING PORTENTS FOR THE FUTURE. ON THE ONE HAND, SAID FDR, THE AMERICAN PEOPLE DESERVED A GOVERNMENT VIGOROUS ENOUGH TO UMPIRE THE ECONOMIC ORDER, AND CLEAR SIGHTED ENOUGH TO RECOGNIZE THAT PRIVATE ECONOMIC POWER HAD BECOME A PUBLIC TRUST.

ON THE OTHER HAND, HE CONTINUED, PERHAPS THE AMERICAN ECONOMY HAD REACHED MATURITY. PERHAPS FUTURE DEBATE WOULD REVOLVE LESS AROUND FURTHER EXPANSION OF THE NATION'S WEALTH THAN A FAIRER DISTRIBUTION OF EXISTING WEALTH. "EVERY MAN HAS A RIGHT TO LIFE AND THIS MEANS THAT HE ALSO HAS A RIGHT TO MAKE A COMFORTABLE LIVING." SO ROOSEVELT PUT HIS CASE IN SEPTEMBER OF 1932. AND THE WHIRLWIND OF REFORMS THAT FOLLOWED UPHELD THOSE RIGHTS, EVEN WHILE KINDLING A PSYCHOLOGY OF RENEWAL DURING THE BLACKEST DEPTHS OF A GREAT NATIONAL CRISIS.

BUT TIME PASSES, AND NATIONS EVOLVE. THE STANDARDS OF AN EMERGENCY CAN BECOME THE SHACKLES OF LATER GENERATIONS. THE PUMP CAN BE PRIMED JUST SO OFTEN. THE APPEAL OF DEFICIT SPENDING CAN BE STRETCHED JUST SO FAR. GOVERNMENT ITSELF CAN BECOME A PROBLEM INSTEAD OF A SOLUTION. REGULATION CAN TURN INTO A STRAIGHTJACKET INSTEAD OF AN UMPIRE'S CALL. GOOD INTENTIONS CAN BE CONFUSED WITH BAD ADMINISTRATION. AND THE PUBLIC SECTOR CAN THRIVE WHILE PRIVATE EMPLOYMENT, INVESTMENT AND COMPETITION WITHER ON THE VINE.



"ECONOMY AND LIBERTY"

AT THE BIRTH OF THE REPUBLIC, THOMAS JEFFERSON LAID DOWN A WARNING, WRAPPED INSIDE AN IDEAL. "I PLACE ECONOMY AMONG THE FIRST AND MOST IMPORTANT VIRTUES," HE SAID, "AND PUBLIC DEBT AS THE GREATEST OF DANGERS...WE MUST MAKE OUR CHOICE BETWEEN ECONOMY AND LIBERTY, OR PROFUSION AND SERVITUDE. IF WE CAN PREVENT GOVERNMENT FROM WASTING THE LABORS OF THE PEOPLE UNDER THE PRETENSE OF CARING FROM THEM, THEY WILL BE HAPPY."

FOR MUCH OF THIS CENTURY, WE AMERICANS HAVE IGNORED JEFFERSON'S WARNING. IN THE LAST TEN YEARS ALONE, WE HAVE PILED \$800 BILLION IN DEPT UPON THE SHOULDERS OF SUCCEEDING GENERATIONS. IT'S ALMOST AS IF WE HAD SINGLEHANDEDLY AUTHORED A NEW BEATITUDE: "BLESSED ARE THE YOUNG, FOR THEY SHALL INHERIT THE NATIONAL DEBT."

WE HAVE TAXED OUR ECONOMY THE WAY MEDICINE MEN IN JEFFERSON'S TIME BLED THEIR PATIENTS--AND WITH SIMILAR RESULTS. WE HAVE WASTED THE LABOR OF OUR PEOPLE UNDER THE PRETENSE OF CARING FOR THEM, AND THE IRONIC, TRAGIC RESULT CAN BE SEEN IN HUNDREDS OF NEIGHBORHOODS AND THOUSANDS OF STREETCORNERS WHERE HOPE IS ALL BUT EXTINCT. ULTIMATELY, WE BROUGHT ON A STILL BLEAKER RECESSION, ONLY NOW ENDING--AND THERE WERE THOSE WHO ONCE AGAIN ASKED OUT LOUD IF AMERICA'S ECONOMIC FRONTIERS WERE CLOSING.

THE LINK BETWEEN AN OVERSTUFFED FEDERAL ESTABLISHMENT AND A PRIVATE SECTOR SUFFERING A KIND OF FISCAL ANOREXIA IS UNMISTAKABLE. BACK IN 1964, THE FEDERAL GOVERNMENT SPENT LESS THAN \$35 BILLION ON ALL SOCIAL WELFARE PROGRAMS. TODAY, WE SPEND MORE THAN TEN TIMES AS MUCH.

IN 1960, THE SAME YEAR I WAS FIRST ELECTED TO CONGRESS, FEDERAL SPENDING CONSUMED 18.5 PERCENT OF THE GNP. BY 1981, THE FIGURE WAS UP TO 23 PERCENT. AND IF THE PRESIDENT'S PROGRAM OF TAX AND SPENDING CUTS HAD NOT BEEN ADOPTED TWO YEARS AGO, IT WOULD HAVE REACHED 25 PERCENT BY 1985. LIKE AN AVALANCHE ROLLING DOWNHILL, THE FEDERAL SPENDING HABIT OVERWHELMED PRIVATE INVESTMENT, PRIVATE SAVINGS, CAPITAL FORMATION AND JOB CREATION. AND NOW, UNLESS IT IS FINALLY BROUGHT UNDER CONTROL, IT ENDANGERS A STILL FRAGILE RECOVERY WHOSE PRESENCE NOT EVEN THE GLOOMIEST CASSANDRAS CAN DENY.

#### THE END OF RECESSION

IN THE LAST FEW WEEKS, WE'VE SEEN CONCLUSIVE EVIDENCE THAT THE AMERICAN ECONOMY HAS NOT ONLY STOPPED ITS CONTRACTION, BUT HAS ONCE MORE BEGUN TO EXPAND. HOUSING STARTS AND AUTO SALES ARE UP. SO IS FACTORY UTILIZATION, INDUSTRIAL OUTPUT, AND ORDERS FOR DURABLE GOODS. UNEMPLOYMENT HAS PEAKED AND SEEMS HEADED LOWER, HOPEFULLY TO A RATE OF NO MORE THAN 9.5 PERCENT BY YEAR'S END. FAR TOO MANY OF OUR NEIGHBORS ARE STILL WITHOUT WORK. AND THAT



IS WHY THE CONGRESS HAS AGREED WITH THE PRESIDENT ON A STEPPED-UP PROGRAM OF HIGHWAY AND BRIDGE REPAIRS, WHY WE'VE MOVED TO ADVANCE SEVERAL BILLION DOLLARS WORTH OF FEDERAL BUILDING PROJECTS AND EXTEND UNEMPLOYMENT COMPENSATION AN ADDITIONAL 8 TO 14 WEEKS. BEYOND THESE STEPS, WE'VE CHANGES THE WHOLE NATURE OF WASHINGTON'S JOB TRAINING PROGRAMS. INSTEAD OF MERELY SUBSIDIZING HARDSHIP THROUGH ADMINISTRATIVELY WASTEFUL EFFORTS LIKE CETA, WE'RE TARGETING \$2.1 BILLION TO ASSIST THE LONG-TERM UNEMPLOYED IN ADJUSTING TO AN ECONOMY IN THE THROES OF FUNDAMENTAL CHANGE.

#### THE PATH TO RECOVERY

BUT THE BEST SINGLE PRESCRIPTION FOR WHAT AILS THE U.S. ECONOMY IS NOT CONTAINED IN ANY PALLIATIVE OR SHORT-TERM PLACEBO. WHAT WE NEED IS TO KEEP INTEREST RATES DOWN, AD GET THEM STILL LOWER THAN THEIR CURRENT LEVEL. TO DO THAT, WE MUST PRACTICE A LITTLE OLD FASHIONED SELF-DISCIPLINE. I KNOW THE CONCEPT STRIKES TERROR IN THE BLEEDING HEARTS OF SOME OF WASHINGTON'S BIGGEST SPENDERS. FOR YEARS, THEY SHED CROCODILE TEARS FOR THE DISAVANTAGED, WHILE FUELING DOUBLE DIGIT INFLATION THAT STRUCK HARDEST AT THE VERY CONSTITUENCY THEY PROFESSED TO HELP. FOR YEARS, THEY REGARDED THE AMERICAN PUBLIC, NOT AS A DIVERSE RANGE OF INDIVIDUALS, BUT AS SACRED COWS EAGER FOR THEIR TIME AT A PUBLIC TROUGH. NEEDLESS TO SAY, THEY WERE NOT PLEASED BY THE RESULTS OF 1980. AND IN THEIR NOSTALGIA FOR WHAT WAS, THEY HAVE

YET TO UNDERSTAND EITHER THE MANDATE OR THE IMPERATIVE FOR CHANGE IF OUR ECONOMY IS TO REGAIN ITS FORMER VITALITY.

THEY TALK OF FAIRNESS--BUT WHAT IS FAIR ABOUT A BUDGET ALLOCATING MORE MONEY FOR DEBT INTEREST THAN ALL THE HOUSING AND MEDICAL PROGRAMS COMBINED? HIGH INTEREST RATES, I WOULD REMIND THEM, DON'T PREVENT THE PURCHASE OF MINK COATS OR LAVISH YACHTS-- BUT THEY DO KEEP CARS FROM LEAVING THE SALESROOM, AND HOMES FROM CHANGING HANDS. AND THERE'LL ALWAYS BE A TAX LAWYER AROUND TO SHELTER PAPER INCOMES--BUT WHAT ABOUT THE WORKING CLASS FAMILY THAT PAYS ITS TAXES AND STRUGGLES TO MAKE BOTH ENDS MEET?

LET ME BE MORE SPECIFIC STILL ON THE COSTS OF COMPASSION, PRE-1980 STYLE. BY 1980, THE PERCENTAGE OF U.S. FAMILIES LIVING IN POVERTY WAS ACTUALLY GREATER THAN IN 1968--DESPITE, OR PERHAPS BECAUSE OF CONGRESS' WILLINGNESS TO THROW MONEY AT A PROBLEM AND THEN CLAIM A CLEAR CONSCIENCE. DURING THE 1970'S, FAMILIES ON AFDC RECEIVED REGULAR INCREASES IN THEIR BENEFITS--BUT STILL WOUND UP LOSING 30 PERCENT OF THEIR PURCHASING POWER, THANKS TO INFLATION. FOR BLACK AMERICANS, TOO MANY OF WHOM WERE ALREADY CONSIGNED TO WHAT PRESIDENT JOHNSON ONCE CALLED "THE OUTSKIRTS OF HOPE," THE RESULT OF MORE GOVERNMENT AND LESS PRIVATE INVESTMENT WAS PREDICTABLE. BLACK UNEMPLOYMENT ROSE TO NEARLY DOUBLE ITS LEVEL DURING THE PROSPEROUS SIXTIES. BLACK MEDIAN INCOME DECLINED ABOUT 3 PERCENT DURING THE SAME DECADE.



SO LET'S HAVE NO MORE CRIES OF "UNFAIR" DIRECTED AT THOSE OF US WHO WANT GOVERNMENT TO DO THE DECENT THING, WITHOUT EQUATING DECENCY AND A FLOOD OF RED INK. ALREADY, WE'VE MANAGED TO PUT IN PLACE THE ELEMENTS OF SUSTAINED ECONOMIC RECOVERY. NOW THE TIME IS AT HAND TO MOVE BEYOND RECOVERY, TO ECONOMIC RENEWAL. TAXES HAVE BEEN LOWERED BY A NET \$344 BILLION UNDER THE 1981 AND 1982 TAX BILLS. THEY'VE BEEN REFORMED AS WELL AS REDUCED. AND WITH INDIVIDUALS PAYING LESS TO UNCLE SAM, THEY WILL HAVE TO DISPOSE OF AS THEY WISH.

#### THE THREAT TO INDEXING

OF COURSE, MUCH OF THAT WINDFALL WOULD VANISH OVERNIGHT IF THE DEMOCRATIC BUDGET PROPOSED IN THE HOUSE OF REPRESENTATIVES IS ADOPTED. NOT ONLY WOULD THE SPEAKER AND HIS COHORTS CANCEL THE THIRD YEAR OF THE TAX CUT; THEY WOULD SCUTTLE INDEXING AS WELL. TURNING THE CLOCK BACK IN A SINGLE STROKE TO THOSE GOLDEN DAYS OF YESTERYEAR WHEN INFLATION WAS CONGRESS' SECRET ALLY IN RAISING MONEY FOR EVERY PET PROJECT AND PORK BARREL IMAGINABLE. FOR CONGRESS, THE WHOLE PROCESS WAS PAINLESS. IT DIDN'T EVEN HAVE TO BE RECORDED ON A ROLLCALL VOTE FOR NEW TAXES. IT JUST LET INFLATION DO ITS DIRTY WORK, PUSHING MILLIONS OF WORKING PEOPLE INTO HIGHER BRACKETS, BRACKETS UNTIL RECENTLY RESERVED FOR THE AFFLUENT. THE BURDEN OF RESPONSIBILITY PASSED FROM CONGRESS, AND RESTED ON THE SHOULDERS OF AN ALREADY OVERTAXED PEOPLE.

INDEXING DESERVES A TRIAL. WHAT'S MORE, THOSE WHO EARN LESS THAN \$50,000 A YEAR DESERVE THE 78 PERCENT OF ITS BENEFITS THAT THEY'LL RECEIVE STARTING IN 1985 AS A RESULT OF INDEXING. TO DO AWAY WITH THE IDEA NOW WOULD NOT ONLY DEPRIVE THEM OF WHAT IS RIGHTFULLY THEIR'S. IT WOULD ALSO SEND PRECISELY THE WRONG SIGNAL AT THE WRONG TIME. IT WOULD SUGGEST THAT CONGRESS HAS LEARNED NOTHING, THAT IT IS PREPARED TO REINFLATE THE ECONOMY IN ORDER TO SUPPORT ITS OWN SPENDTHRIFT HABITS. WELL, I HAVE NEWS FOR MY COLLEAGUES; 1980 WAS NOT A FIGMENT OF THEIR IMAGINATIONS. IT REALLY HAPPENED. AND THE SOONER WE ALL ACCEPT THAT FACT, THE SOONER WE CAN GET ON WITH FULFILLING THE MANDATE DELIVERED BY THE ELECTORATE.

A LOT OF PEOPLE HAVE DONE A LOT OF SACRIFICING THE LAST FEW YEARS. CAN WE LEGITIMATELY TELL THEM NOW IT WAS ALL IN VAIN? CAN WE DECEIVE OURSELVES AS WELL AS THOSE WITHOUT JOBS, BY PRETENDING THAT WASHINGTON ALONE CAN GIVE THEM WORK AND PROVIDE FOR THEIR FUTURES? CAN WE EXCUSE ANY SEGMENT OF SOCIETY FROM A SHARE IN SACRIFICE? WE CANNOT--NOT IF WE INTEND TO LIVE UP TO OUR HERITAGE AS THE MOST CREATIVE, MOST GENEROUS, MOST FAIRMINDED PEOPLE WHO EVER EMBRACED SELF-GOVERNMENT.

WITHHOLDING AND SOME TERMINOLOGICAL INEXACTITUDES

YOU'VE ALL HEARD OF BANKERS' HOURS. WELL, SOME BANKERS HAVE BEEN WORKING OVERTIME LATELY, AND SOME OF THEIR EFFORTS SEEM MORE



DESIGNED TO FRIGHTEN CUSTOMERS THAN ATTRACT THEM. THE OBJECT OF THEIR ANGER IS THE PLAN ADOPTED BY CONGRESS JUST LAST YEAR TO WITHHOLD 10 PERCENT ON INTEREST AND DIVIDEND INCOME. BUT THEIR ARGUMENTS ABOUT WITHHOLDING ARE ABOUT AS PHONY AS A THREE DOLLAR BILL.

*Many* BANKERS WARN DEPOSITORS THAT 10 PERCENT OF THEIR INTEREST WILL SIMPLY "DISAPPEAR". THIS IS NOT ACCURATE, AND THEY KNOW IT. WITHHOLDING IS NO NEW TAX, SIMPLY AN EFFORT TO ENFORCE COMPLIANCE WITH EXISTING ONES, NO DIFFERENT FROM THE PRINCIPLE APPLIED WHEN WE WITHHOLD TAXES FROM WAGES AND SALARIES. SOME BANKERS GO ON TO COMPLAIN THAT SAVERS WILL SURRENDER BILLIONS IN COMPOUND INTEREST. YET BANKERS OF ALL PEOPLE OUGHT TO UNDERSTAND NUMBERS, AND THE BASIC NUMBERS ARE THESE: FOR A DEPOSITOR WITH A THOUSAND DOLLARS IN AN ACCOUNT BEARING 9 PERCENT COMPOUNDED QUARTERLY, THE LOSS OF YIELD DUE TO WITHHOLDING IS LESS THAN 50 CENTS A YEAR. AND NOW, GIVEN THE TREASURY DEPARTMENT'S AGREEMENT TO PERMIT ONE-TIME, END OF THE YEAR WITHHOLDING, EVEN THAT INSIGNIFICANT AMOUNT WOULD PRACTICALLY VANISH.

IN THE BRITISH HOUSE OF COMMONS, THERE IS AN OLD-AGE PROHIBITION ON USE OF THE WORD LIE. GIVEN THE TRADITION OF CIVILITY AND DECORUM IN THAT BODY, IT'S NOT A BAD IDEA. BUT WINSTON CHURCHILL, EVER RESOURCEFUL, MANAGED TO GET AROUND THE BAN QUITE NICELY. HE INVENTED A NEW PHRASE--WHAT HE CALLED "THE TERMINOLOGICAL INEXACTITUDE." AND I'M AFRAID THAT SOME OF THE

AMERICAN BANKERS ASSOCIATION STAFF HAVE BEEN GUILTY OF MORE THAN ONE TERMINOLOGICAL INEXACTITUDE.

BUT I BELIEVE THAT THOSE WHO ARE GUILTY OF INEXACTITUDE DO NOT REALLY REPRESENT THE BANKING INDUSTRY. MANY BANKS, SAVINGS AND LOANS, CREDIT UNIONS AND CORPORATIONS ARE READY AND WILLING TO HELP CARRY OUT THE LAW. THEY UNDERSTAND THAT WE HAVE A PROBLEM WITH THE DEFICIT, A PROBLEM WITH TAX COMPLIANCE, AND A PROBLEM WITH THE PUBLIC'S PERCEPTION OF THE FAIRNESS OF OUR TAX SYSTEM. WITHOUT WITHHOLDING ABOUT \$4 BILLION IN TAXES RIGHTFULLY DUE THE GOVERNMENT WILL BE LOST BECAUSE INCOME IS NOT BEING REPORTED. THAT LOSS ADDS UP TO ABOUT \$11 BILLION BETWEEN NOW AND 1985. REPEAL OF WITHHOLDING WOULD MEAN THAT TAXPAYERS IN ALL BRACKETS WILL HAVE TO MAKE UP THE DIFFERENCE. TO ME THAT'S UNFAIR, PLAIN AND SIMPLE. AND AT THIS TIME WHEN EVERY DOLLAR OF REVENUE IS NEEDED IF THE FEDERAL GOVERNMENT IS TO WHITTLE DOWN PROSPECTIVE DEFICITS.

#### REDUCING DEFICITS IN 1983

PERHAPS THE GREATEST SINGLE PRIORITY FACING THE SENATE FINANCE COMMITTEE THIS YEAR WILL BE WHAT TO DO ABOUT THOSE DEFICITS. AN ECONOMIC RECOVERY STRONGER THAN ORIGINALLY FORECAST PROMISES TO SLICE THEM FROM INTOLERABLE TO MERELY ENORMOUS. AND THAT'S WHERE WE COME IN. NO EASY ANSWERS EXIST. BUT THEN, WE WERE SUPPOSEDLY ELECTED TO DEAL WITH DIFFICULT PROBLEMS. THANKS



TO THE SWIFT DROP IN INFLATION, THE EXTENDED RECESSION, AND SOME OF THE MORE COSTLY ORNAMENTS HUNG ON THE 1981 CHRISTMAS TREE TAX BILL, THE GOVERNMENT'S REVENUES FELL OFF SHARPLY LAST YEAR. WHEN COMBINED WITH AUTOMATIC SPENDING TRIGGERED BY RECESSION ASSISTANCE, THE DEFICIT BALLOONED TO MORE THAN DOUBLE ITS ORIGINAL ESTIMATE.

NOW WE CONFRONT THE PROSPECT OF EVEN LARGER DEFICITS OVER THE NEXT FEW YEARS, AN OCEAN OF RED INK THAT THREATENS TO CAPSIZE RECOVERY UNLESS WE DRAIN SOME OF IT OFF. THE ADMINISTRATION HAS PROPOSED CONTINGENCY TAXES BEGINNING IN FISCAL YEAR 1986, SHOULD THE DEFICIT FAIL TO SHRINK SUBSTANTIALLY ENOUGH. BUT THE COUNTRY IS LOOKING FOR REASSURANCE, NOT HYPOTHESES. AND CONGRESS OUGHT TO FACE UP TO THE REALITY, ESTIMATE THE SIZE OF THE SHORTFALL, CALCULATE THE TOLERABLE DEFICIT, AND THEN BITE THE BULLET ON BOTH TAXES AND SPENDING. FOR INSTANCE, ADDITIONAL CLOSING OF LOOPHOLES WITHIN THE TAX CODE, INCLUDING LUCRATIVE PREFERENCES GIVEN TO THOUSANDS OF INDUSTRIES AND INDIVIDUALS, SHOULD BE REVIEWED. IN THE LONGER RUN, PERHAPS, SOME KIND OF FLAT TAX, OR AT LEAST A SIMPLIFICATION AND REDUCTION OF CURRENT RATES, DESERVES CAREFUL CONSIDERATION. THE SAME THING APPLIES TO THE IDEA OF TAXING CONSUMPTION IN SOME FORM, SO LONG AS THE SYSTEM CREATED REMAINS PROGRESSIVE AND EXEMPTS THE BASIC NECESSITIES OF LIFE, SUCH AS FOOD, SHELTER AND MEDICAL EXPENSES.

BUT FIRST AND FOREMOST, CONGRESS AND THE PRESIDENT TOGETHER NEED TO FIND WAYS TO CURTAIL THE GROWTH OF FEDERAL SPENDING. THAT DOESN'T MEAN WIELDING A HATCHET ON SOCIAL PROGRAMS, MANY OF WHICH HAVE ALREADY BEEN PARED TO THE BONE. IT DOES MEAN SELECTIVE CUTS IN DOMESTIC SPENDING, ALONG WITH A GREATER WILLINGNESS ON THE PART OF THE MILITARY TO ACCEPT ITS SHARE OF THE ACTION. THE PENTAGON SHOULD NOT BECOME A SCAPEGOAT FOR OUR ECONOMIC AILMENTS, BUT NEITHER SHOULD IT BE A HOG.

#### AN ALTERNATIVE TO CONVENTIONAL WISDOM

CONVENTIONAL WISDOM HAS IT THAT NONE OF THIS IS POSSIBLE, ESPECIALLY WITH 1984 LOOMING IN THE FOREGROUND. BUT CONVENTIONAL WISDOM SAID WE COULD NEVER RISE ABOVE PARTISANSHIP TO RESCUE THE SOCIAL SECURITY SYSTEM FROM BANKRUPTCY. CONVENTIONAL WISDOM HELD THAT PRESIDENT REAGAN COULD NOT REVERSE THE FIFTY YEAR TENDENCY OF GOVERNMENT TO TAX AND SPEND MORE. IN BOTH CASES, THE PROPHETS OF DOOM WERE DISPROVED. SOCIAL SECURITY WILL BE SECURED, WITHOUT ANY LOSS OF BENEFITS TO CURRENT RECIPIENTS. AND THE PORTION OF THE NATIONAL INCOME TAXED BY WASHINGTON HAS DIMINISHED TO THE LEVELS OF THE 1960'S. THE RATE OF SPENDING GROWTH HAS BEEN SLOWED, BUT IT STUBBORNLY RESISTS ANY SIMILAR RETRENCHMENT. LIKE THE PERPETUAL MOTION MACHINE OF FABLE, GOVERNMENT'S APPETITE FOR SPENDING IS SEEMINGLY IMMUNE TO OUTSIDE FORCES.



AND THAT IS EXACTLY WHAT WE MUST CHANGE, THIS YEAR AND FOR YEARS TO COME. WE HAVE COME A LONG WAY ALREADY. IT HAS NOT BEEN A SMOOTH ROAD. MUCH OF IT HAS BEEN UPHILL. MUCH OF IT HAS BEEN ROCKY. BUT HOW MUCH BETTER THAT WE OF THIS GENERATION CHOOSE TO MAKE THE JOURNEY NOW, RATHER THAN LEAVE IT TO OUR CHILDREN TO TRAVERSE A STILL STEEPER, MORE PERILOUS PATH. "ANY DANGEROUS SPOT IS TENABLE IF BRAVE MEN WILL MAKE IT SO." SO PRESIDENT KENNEDY SUMMONED US TWENTY YEARS AGO TO A TESTING OF THE NATIONAL WILL. TODAY, WE INHABIT ANOTHER DANGEROUS SPOT, BUT WE CAN SEE THE LIGHT OF DAWN AHEAD, AND THE DANGER WILL PASS IF BRAVE MEN AND WOMEN WILL ONCE MORE ACCEPT THEIR RESPONSIBILITY FOR AMERICA'S SUCCESS. THE WORST IS OVER. THE BEST IS YET TO BE-- BUT ONLY IF EACH ONE OF US WILL ALLOW IT TO HAPPEN.

THANK YOU VERY MUCH.