

REMARKS OF SENATOR BOB DOLE  
NATIONAL MEAT ASSOCIATION  
HYATT REGENCY - COLUMBIA B ROOM  
NOVEMBER 8, 1983

THE DEFICIT -- CHALLENGE AND RISK

THE TIME IS PAST FOR TALK ABOUT THE DEFICIT. THIS IS THE TIME FOR ACTION BY CONGRESS AND THE PRESIDENT TO LEGISLATE REAL, SIGNIFICANT REDUCTIONS IN THE MASSIVE OUTYEAR DEFICITS THAT THREATEN THE STABILITY AND DURABILITY OF THE ECONOMIC RECOVERY. THE PEOPLE WILL NOT TAKE ANY OF US SERIOUSLY -- DEMOCRATS OR REPUBLICANS -- UNLESS WE CAN MOBILIZE TO DEAL WITH OUR MOST SERIOUS DOMESTIC PROBLEM. THE BUDGET DEFICIT, AND ITS RELATION TO THE FATE OF ECONOMIC RECOVERY, OUGHT TO BE AT THE TOP OF OUR LEGISLATIVE AGENDA -- NOT JUST AN EXCUSE FOR CAMPAIGN RHETORIC. WE NEED SUBSTANTIVE ACTION TO REDUCE THE DEFICIT, NOW.

WHY NOW

THERE ARE DIFFERING VIEWS AS TO WHEN THE DEFICIT BECOMES A SEVERE PROBLEM -- THERE IS VIRTUALLY NO DISAGREEMENT THAT DEFICITS

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OF THE SIZE WE ARE CONTEMPLATING DO POSE A SERIOUS THREAT. SOME SAY A FASTER RECOVERY WILL BRING ON 'CROWDING OUT' FAIRLY SOON, AS THE GOVERNMENT COMPETES IN THE CREDIT MARKETS. OTHERS SAY A FASTER RECOVERY WILL BOOST PROFITS AND INCOMES, THEREBY INCREASING FEDERAL REVENUES AND HELPING TO REDUCE THE DEFICIT. THERE ARE NO DEFINITIVE ANSWERS TO THIS QUESTION. THEREFORE OUR OBLIGATION IS TO CHOOSE THE MOST PRUDENT COURSE -- THE COURSE MOST LIKELY TO KEEP THE RECOVERY ON TRACK.

THE RIGHT COURSE -- THE ONLY SENSIBLE COURSE -- IS TO ACT AS SOON AS POSSIBLE TO REDUCE THE DEFICIT. IF WE ARE NOT CERTAIN HOW SOON THE DEFICIT WILL THREATEN RECOVERY, CLEARLY WE OUGHT TO ACT NOW IN ORDER TO MINIMIZE THE RISK THAT PROBLEMS WILL ARISE SOONER RATHER THAN LATER. WE KNOW THAT AS RECOVERY PROCEEDS, AT SOME POINT DEFICITS CONTINUING AT A \$200 BILLION-PLUS LEVEL WILL EITHER DRIVE INTEREST RATES UP OR LEAD TO RENEWED INFLATION. NEITHER OF

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THOSE RESULTS IS ACCEPTABLE: BOTH WOULD MAKE A MOCKERY OF THE REAL, SUBSTANTIAL PROGRESS PRESIDENT REAGAN HAS MADE IN GETTING THE ECONOMY BACK ON A SOUND FOOTING. TO DELAY ACTION ON THE DEFICIT WOULD MEAN NO REAL CHANGE UNTIL 1985 -- AND THAT MAY BE TOO LATE.

### THE RISKS WE FACE

THERE SHOULD BE LITTLE DOUBT THAT WE ARE ALREADY RUNNING INTO SOME PROBLEMS BECAUSE OF OUR FAILURE TO ACT ON THE DEFICIT. AMID THE MANY FAVORABLE, AND WELCOME, REPORTS OF ECONOMIC ADVANCE -- HIGHER INDUSTRIAL PRODUCTION, RISING CONSUMER CONFIDENCE, AND DECLINING UNEMPLOYMENT -- THERE ARE ALSO SOME LESS WELCOME TRENDS. THE UPTICK IN INTEREST RATES WE HAVE SEEN SINCE LAST SPRING IS CAUSE OF REAL CONCERN, AND THERE IS NO WAY TO BE CERTAIN IT WILL NOT CONTINUE. THE PRIME RATE IS BACK UP TO 11 PERCENT -- NOT A BIG INCREASE, BUT A SEVERE DISAPPOINTMENT WHEN THE ECONOMY SO DESPERATELY NEEDS A CLEAR DOWNWARD TREND IN REAL INTEREST RATES. IN MAY, 91-DAY



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TREASURY BILLS WERE YIELDING 8.04%. YESTERDAY THEY WERE AT 8.83 PERCENT. IN ADDITION, AND MOST IMPORTANT FOR THE HOMEBUYER AND THE CRITICAL HOUSING INDUSTRY, MORTGAGE RATES ARE UP IN THE 13-13½ PERCENT RANGE.

NONE OF THESE CHANGES, IN AND OF ITSELF, IS GOING TO THROTTLE THE RECOVERY. THAT IS NOT THE CONCERN. BUT TAKEN TOGETHER, THESE UPWARD-CREEPING INTEREST RATES RAISE THE SPECTER OF A RETURN TO THE UNACCEPTABLY HIGH DOUBLE-DIGIT RATES OF RECENT YEARS. THOSE WHO REMEMBER THE 21 PERCENT PRIME RATE ARE NOT EAGER TO SEE IT BACK AGAIN.

EVEN IF EVERYTHING ELSE IS GOING WELL IN THE ECONOMY, HIGHER INTEREST RATES MEAN LOWER CAPITAL FORMATION AND LONG-TERM GROWTH; MORE PRESSURE FOR RAISING DOMESTIC BARRIERS TO FREE TRADE; AND FURTHER ESCALATION OF FEDERAL DEFICITS, SINCE WE ARE OBLIGED TO PAY THE MOUNTING INTEREST COSTS ON THE BURGEONING DEBT. THESE EFFECTS, TAKEN TOGETHER, ARE EXTREMELY BAD NEWS FOR OUR BASIC

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INDUSTRIES, WHERE THE NEED TO UPGRADE HEAVY PLANT AND EQUIPMENT MEANS A HIGH DEGREE OF SENSITIVITY TO INTEREST COST. FURTHERMORE, THE STRONGER DOLLAR THAT RESULTS FROM HIGHER U.S. INTEREST RATES MAKES IT MORE DIFFICULT FOR OUR BASIC INDUSTRIES TO COMPETE WITH LOW-COST IMPORTS. AS SECRETARY SHULTZ HAS SAID, CLOSING THE DEFICIT GAP WOULD BE THE BEST INDUSTRIAL POLICY IMAGINABLE.

BASIC INDUSTRIES ARE NOT THE ONLY ELEMENT OF OUR ECONOMY THAT WILL SUFFER IF THE DEFICITS ARE NOT BROUGHT DOWN. ALL ECONOMIC PROGRESS WOULD BE RETARDED, BECAUSE HIGHER INTEREST COSTS BRING LESS INVESTMENT, A LOWER RATE OF CAPITAL FORMATION -- THAT MEANS LESS GROWTH OVER THE LONG TERM, FEWER JOBS, AND SLOWER GROWTH IN OUR STANDARD OF LIVING. THE RISK OF 'DISINVESTMENT' IN THIS COUNTRY IS REAL: IT MUST BE DEALT WITH. IF IT IS NOT FACED UP TO BY CUTTING THE DEFICIT, WE MAY EMBARK ON A LOW-GROWTH PATH THAT COULD CONDEMN MANY CITIZENS TO POVERTY WHO MIGHT OTHERWISE BE ABLE TO FIND PRODUCTIVE AND USEFUL EMPLOYMENT.

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SO IT SHOULD BE CLEAR THAT THE ECONOMIC GOALS WE ALL SHARE -- STABLE, SUSTAINED GROWTH, FREE INTERNATIONAL MARKETS, AN IMPROVED TRADE BALANCE, MORE PRODUCTIVE JOBS, LOW INFLATION -- ARE PUT AT RISK BY OUR FAILURE TO ACT ON THE DEFICIT. SOONER OR LATER THE JOB WILL HAVE TO BE DONE. THE LONGER WE WAIT, THE MORE ACUTE THE CRISIS WILL BE, AND THE MORE BITTER THE MEDICINE WE WILL HAVE TO TAKE. EACH MONTH OF DELAY MEANS MORE OUTSTANDING DEBT, AND THAT DEBT HAS TO BE FINANCED. FINANCING COSTS JUST FOR THE INCREMENT WE WILL ADD TO THE DEBT AMOUNT \$100 BILLION OVER FIVE YEARS. THIS COMPOUNDING OF THE DEBT PROBLEM MUST BE STOPPED, AND IF WE WAIT, THE SIZE OF THE SPENDING CUTS AND TAX INCREASES NEEDED TO BRING THE DEFICIT IN LINE WITH REALITY WILL CONTINUE TO MOUNT. EVERY DOLLAR OF DEFICIT REDUCTION PUT OFF UNTIL 1985 WILL REQUIRE \$1.15 IN DEFICIT-REDUCTION EFFORTS TO ACHIEVE THE SAME RESULT WE COULD -- AND OUGHT TO -- ACHIEVE RIGHT NOW.



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ACTION TO DATE

THERE IS PLENTY OF BLAME TO BE SHARED FOR OUR FAILURE TO MAKE A MEANINGFUL IMPACT ON THE DEFICIT, AND THERE ARE PLENTY OF PEOPLE TO SHARE IT. IT IS NOT JUST THE WHITE HOUSE, IT IS NOT JUST THE CONGRESS, IT IS NOT JUST THE FAVORED CONSTITUENCIES AND SPECIAL GROUPS THAT WE ALL LIKE TO PLEASE. ALL OF US, TOGETHER, ARE RESPONSIBLE -- AND ALL OF US MUST COME UP WITH A SOLUTION.

THE 1984 BUDGET ADOPTED BY CONGRESS IS A GOOD EXAMPLE OF THIS PROBLEM. EVEN IF FULLY IMPLEMENTED IT WOULD NOT HAVE THE NECESSARY DRAMATIC IMPACT ON THE DEFICIT. FURTHERMORE, IT IS NOT A BALANCED PACKAGE: \$12.8 BILLION IN RECONCILED SPENDING CUTS, COMPARED WITH \$73 BILLION IN RECONCILED TAX INCREASES, IS NOT ANYONE'S IDEA OF FAIRNESS OR BALANCE, ESPECIALLY WHEN SPENDING IS RUNNING AT 25 PERCENT OF GNP. INDEED, APART FROM RECONCILIATION, THE NET EFFECT ON THE 1984 BUDGET WOULD BE TO INCREASE NONDEFENSE SPENDING BY \$1 BILLION. AND IF WE ENACTED ALL OF THE PROPOSALS

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PROVIDED FOR IN THE SO-CALLED CONTINGENCY FUND, WE WOULD INCREASE SPENDING BY ABOUT \$10 BILLION IN 1984. THAT IS WHY I, AND 10 OTHER MEMBERS OF THE FINANCE COMMITTEE, VOTED AGAINST THE BUDGET RESOLUTION. IT WAS NOT BALANCED BETWEEN SPENDING AND REVENUES AND IT WAS NOT FAIR.

BUT THE BUDGET IS JUST ONE SIGN OF THE INERTIA THAT HAS GRIPPED CONGRESS AND THE ADMINISTRATION. CONGRESS HAS BEEN ONLY TOO WILLING THIS YEAR TO ACCOMMODATE SPECIAL INTERESTS, RATHER THAN SHOW THE SPIRIT AND DISCIPLINE IT MUSTERED, AT LEAST TO SOME DEGREE, IN 1981 AND 1982.

#### THE PRESIDENT AND THE SPEAKER

THE REAGAN ADMINISTRATION HAS BEEN CORRECT IN CRITICIZING CONGRESS FOR ITS INACTION ON SPENDING. I HAVE SAID SO FOR NEARLY TWO YEARS. BUT NO ONE IS FREE FROM RESPONSIBILITY FOR THIS PROBLEM, AND BOTH THE PRESIDENT AND THE SPEAKER OF THE HOUSE NEED TO HELP US BY SHOWING A LITTLE MORE FLEXIBILITY. SOME DO NOT WANT TAX



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INCREASES, AND SOME DO WANT SPENDING CUTS. BUT OF NECESSITY WE ARE GOING TO NEED SOME OF EACH, AND WE MIGHT AS WELL FACE THAT FACT. MANY ARE WILLING TO TRY TO ACCOMMODATE THE PRESIDENT IN ACKNOWLEDGING HIS SPENDING AND TAX PRIORITIES IN PUTTING TOGETHER A DEFICIT REDUCTION PACKAGE. SIMILARLY, WE RECOGNIZE THAT THE SPEAKER HAS HIS OWN PRIORITIES, WHICH HAVE TO BE RECKONED WITH IN REDUCING THE DEFICIT. BUT I BELIEVE WE CAN WORK THESE THINGS OUT IF THE PRESIDENT, THE HOUSE AND SENATE LEADERSHIP, ALL ARE WILLING TO NEGOTIATE. THE DANGER IS THAT IF EVERYONE RULES TOO MANY THINGS OUT OF BOUNDS, THERE WILL BE NO COMMON GROUND LEFT FOR REACHING A DEFICIT-REDUCTION AGREEMENT.

WE IN THE FINANCE COMMITTEE, AS MY COLLEAGUES KNOW, HAVE BEEN TRYING TO PUT TOGETHER A DEFICIT REDUCTION PACKAGE EFFECTIVE IN JANUARY, 1985, THAT WOULD MATCH THE TAX INCREASES IN THE BUDGET RESOLUTION WITH EQUIVALENT DOLLAR-FOR-DOLLAR REDUCTIONS IN SPENDING.

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THAT WOULD CUT THE DEFICIT BY ABOUT \$150 BILLION OVER THREE YEARS -- NOT AS MUCH AS WE MAY NEED, BUT A MAJOR SHIFT IN THE TREND OF THE DEFICIT. WE ARE TRYING TO DO IT ON A BIPARTISAN BASIS -- WE ARE TRYING TO SEE THAT EVERYONE GIVES A LITTLE -- WE ARE TRYING TO ACHIEVE THE KIND OF BALANCE AND FAIRNESS NECESSARY TO FORGE A CONSENSUS.

THE PRESIDENT HAS OFTEN MENTIONED THAT THE BUDGET IS THE RESPONSIBILITY OF CONGRESS, AND THAT HE WOULD NOT INTERFERE IN CONGRESSIONAL BUDGET-MAKING. THAT IS WHY WE HOPE HE WILL BE SYMPATHETIC TO OUR EFFORTS TO PUT TOGETHER A REALISTIC BUDGET.

WE ARE ALSO, I MIGHT ADD, TRYING TO REFLECT THE PRIORITIES THE PRESIDENT HAS SET DOWN. SECRETARY REGAN SAID YESTERDAY THAT THE PRESIDENT MIGHT TAKE SERIOUSLY A DEFICIT-REDUCTION PACKAGE THAT MAKES TAX INCREASES CONTINGENT ON SPENDING REDUCTIONS. WE ARE TRYING TO DO THAT. THE SECRETARY ALSO INDICATED THAT THE SPENDING REDUCTIONS WOULD HAVE TO BE "SIZEABLE". WE ARE TRYING

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TO DO THAT TOO -- \$75 BILLION OVER THREE YEARS. THAT WOULD MATCH THE TAX INCREASES IN THE BUDGET RESOLUTION AND SPLIT THE DIFFERENCE 50-50 BETWEEN TAXES AND SPENDING. WE HOPE, AS SECRETARY REGAN INDICATED MIGHT HAPPEN, THAT THE DEFICIT FALLS AS LOW AS \$125 BILLION BY FY 1986. BUT \$125 BILLION IS STILL A HUGE FIGURE -- AND THERE IS NO CERTAINTY WHATEVER THAT IT WILL BE ACHIEVED BY ECONOMIC GROWTH ALONE. THE FACT REMAINS THAT ACTING TO REDUCE THE DEFICIT NOW WILL DO THE MOST TO ENSURE ECONOMIC GROWTH AT A SUSTAINABLE PACE. SO WE OUGHT TO AGREE THAT SWIFT ACTION ON THE DEFICIT IS THE WAY TO PROSPERITY.

TO DO THE JOB

TO DO THE JOB ON THE DEFICIT WE ARE ALL GOING TO HAVE TO GIVE SOME. THERE ARE NOT THE VOTES TO DO IT ALL WITH SPENDING CUTS, SO WE MUST BALANCE SPENDING AND REVENUES IN A PACKAGE. ON THE REVENUE SIDE, WE WOULD PREFER TO PROCEED ALONG THE TAX-REFORM ROUTE THAT SUCCEEDED LAST YEAR. BUT IF THERE ARE NOT THE VOTES TO



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DO THAT, WE HAVE TO CONSIDER OTHER REVENUE SOURCES. IF EVERYONE DEMANDS A PERFECT PACKAGE, WE WILL HAVE NO DEFICIT REDUCTION AT ALL. FLEXIBILITY IS THE KEY TO A GOOD PACKAGE, A FAIR PACKAGE, THAT REALLY CUTS SPENDING WHILE BOOSTING REVENUES IN AN EQUITABLE WAY. WE CAN TOUCH THE SACRED COWS IF WE AGREE ON THE OVERALL, COMPELLING NEED TO REDUCE THE DEFICIT.

LET US NOT UNDERESTIMATE THE STAKES. ECONOMIC RECOVERY IS ON TRACK. REDUCING THE DEFICIT WILL BUILD ON THE STRONG BASE OF ECONOMIC PROGRESS THAT HAS BEEN ESTABLISHED, AND AVOID THE KIND OF CRISIS THAT COULD BRING ALL OUR EFFORTS TO NOTHING. INFLATION HAS BEEN RUNNING ABOUT 3 PERCENT--WE WANT TO KEEP IT THERE, OR EVEN LOWER IT. INTEREST RATES STILL ARE WELL BELOW THE RECORD LEVELS OF THE CARTER YEARS -- WE WANT TO BRING THEM LOWER STILL. EMPLOYMENT IS RISING, WITH UNEMPLOYMENT DOWN TO 8.8 PERCENT, AND WE HAVE TO SUSTAIN THAT DOWNWARD TREND. HOUSING STARTS ARE WELL

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OVER LAST YEAR'S LEVELS, AND THE AUTO INDUSTRY IS HAVING A GOOD YEAR. THE ECONOMY IS GROWING AT A RAPID CLIP, MORE RAPID THAN MOST ANALYSTS PREDICTED. OUR GOAL IN THE FINANCE COMMITTEE IS TO SUSTAIN THIS PROGRESS AND KEEP RECOVERY GOING.

MAJOR DEFICIT REDUCTION NOW IS NOT A REVERSAL OF COURSE. IT IS THE ONLY WAY TO STAY ON COURSE AND AVERT A RENEWED ECONOMIC CRISIS. WE HAVE HAD ENOUGH OF CRISIS MANAGEMENT WHERE THE ECONOMY IS CONCERNED -- IT IS TIME WE SHOWED THE LEADERSHIP TO GET AHEAD OF ECONOMIC DEVELOPMENTS, RATHER THAN SIT ON THE SIDELINES AND WAIT FOR PROBLEMS TO ARISE. IN ANY EVENT THE DEFICIT PROBLEM IS HERE, NOW -- IT MUST BE DEALT WITH, NOW.

IT WILL TAKE BOLD LEADERSHIP TO ATTACK THE DEFICIT. THERE ARE A LOT OF POLITICAL RISKS INVOLVED. BUT LEADERSHIP CAN MAKE THE DIFFERENCE. THE AMERICAN PEOPLE UNDERSTAND THE PROBLEM AND THE NEED FOR EVERYONE TO PITCH IN. THEY WILL RESPOND TO A BALANCED,

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BIPARTISAN, FAIR ASSAULT ON THE DEFICIT. OUR CIVIC, BUSINESS,  
AND LABOR LEADERS ARE CRYING FOR ACTION. SO ARE OUR ALLIES, OUR  
TRADING PARTNERS, AND THE WORLD INVESTMENT COMMUNITY. EXERCISING  
LEADERSHIP IS THE BEST POLICY.



## NATIONAL MEAT ASSOCIATION

### AGRICULTURE TALKING POINTS

#### OUTLOOK FOR FARM LEGISLATION

The 98th Congress could complete its first session without passing one major farm bill. Changes are needed because of high fixed price supports in current law, and due to improvements in agricultural productivity and the overall U.S. economy.

- o Dairy: House will vote Wednesday on "compromise" approved by Senate and simple \$1.50/cwt. price cut proposed by Conable. If Conable wins, Senate Conferees may abandon the \$10/cwt. paid diversion in the compromise.

This is the 5th major dairy bill in 3 years. Probably the last chance to correct the \$2 billion plus cost of the program before the 1985 farm bill.

- o Target Prices: House Agriculture Committee will get a rule on the Foley wheat bill this week; likely to reach House floor next Tuesday or Wednesday. Administration objects to increase to \$4.45 in 1985, advance deficiency and diversion payments, and absence of other commodities.

Senate bill stymied by Melcher, who wants to force major farm program reform in 1985 by preventing needed correction. Dole compromise would save \$2 billion over current law, earmark \$600 million for Export Revolving Fund, and divert another \$600 million in Economic Emergency loans to drought relief.

- o 1984: Sign-up for wheat, feed grains and cotton programs is January 16 to February 24. If no change is made in target prices and other provisions, participation will be low, 1984 production high.

As with overall deficit legislation, Congress is unlikely to pass a major farm bill in an election year. Reimbursement of PIK costs to the CCC general fund due next Spring -- \$9 to \$12 billion in commodity inventories and forgiven loans.

#### 1985 FARM BILL AND LONG-TERM FARM POLICY

At least 6 initiatives already, with more on the way: Helms Agriculture Committee staff, Jepsen's Joint Economic Committee, Secretary Block's Ag Summit, National Ag Forum, National Farm Coalition, and American Enterprise Institute. Other new participants expected: cattlemen, pork producers, fertilizer industry.

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- o Task Force on Ag Trade and Food Policy: U.S. farm policy must continue to focus on exports. Expansion of foreign markets in 1970's was tied to massive credit expansion to Third World and centrally-planned economies. Boom ended with 1981/82 recession. Countries with heavy debt have cut back imports; other exporters are increasing subsidies; U.S. has no market for 20 to 25% of productive acres. Surpluses would be unbearable now without PIK and the drought.

Same countries which have reduced imports are LDC's with hunger, malnutrition. It may be more cost-effective as well as humanitarian for the U.S. to donate or sell on a concessional basis the commodities which would otherwise cost billions to pay farmers not to produce.

Dole November 1 letter urged President Reagan to form Task Force to make U.S. ag trade and food assistance more effective. Also need to commemorate 30th anniversary of P.L. 480 on July 10, 1984.