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United States Senate
OFFICE OF THE MAJORITY LEADER
WASHINGTON, DC 20510

did not do
(bad weather at
airport in W. Va.)

June 13, 1986

TO: Senator Dole

FROM: George/Dale

SUBJECT: Speech to Grocery Manufacturers Association, Monday, June 16, at the Greenbriar

They expect you to speak for about 10 minutes, and have the rest of the time available for questions and answers. John Bryan from Sara Lee will moderate.

They are interested in a wide variety of topics, not all of which can possible be covered in the time you will spend with them. Main focus probably will be on the budget, tax reform, trade, and superfund. Talking points on these issues are attached.

Other matters the GMA people indicated they might raise are Gramm-Rudman (what happens if the Supreme Court rules that parts of Gramm-Rudman are unconstitutional); international finance/third world debt; foreign policy, include Star Wars and the SALT II decision; hunger and nutrition; and industrial policy. Brief discussions of these issues are also attached.

Of course, there will also be considerable interest in your political prognosis for 1986 and beyond.

Attachments

June 16, 1986

BUDGET TALKING POINTS

o Congress should have completed work on a 1987 budget resolution by April 15. By June 15, yesterday. we should have wrapped up the so-called reconciliation bill, which would implement the deficit reductions mandated by the budget.

o Missing deadlines is nothing new for Congress, budget deadlines have routinely been ignored. But if House/Senate budget conferees fail to come to some resolution over differences in spending priorities for 1987 soon, there will be serious fallout -- not only for the functioning of Congress -- but for the nation as well.

o This is the first year we are operating under the Gramm-Rudman-Hollings balanced budget law. And under that law, if Congress does not devise its own plan to cut the deficit -- to $144 billion in fiscal 1987 -- then automatic spending cuts will take effect. These cuts, with few exceptions like Social Security, are across-the-board. No priorities -- just the ax.

o The Senate and the House have both approved budget resolutions -- resolutions that would meet the Gramm-Rudman-Hollings targets. In the context of a $1 trillion budget, the dollar differences between the two versions may seem small. But in a policy sense they are substantive.

o For instance, the House budget would provide $15 billion less in spending authority for defense programs in 1987 than the Senate's budget.

o While the House purportedly cuts domestic programs more than the Senate in 1987, over three years the Senate's budget achieves $20 billion more than the House. And the House savings come from some questionable sources. The sale of government assets, user fees, and heavy hits in foreign aid, energy, transportation, space and science programs.

o Another major discrepancy involves revenue increases. The House and Senate claim the same overall revenue increase. But the House establishes a reserve revenue fund for deficit reduction. My position has been that we could resolve the revenue issue with the blip in revenue increases resulting from the tax reform measure. Not everyone agrees with me however.

o And as a result, defense and revenues could become the stumbling block over which the budget fatally falters. I hope not. Congress has too much at stake -- its very ability to set spending and taxing priorities.

The country has much at stake as well -- not only the fate of a few favored programs -- but the continued health and well being of the economy depends on addressing the deficit in a wise and even-handed manner.

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Tax Reform in the Senate

- The U.S. Senate is about to do the country proud by producing the most far-reaching tax reform bill in history: the Finance Committee approved it by an overwhelming 20-0 vote. They said we couldn't beat the special interests--they were wrong.

- Tax reform in the Senate means the lowest income tax rates since 1931. The new rates are 15% up to $29,300 in income (joint returns), and 27% above that income level. On the corporate side, the rate is 33%.

- It also means significant tax reductions for working people in America, particularly the lowest-income wage-earners. 6 million low-income Americans will be taken off the tax rolls completely as a result of tax reform. The personal exemption will go up to $1,900 in 1987 and $2,000 in 1988. The standard deduction will go up to $5,000 for joint returns.

- Taxpayers with incomes of $10,000 or less get a 62% tax reduction; between $10,000 and $20,000, an 18% tax reduction; between $30,000 and $40,000, a 5% reduction; and between $40,000 and $50,000, a 6.5% reduction.

- These low, low tax rates are made possible by a major crackdown on unjustified tax shelters for the rich, and by eliminating many deductions, exemptions, credits, and the like. But mortgage interest, charitable contributions, and State and local income and property taxes remain fully deductible. The casualty loss deduction will remain subject to a 10 percent floor and the medical expenses deduction will be subject to a similar floor.

- A stiff new minimum tax ensures that no wealthy individual or corporation can avoid paying their fair share of tax.

- In addition, the Senate has voted to do everything possible in Conference to restore some deductions for all IRA contributions and for State sales taxes.

Productive for the economy

- This bill achieves, in a big way, the major economic goal of tax reform: establishing a 'level playing field' by taking the juice out of special tax breaks. If we can get this bill signed into law, people will be able to make their financial and economic decisions without worrying so much about tax consequences--and that's a very healthy thing for the economy.

- In addition, the Senate bill creates a much healthier climate for investment and productivity than the House-passed bill. Depreciation allowances are more realistic, and more neutral among various industries than under the House bill.

- Simply put, lower tax rates for <u>all</u> taxpayers are bound to take the premium out of planning your finances for the purpose of tax avoidance. And getting rid of some long-standing tax differentials--like capital gains rates, deductions for most interest payments, and dropping the investment credit--advances the same goal. From now on, straight marketplace judgment is what counts most--not creative tax accounting.

<u>Last step in the process</u>

- The new high-water mark on tax reform represented in the Finance Committee bill is the culmination of years of hard work in reducing and stabilizing tax rates and broadening the tax base. The groundwork for tax reform was laid in 1981 when, under my Chairmanship, the Finance Committee led the way for President Reagan's tax-rate cuts and initiated tax indexing to <u>keep</u> those lower rates in place, regardless of inflaion.

- The next step was to resort to closing loopholes, improving compliance, and removing special preferences as a way to raise revenue, rather than re-imposing high tax rates on working Americans. That was done in both 1982 and 1984 under the Dole Finance Committee.

- The net effect of this was to point the way to a lower-rate, broader-based, fairer and more productive tax system. Tax indexing and accelerated depreciation were sort of like the Gramm-Rudman of the tax code: they force us to make choices we <u>ought</u> to have been making all along, and to face the fact that our tax code had become a maze of special preferences and privileges that had outlived their usefulness.

- Now let's finish the job: and achieve <u>true</u> tax reform for all Americans.

<u>Issues for Conference</u>

- There are many good features in both the Senate and House bills. We can draw on <u>both</u> to achieve true tax reform, so long as we keep our eye on the goal of getting rates as low as possible.

- In addition to IRA's and State sales taxes, there will be interest in smoothing out the revenue impact of the bill over 5 years, the treatment of capital gains in 1987, and the distribution of benefits from tax reform.

June 13, 1986

Tax Rates

- The individual tax rates in the Finance Committee bill are 15 and 27 percent. 80 percent of families will be in the 15 percent bracket.

- To take some of the juice out of the tax rate reduction for wealthier taxpayers, the tax breaks from the 15 percent bracket and of the increased personal exemption are phased out for high income taxpayers.

Recapture of Benefit of the 15% Bracket

- The benefit of the 15 percent rate bracket is cut back for taxpayers filing joint returns who have incomes over $75,000. This is done by a gradual phase-in, so the dollar benefit of the lower rate doesn't disappear completely until the taxpayer has more than $145,320 in income.

- The provision is drafted as a phase-out to avoid what we call a "cliff". We did not think it would be fair to tell taxpayers who have $75,001 of income to pay tax on all of it at the 27% rate, while taxpayers with $74,999 in income pay tax at the 15 percent rate.

- However, the way it is drafted gives commentators an opportunity to say that the "marginal" tax rate for families between $75,000 and $145,320 is 32 percent instead of 27 percent.

- The important thing to remember is that their effective tax rate never will exceed 27 percent and that, even at 32 percent, the rate is well below the 38 percent in the House bill and 35 percent in the President's proposals.

(N.B. The phaseout for single taxpayers begins at $45,000.)

Phaseout of Personal Exemption

- The Committee bill phases out the personal exemption for families between $145,320 and $185,320.

- I understand that the effect of this is to raise the marginal rate for these taxpayers to 28 percent, although, as I mentioned earlier, the effective rate never exceeds 27 percent.

- However, for taxpayers in this income range, the rate is significantly less than the 50 percent rate in current law, as well as the rates proposed by the President and passed by the House.

- Some will argue that the Finance Committee bill raises the tax rate on long-term capital gains too much. I can understand their concern, but over 70 percent of the benefit from the capital gains exclusion is taken by individuals making over $250,000 a year. These taxpayers will have a tax rate of 27 percent. That should be sufficient.

June 13, 1986

Individual Retirement Accounts

o Senator Packwood's 25% proposal included repeal of IRA's for everyone. His 27% proposal as it was adopted by the Finance Committee includes my suggestion to retain fully deductible IRA's for people who are not covered by pension plans. This change meant that the proposal would raise $19 billion less over 5 years than full repeal.

o Senator Chafee's amendment which the Committee adopted broadened IRA's a little more by allowing individuals who are covered by pension plans to make nondeductible IRA contributions. The income earned on these investments would remain tax-deferred until it is withdrawn from the IRA.

o The Chafee amendment cost $1.6 billion over five years. Of course, since the "inside buildup" will grow over the years, the revenue cost in the future will be substantially greater.

o These changes, therefore, restored over $20 bilion of the $46 billion that would have been gained by repeal of IRA's altogether. In addition, the full Senate has pledged its conferees to work for further restoration of IRA deductions in conference with the House.

Misconceptions

o Individuals who now have IRA's will be able to keep the amounts they have already invested without any change in tax effect. They will also be able to contribute up to $2,000 each year ($2,250 for IRA's with a spousal feature) in the future. The only difference is that only individuals not covered by a pension plan will be able to take a deduction for the contribution. In every case, income earned on amounts invested in an IRA will remain tax-free until they are withdrawn from the IRA.

o There has been much discussion about the loss of the deduction for some individuals. Two things seem to have been ignored in the debate so far. First, 80 percent of all families will have their tax rate reduced to 15 percent. At this rate, the deduction on a maximum $2,000 contribution is worth only $300. With the low rate, double personal exemption and larger standard deduction, virtually all these taxpayers will have a substantial tax cut despite the loss of an IRA deduction. Of course, many people do not contribute the maximum $2,000 and the deduction is even less important for them.

- Second, the value of the tax-deferral on the income earned in IRA's is the most significant feature from a tax-saving point of view. That feature is still retained in every case.

- In addition, I should point out that more and more employers are adding 401(k) plans as part of the pension package they offer to their employees.

- 401(k) plans are equivalent to IRA's in tax effect except that the maximum annual contribution is $7,000. I expect that, if the Finance Committee's IRA rules are included in the legislation sent to the President, the rate of new 401(k) plans will accelerate.

- If I am right on this, we basically have a fight not about the level of retirement savings, but about who holds these savings. Will it be the banks and insurance companies who administer pension plans or the banks, mutual funds, and other financial institutions who sell IRA's?

Who Takes the IRA Deduction
(Percentages Rounded)

Adjusted Gross Income (1983 figures)	Percent of All Tax Returns	Percent of All IRA Deductions
Below $10,000	36.0%	3.2%
$10,000-$19,999	25.6	11.2
$20,000-$29,999	16.8	18.7
$30,000-$39,999	10.8	21.1
$40,000-$49,999	5.3	17.4
$50,000-$74,999	3.7	18.0
$75,000-$99,999	.8	5.2
$100,000 and up	.8	5.1

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Sales Tax Deduction

- The total repeal of state and local taxes would have raised approximately $160 billion over 5 years against the rates in the Finance Committee bill. Repeal of the sales tax raises $17 billion over the same period. Therefore, it is fair to say that substantially all the state and local tax deduction has been retained.

- I strongly supported this historic tax reform bill despite reservations about the loss of the sales tax deduction. Obviously I care a lot about the people of Kansas: and Kansas gets over 23% of its tax revenue from general sales tax.

- But to look only at the sales tax issue would really be letting the tail wag the dog. This tax package provides dramatic relief for individuals, and the potential for a big boost to the economy as a whole. Leaving people with much lower marginal rates, more pocket money, and better job opportunities is bound to make the task of raising revenue at least somewhat easier for State and local governments.

- Also on the plus side for State and local governments, those States that copy the Federal income tax base can get a substantial revenue boost from the extensive base-broadening measures included in the tax reform bill.

- Nearly all individuals use the sales tax table: rather than actually keeping sales tax receipts throughout the year and counting them up when they are ready to prepare their returns. This means that States and localities should not expect any significant change in buying patterns and, therefore, no significant change in sales tax revenue.

- I supported retaining the full State and local tax deduction when we were talking about a maximum rate of 35%. However, with a maximum rate of 27% and 80% of individuals in the 15% bracket, the sales tax deduction is less important.

- The top rate of 27% is so important, Senators have to find other revenue-raisers to pay for restoring any deduction. No one in the Senate found a way to do that for the sales tax deduction--it's not easy. But we did pledge to work in conference for a better deal for State sales taxes.

May 29, 1986

Tax Reform and Real Estate

• There has been a lot of talk about the impact of tax reform on the real estate industry. The important thing to remember is that tax reform doesn't touch the most important tax breaks that benefit real estate: the mortgage interest deduction for first and second homes, and the capital gains rollover for sale of a principal residence (as well as the capital gains exclusion for those over 55).

• In the period 1986-1990, these tax benefits--together with deductibility of property taxes on owner-occuppied homes--total a revenue loss of $285 billion under current law. None of these benefits is taken away under the Finance Committee tax reform bill.

• Of course, it is true that lowering tax rates dramatically reduces the benefits from existing tax privileges. But that, after all, is the whole point of tax reform: to return to a tax system that is simpler, fairer, and protects the average taxpayer in preference to those who can exploit special tax breaks.

• The much lower rates in the Senate bill--15% and 27%--automatically take a lot of the juice out of tax shelters, by reducing the after-tax benefit of investing in a shelter. All we've done is go one step further, and explicitly limit those tax shelter activities we think lack economic justification.

• That's the new limit on passive losses: we don't let you use losses from inactive investments to offset income from other sources. Why? So we can discourage purely tax-motivated transactions, and ensure that investments are made based on their real economic merit. That's good for the economy as a whole, including the real estate sector.

• The real estate industry itself is divided on the issue of tax reform. A number of major developers--including Oliver Carr, one of the biggest developers in Washington D.C.--have endorsed the Senate tax reform bill, because they hope it will reduce wasteful overbuilding and help target construction to where the marketplace dictates.

• Whenever you make major changes like this tax reform, you are bound to upset a lot of people who have relied on the old rules. Real estate investors are not alone in this. But it was that concern which led me to press for a phase-in of the new passive loss limitations over a 4-year period. The door is not, of course, closed to further changes if an equitable case can be made--we're willing to talk, and everyone expects the conference committee to address many of these concerns.

• No doubt about it, tax reform will force a lot of people to rearrange their investments. Even the change in depreciation rules for real estate--moving up to 27 1/2 years for residential and 31 1/2 years for commercial--will have some impact. We will try to make the transition as smooth as possible, but remember that if we didn't have to upset some applecarts, we wouldn't be talking about tax reform in the first place.

• Finally, note that the Finance Committee bill keeps in place the credit for rehabilitating older properties (although at a reduced rate) and creates a new credit for low-income housing. No one is closing the door on tax-favored real estate investment.

May 6, 1986

Finance Committee Tax Reform Bill

- o There will be only two rates for individuals: 15% and 27%. This will cut the top rate almost in half;
- o 80% of Americans will have a top rate no higher than 15%;
- o This will be the lowest individual top rate since 1931.
- o Approximately 6 million of the working poor will be moved off the Federal income tax rolls;
- o A family of four making up to $13,000, $530 above the poverty line, will pay no Federal income taxes;
- o Fairness is restored to the tax system through tough anti-sheltering and minimum tax rules. While significantly reducing Federal income tax rates, the proposal also permits the following deductions:
  - Home mortgage interest;
  - State and local income taxes;
  - State and local property taxes;
  - State and local personal property taxes;
  - Charitable contributions for itemizers.

The following benefits will be retained and/or increased:

- Standard deduction for single, joint and head of household taxpayers--increased;
- Personal exemption--increased to $2,000;
- $600 standard deduction for the elderly and blind;
- Earned income tax credit for lower income taxpayers--increased;
- Child care credits--retained.

How is all of this paid for?

- By closing corporate loopholes and special tax privileges--approximately $105 billion;
- By eliminating the ability of individuals to avoid paying taxes by using tax shelters--$50 billion; A 4-year transition rule applies to alleviate short-term disruption, and working interests are not subject to the passive loss limitations where an individual has unlimited liability.
- By eliminating individual capital gain exclusion--$220 billion; 71% of which is presently claimed by individuals earning over $200,000; (The tax rate on long-term capital gains will still be below the 28 percent maximum rate in effect before 1981.)
- By imposing a stiff minimum tax on individuals and corporations assuring that wealthy individuals and profitable corporations will have to pay some tax--$40 billion.

o Making future IRA contributions available only to those not covered by pension plans (other than social security)--$30 billion. Individuals covered by a pension plan can still make nondeductible IRA contributions and take advantage of tax deferral on the income from his/her investment.

The proposal sets a top corporate rate of 33%, down from a top rate of 46% under current law.

No changes are made to current law excise taxes.

- Second, the value of the tax-deferral on the income earned in IRA's is the most significant feature from a tax-saving point of view. That feature is still retained in every case.

- In addition, I should point out that more and more employers are adding 401(k) plans as part of the pension package they offer to their employees.

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$75,000-$99,999	.8	5.2
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Trade: The House Bill

• The House-passed trade bill may have started out as a good-faith effort, but what emerged on the House floor is guaranteed to turn back the clock on years of progress towards freer, more open international markets. It's a job-killer, not a job-protector. Tip O'Neill is more interested in manufacturing an election-year issue than in really addressing the trade problems of American manufacturers and farmers.

• The House bill doesn't give the President new tools for dealing with unfair trade practices: it ties his hands in ways that are guaranteed to provoke retaliation against American producers--including our hard-pressed American farmers. The House would require the President to:

-retaliate against alleged trade violations,

-retaliate so as to cost the perpetrator of the trade violation an amount equivalent to the measured cost of the violation to the U.S.,

-retaliate against countries with 'unreasonable' trade practices, defined to include labor policies of those countries,

-negotiate with major trading partners that have "excessive trade surpluses" with the U.S., and impose quotas or tariffs unless a 10% reduction per year is achieved.

• The House bill also creates new expedited procedures for protecting U.S. industries against imports, broaden the definition of "dumping" that hurts U.S. industries, and allow duties to be imposed on "diversionary dumping" (when products are dumped into a third country, then incorporated into a product headed for the U.S. market).

• Now, there is nothing wrong with being tough on unfair trade practices, dumping, nontariff barriers, and all of that. Senate Republicans took the lead in pointing our the need for a tougher U.S. bargaining stance. And we're still taking the lead: for a stronger trade position that will open markets to American goods and services, not shut doors all the way around.

• What the House bill does, then, is cloak protectionist gimmicks that will backfire on the U.S. in the rhetoric of a "get-tough" trade policy. If we really want to get tough on trade, first we have to get smart.

• A wise trade policy starts off by recognizing that the U.S. has the most to lose from a collapse of the world trading system. No one needs to explain that to American farmers, whose sales abroad have fallen by one-third over four years: from $43.8 billion to $28 billion.

A Better Approach

• Without a more realistic value for the dollar against the currencies of our major trading partners, no legislation on trade can have much of an impact. So our first job is to support the G-5 initiative that has succeeded in moderating the value of the dollar: it's fallen more than 35% from its 1985 peak against the yen. And we can support the dollar initiative by following through on U.S. commitments to reduce the budget deficit and implement a tax reform that will improve the productivity of American producers. So that's number one.

• Second, we should carry forward the Reagan economic revoluation by pursuing policies that make our economy work better--because that makes our producers second-to-none in international competition. That means following a low-inflation, low-interest rate policy, keep cutting back unneeded regulatory barriers, and limiting government interference in the domestic economy.

• Finally, any legislative initiative on trade should emphasize quick response to truly unfair trade practices that cut U.S. exports out of foreign markets. Where we're really being discriminated against, let's encourage the President to keep hammering away until we get some results. Again, the key is to open markets to the U.S.--not to hurt U.S. consumers with a blanket shut-out of foreign competition.

• We can also review existing trade preferences that may have become obsolete given the shift toward Third World producers; streamline procedures for pursuing anti-dumping cases against nonfree,State-run economies; and give the President new tools for promoting exports.

June 3, 1986

TRADE TALKING POINTS

o While good news on the trade front is slow in coming, exports of U.S. capital equipment and other goods are running about 4% over the pace at the end of 1985. If this trend continues, we should see significant improvement in the trade deficit before the end of this year.

o This positive shift is, in part, the result of past year's decline in the value of the dollar. The dollar has fallen almost 35% from its peak in February 1985 against the yen, and since last September's G-5 meeting it's fallen about 15% against a basket of major currencies.

o I hope this turnabout continues--but there's more to trade trends than exchange rates. Even with the good news, we must face facts: the United States does not have a clearly defined trade strategy or policies to carry it out.

o We Americans believe that trade is an exchange of goods and services -- a two-way street between businesses, states, and countries. However, many countries are only too happy to sell us their goods. But when it comes to buying ours, they say "No thanks."

o The truth is that most of us in Congress, as well as most businesses, don't want to erect protectionist barriers to prevent foreign goods from entering the United States. What we want is access -- the opportunity to sell American products in overseas markets.

o In the past, the United States blinked at other countries' trade barriers even though our markets are among the most open in the world. In view of the current U.S. political and economic climate we can no longer afford this luxury.

CONGRESS AND TRADE POLICY

o I have never seen stronger Congressional sentiment for acting on the trade front. My colleagues, including strong advocates of free trade, are fed up with what they believe to be basic unfairness.

o Trade already is and will continue to be a major political issue in the 1986 and 1988 elections. Many in Congress are already moving to gain early political advantage. Hundreds of trade bills have been introduced to date. The stakes are high -- maybe control of the Senate in 1986.

o Although there is a diversity of opinion among members of Congress on how best to address the trade issue, there seems to be a consensus that Congress must reassert its broad constitutional authority over trade policy. Under Article I of the Constitution, the Congress is expressly vested with the power to regulate commerce with foreign nations and to set tariffs. Over the years, Congress has ceded to the Executive Branch the primary role not only in implementing these policies but also in setting our overall trade policies.

o Last November a bipartisan group of my Senate colleagues joined with me in introducing a major trade initiative which attempts to reestablish our involvement.

Specifically, this bipartisan initiative addresses the following objectives:

To insure systematic enforcement of existing trade laws against foreign unfair trade practices;

To expand trade through market liberalization;

To promote meaningful adjustment of import-impacted industries to new competitive conditions; and

To remedy misalignment of the dollar, developing country debt, and disincentives to U.S. exports.

In addition to this effort there are numerous sector-specific bills which the Congress may consider. Notable among them, the so-called textile bill, which passed overwhelmingly in both the House and Senate and was vetoed by the President.

CANADIAN FREE TRADE AGREEMENT

o One more recent example of congressional determination to become a more active partner on trade is the debate over the Administration's proposal to begin negotiations on a free trade zone agreement with Canada.

o The administration got its way. On a tie vote, the Finance Committee defeated a motion to put the negotiations on a slow track--in effect gutting the initiative. But the Administration came close to losing this one. There were a number of senators unhappy about specific trade issues with Canada, such as timber. But there were others, Republicans included, who are dissatisfied with the administration's failure to be more aggressive overall on the trade front and to take Congress for granted.

o The trade issue is not going to go away. Members of Congress recognize that America's trade policy is in a shambles. And Congress seems prepared to pick up the pieces -- if you can believe all the rhetoric.

AGRICULTURE AND TRADE

o Agricultural trade is vital to the economic health of rural America and the Nation. 20 million jobs and 20% of our economic activity can be tied to the farm sector. Low farm prices are one of the primary reasons for the low inflation being enjoyed by other Americans as well as foreigners.

o I am especially sensitive to the importance of world markets to U.S. farmers. U.S. agricultural sales have fallen by over one-third in four years: from $43.8 billion in 1981 to $28 billion in 1985.

o Problems facing ag exports have included:

--reduced buying power and increased food production in developing countries. These trends are tied to long-term economic trends, and will not change soon.

--the relatively high value of the dollar in 1981-85. With the 30% decline in the dollar since a year ago, U.S. sales should improve somewhat. However, many of our competitors either trade in dollars or tie their currencies to shifts in the dollar's value to prevent losing market share.

--U.S. price supports have been above world market levels. This has been addressed through the lower loan rates in the 1985 farm bill. However, these 15-25% reductions will not be effective until the 1986 harvest begins (June for wheat; September for feedgrains and soybeans). Current "old crop" prices are significantly higher than "new crop" prices later this year.

--government-assisted competition. The EEC's use of export subsidies is only the most blatant example of government intervention in farm exports. Others have used (and are using) various production, processing, and ocean freight subsidies or allow domestic hyperinflation to underprice their exports.

--lack of a coherent U.S. trade policy. Food has been used as an economic and political weapon by Administrations of both parties, either by cutting exports off in embargoes or by discriminating in the application of subsidies. U.S. refusal to offer Export Enhancement Program (EEP) bonus commodities across-the-board has cost sales to friends (Korea, Brazil) as well as global adversaries (Soviet Union, PRC).

o The Reagan Administration has launched a more serious effort to counter unfair trade practices. Lyng and Yeutter met their EEC counterparts (Andreissen and de Clerq) in Paris last week to make clear that the U.S. will not accept the new EEC restrictions on farm trade with Spain and Portugal. If restrictions are imposed, the U.S. will offset the value of lost sales of wheat, feed grains and soybean products through parallel restrictions on EEC agricultural exports.

o We do not want to get into a farm trade war. We would like to normalize ag trade by eliminating subsidies now allowed under GATT. The EEC has refused to put ag subsidies on the agenda for the new GATT round ever since the last Ministerial meeting broke down in November 1982. We cannot start new negotiations without ensuring that this issue will be addressed. The President is expected to address this question at the Tokyo Summit next week.

o I have urged the Administration to consider setting annual targets for the volume or value of farm exports in 1986, 1987, and 1988. This would introduce a needed element of accountability into evaluating our export performance, particularly as it relates to the results of our domestic farm programs. It would also be recognition that the U.S. must accept a more active role in competing for agricultural exports as long as other governments continue to actively intervene in international trade.

o When a farmer is threatened by bankruptcy or a processing plant is in danger of closing down, the men and women whose lives are dependent on those ventures are not interested in the comparative advantages of free trade or in how the EEC subsidizes its exports -- they want the Government to protect their jobs.

CONCLUSION

o The clock is ticking. Ticking for our trading partners throughout the world, who need to take some decisive action soon.

o The clock is also ticking here at home. We must do something quickly, on two fronts. We have to get our deficits, and our dollar, under control. And we must set up an effective mechanism to deal with trade issues on a comprehensive basis. If we ignore the problem any longer, we put at risk our own prosperity and our role as the engine of global economic progress.

June 13, 1986

Grocery Manufacturers Association/Superfund

• The GMA did yeoman surface in fighting the imposition of a VAT or VAT-type tax to pay for Superfund. I supported you all the way on that--and we won. No one is seriously contemplating a broad new tax like the VAT which could grow completely out of bounds in the years ahead.

• Now, I know many of you are concerned about, and probably oppose, the so-called Earnings and Profits tax which the House proposed to the Senate as part of a possible Superfund financing package.

• I understand that concern, and I know there is much discussion of a possible exception from any E & P tax for food products. That is a proposal we will take very seriously. But we do have to reach agreement on a Superfund package this month, in my view, and I want to suggest why this "new starter" for a funding mechanism may be acceptable. (Note: Lee Thomas has said EPA can squeak through June with current funds, but would have to undertake shutdown operations in early July).

• First, we will never rely on any tax like the E & P tax to fully-fund hazardous waste cleanup. It's clear that we need a package of miscellaneous, and diverse, revenue sources for the program. That way we minimize the impact on any one industry or sector of the economy, and on the public as a whole.

• We are talking about a funding plan that involves the current chemical feedstock taxes, some increase in the oil tax, a bit of general revenues, interest and recoveries from parties responsible for waste problems, and possibly (if the House gets its way) some form of a waste-end tax. Whatever's left over would be covered by the E & P tax, if we agree on that.

• An E & P tax doesn't create a whole new tax base, as a VAT would. It relies on known income tax concepts, and it's not really a new tax like a VAT. I'm convinced we can and will keep it under control if it's adopted.

• Obviously I still believe in the 'polluter pays' principle. We'll adhere as closely as possible to that concept in any Superfund package. But the real problem is the size of the Superfund being proposed: $8.5 billion over five years. There just aren't enough identifiable polluters to foot that bill. So if we can't keep the program size down, our responsiblity is to minimize the burden on the rest of the economy. I think we'll come up with a package that does that.

June 13, 1986

THIRD WORLD DEBT

o The best thing we can do for Third World countries with debt problems is to work for lower world interest rates. There is room for the Federal Reserve to move further in this direction. The American economy and the world economy will, on balance, benefit from further reductions in interest rates.

o With inflation low, growth rates less than we want, and plenty of unused productive capacity, a strong case can be made for another cut in the discount rate. Just consider all of the problems such a move could help solve.

o Any more towards lower interest rates can help boost our economy and reduce the deficit as growth picks up. And the interest-sensitive farming and manufacturing sectors can use all the help they can get. Lower interest rates also reinforce the new realism in the valuation of the dollar: surely the most important weapon in our battle to reduce the trade deficit. What is more, another drop in world interest rates can help relieve the excessive debt burdens of many of our friends and allies in the third world, and spur the economic growth in Europe and Japan that many believe is the key to a better balanced system of world trade and finance.

SALT COMPLIANCE

o PRESIDENT HAS MADE RIGHT DECISION.

-- I MIGHT HAVE DONE SAME THING EARLIER.

o FUTURE DECISIONS ON ARMS MADE ON THREE CRITERIA:

-- OUR DEFENSE NEEDS.

-- WHAT STRATEGY WILL GIVE US BEST CHANCE FOR ARMS REDUCTIONS IN GENEVA.

-- WHAT SOVIETS ARE DOING: VIOLATIONS AND SERIOUSNESS IN GENEVA.

o COMMITING OURSELVES UNILATERALLY TO SALT II LIMITS IN FACE OF SOVIET VIOLATIONS MAKES NO SENSE.

-- DOESN'T PROTECT OUR NATIONAL SECURITY.

-- DOESN'T HELP CAUSE OF ARMS REDUCTIONS.

o SOVIET VIOLATIONS MASSIVE AND ON-GOING.

-- AT LEAST EIGHT MAJOR VIOLATIONS, MAYBE AS MANY AS 11.

-- TWO MOST IMPORTANT:

-- BUILDING SECOND NEW ICBM (MOBILE SS-25).

-- ENCRYPTION OF TEST DATA.

o U.S. WILL CONTINUE TO EXERCISE RESTRAINT.

-- WILL NOT "BREAK OUT," I.E., TRY TO GAIN UNILATERAL MILITARY ADVANTAGE.

-- WON'T BUILD MORE WEAPONS THAN SOVIETS.

o ONE THING SURE: SOVIETS MAKE THEIR NATIONAL SECURITY DECISIONS BASED ON SELF-INTEREST, NOTHING ELSE.

-- IF IT SERVES THEIR INTERESTS, THEY WILL VIOLATE ANY TREATY. SIGNATURE MEANS NOTHING.

-- UN CHARTER; PEACE TREATIES WITH HUNGARY, CHECHOSLOVAKIA, AFGHANISTAN (THEN INVASION); HELSINKI ACCORDS; ABM AND SALT TREATIES.

-- SO UNILATERAL U.S. ADHERANCE TO SALT II DIDN'T RESTRAIN RUSSIANS.

-- AND PRESIDENT'S DECISION WON'T NECESSARILY MEAN ARMS RACE.

o BALL IS IN RUSSIANS' COURT.

-- IF THEY DISCONTINUE VIOLATIONS AND NEGOTIATE SERIOUSLY, CHANCE FOR REAL ARMS REDUCTIONS.

-- IF THE CONTINUE VIOLATIONS AND PROPAGANDIZING IN GENEVA, U.S. WILL DO WHATEVER NECESSARY.

SDI

o STRONGLY SUPPORT BASIC CONCEPT AND RESEARCH.

-- MAY OFFER CHANCE TO BREAK OUT OF DANGEROUS CYCLE OF RELIANCE ON MUTUALLY ASSURED DESTRUCTION (MAD).

-- KEEPS US ON CUTTING EDGE OF NEW DEFENSE-RELATED TECHNOLOGIES

-- ALSO APPLICATIONS FOR ECONOMIC DEVELOPMENT.

-- SOVIETS WORKING HARD IN THIS AREA. MUST KEEP UP.

o SDI HAS ALREADY PAID DIVIDENDS.

-- MAJOR FACTOR GETTING SOVIETS BACK TO GENEVA.

o BASICALLY SUPPORT PRESIDENT'S REQUEST ($4.7 BILLION FOR FY87).

-- BUT PROBABLY WON'T GET THAT MUCH.

o DOES REPRESENT SIGNIFICANT INCREASE OVER FY86 BUT:

-- CONSISTENT WITH OTHER SUCCESSFUL PROGRAMS IN R&D STAGE.

-- E.G., LESS THAN INCREASE IN TRIDENT II PROGRAM AT SIMILAR STAGE.

-- ARGUMENT THAT ALL PROGRAMS SHOULD GROW AT EXACTLY SAME RATE IS FOOLISH ON ITS FACE.

-- SOME PROGRAMS NEW AND DEVELOPING, OTHERS OLD AND WINDING DOWN.

-- SETTING THOSE PRIORITIES WHAT WE IN GOVERNMENT GET PAID FOR.

-- ONLY ALLOWS BASIC CONTINUATION OF PROGRAM AT PACE ALREADY APPROVEDE IN PREVIOUS YEARS.

-- CHANGING THOSE APPROVED SCHEDULES WOULD DISRUPT PROGRAM AND BE COSTLIER IN LONG RUN.

- o ALL EVIDENCE IS THAT PROGRAM IS WELL MANAGED.

  -- APPROPRIATIONS COMMITTEE LAST YEAR REACHED THAT BASIC CONCLUSION.

  -- OBLIGATION AND EXPENDITURE RATES FOR PAST APPROPRIATIONS HIGHER THAN OTHER SIMILAR DEFENSE PROGRAMS.

o FLETCHER PANEL (HIGHEST PRESTIGE, INDEPENDENT, PRIVATE EVALUATION PANEL) RECOMMENDED FUNDING LEVELS HIGHER THAN TOTAL AMOUNT PRESIDENT HAS REQUESTED.

TALKING POINTS ON NUTRITION PROGRAMS

(FOR THE GREENBRIAR)

- FOR THE MOST PART, IT IS MY VIEW THAT FOOD ASSISTANCE PROGRAMS HAVE BEEN EFFECTIVE IN ALLEVIATING DOMESTIC NUTRITION PROBLEMS. NO ONE WHO OBJECTIVELY REVIEWS THE ISSUE BELIEVES WE ARE WITNESSING A RETURN TO THE CONDITIONS EXISTING A DECADE OR TWO AGO. CERTAINLY, THE KIND OF PROBLEMS WE OBSERVE IN THE UNITED STATES DO NOT EVEN APPROACH THE EXTENT OF THE RECENT FAMINE CONDITIONS IN SUBSAHARAN AFRICA.

- I FIND IT A MOST INTERESTING PHENOMENON THAT THE HUNGER ACTIVISTS SEEM TO COME ALIVE DURING ELECTION YEARS. UNDER PRESENT CIRCUMSTANCES WITH UNEMPLOYMENT DECREASING AND INFLATION DOWN TO THE LOWEST LEVEL IN RECENT MEMORY, IT IS EXTREMELY IRONIC THAT THIS ISSUE IS SURFACING. WHILE I WOULD ACKNOWLEDGE THAT THERE ARE SOME AREAS OF THE COUNTRY THAT HAVE NOT SHARED IN ECONOMIC RECOVERY, MOST AMERICANS WOULD AGREE THAT THEY ARE BETTER OFF TODAY THAN THEY WERE SIX OR SEVEN YEARS AGO.

FEDERAL FOOD PROGRAM INVESTMENT

- THE FEDERAL GOVERNMENT RESPONDED TO THE HUNGER PROBLEMS OF THE 1960'S WITH A VARIETY OF DIVERSE PROGRAMS, OF WHICH THE FOOD STAMP PROGRAM PROVIDES THE FOUNDATION, WITH OTHER SMALLER PROGRAMS TARGETED TO THE SPECIAL NEEDS OF EXCEPTIONALLY VULNERABLE SEGMENTS OF THE POPULATION. TODAY, THE FEDERAL GOVERNMENT INVESTS ABOUT $20.5 BILLION IN MORE THAN TEN FOOD ASSISTANCE PROGRAMS, WITH THE FOOD STAMP PROGRAM COMPRISING $12.6 BILLION OF THIS AMOUNT.

- PRESIDENT NIXON WAS ACTUALLY RESPONSIBLE FOR EXPANDING THE FOOD STAMP PROGRAM NATIONWIDE AND FEDERALIZING BENEFIT LEVELS SO THAT PEOPLE THROUGHOUT THIS COUNTRY WERE ASSURED OF THE SAME LEVEL OF ASSISTANCE. FUNDING FOR THE FOOD STAMP PROGRAM WAS ABOUT $7 BILLION IN 1979 -- IT IS NOW BEING FUNDED AT A LEVEL OF ABOUT $13 BILLION. IN 1979, TOTAL FOOD PROGRAM EXPENDITURES WERE ABOUT $11 BILLION, AND THE FEDERAL GOVERNMENT IS NOW SPENDING OVER $20 BILLION ON MORE THAN TEN SEPARATE PROGRAMS.

- WE HAVE THE SPECIAL SUPPLEMENTAL FOOD PROGRAM FOR WOMEN, INFANTS AND CHILDREN (USUALLY REFERRED TO AS WIC), THE SCHOOL LUNCH, SCHOOL BREAKFAST, AND SUMMER FOOD PROGRAM. FUNDING FOR THE COMBINED CHILD NUTRITION PROGRAMS NOW TOTALS ABOUT $6.2 BILLION, UP FROM $4.7 BILLION IN 1980.

- THE TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM (TEFAP) IS A COMMODITY DISTRIBUTION PROGRAM, DESIGNED TO PROVIDE SURPLUS AGRICULTURAL COMMODITIES TO LOW-INCOME AND UNEMPLOYED FAMILIES AND INDIVIDUALS, WHO, FOR SOME REASON MAY NOT BE REACHED BY THE REGULAR NUTRITION PROGRAM STRUCTURE. DURING THE DEPTHS OF THE 1982-83 RECESSION, SENATOR HATFIELD, MYSELF AND OTHERS FOUNDED THIS PROGRAM IN RESPONSE TO AGRICULTURAL SURPLUSES AND THE INCREASED NEED FOR FOOD ASSISTANCE. ALTHOUGH IT WAS INTENDED TO BE A TEMPORARY RELIEF MEASURE, IT HAS CONTINUED TO BE REAUTHORIZED.

- WITH ALL OF THESE FEDERAL PROGRAMS IN PLACE, ALONG WITH STATE AND LOCAL EFFORTS, AND THE ASSISTANCE OF PRIVATE SECTOR ORGANZIATIONS AND VOLUNTEERS, THERE IS A VERY COMPREHENSIVE FOOD ASSISTANCE NETWORK IN PLACE. SOMEWHERE ALONG THIS CHAIN, ACCESS TO FOOD IS PROVIDED, AND THERE SHOULD BE NO REASON FOR PEOPLE TO FALL BETWEEN THE CRACKS. HOWEVER, UNFORTUNATELY, THIS DOES STILL HAPPEN.

RECENT TRENDS IN FOOD PROGRAM CHANGES

- A RECENT STUDY PREPARED BY THE URBAN INSTITUTE FOR THE OFFICE OF ANALYSIS AND EVALUATION, FOOD AND NUTRITION SERVICE OF THE U. S. DEPARTMENT OF AGRICULTURE, STATED:

> THE FINDINGS OF THIS STUDY SUPPORT THE CONCLUSION THAT THE CHANGES ENACTED IN 1981 AND 1982 DID NOT FUNDAMENTALLY CHANGE THE BASIC STRUCTURE OF THE FOOD STAMP PROGRAM. AS A RESULT, THE EFFECTS OF THE LEGISLATIVE CHANGES IN THE NUMBER OF PARTICIPANTS, AVERAGE BENEFITS, AND TOTAL PROGRAM COSTS WERE SMALLER THAN EXPECTED.
>
> WHILE THE RECESSION AFFECTED THE NUMBER OF PROGRAM PARTICIPANTS TO SOME DEGREE, THE IMPACT ON CASELOADS AND COSTS WAS FAR LOWER THAN EXPECTED BECAUSE THE RELATIONSHIP BETWEEN THE FOOD STAMP PROGRAM AND THE UNEMPLOYMENT RATE IS FAR MORE COMPLEX THAN PREVIOUSLY THOUGHT.

BIPARTISAN CONGRESSIONAL ACTION

- WHILE THERE ARE THOSE WHO WOULD LIKE TO BLAME THE CURRENT ADMINISTRATION FOR WHAT THEY DESCRIBE AS "HUNGER IN AMERICA", **THE FACT OF THE MATTER IS THAT BUDGET CUTS ENACTED IN 1981 AND 1982 WERE PROPOSALS DESIGNED BY THE CONGRESS IN A BIPARTISAN FASHION -- THEY WERE NOT ADMINISTRATION PROPOSALS.** AS CHAIRMAN OF THE SUBCOMMITTEE ON NUTRITION DURING THIS PERIOD, I WORKED VERY CLOSELY WITH PATRICK LEAHY AND OTHER DEMOCRATS TO ACHIEVE SIGNIFICANT BUDGET SAVINGS WHILE IMPROVING THE TARGETTING OF FOOD STAMP AND CHILD NUTRITION BENEFITS, INITIATING ADMINISTRATIVE REFORMS, AND ATTACKING FRAUD, WASTE AND ABUSE IN THESE PROGRAMS.

- o THE URBAN INSTITUTE ACTUALLY FOUND THAT THE LEGISLATIVE CHANGES, INDEPENDENT OF CHANGING ECONOMIC CONDITIONS AND DEMOGRAPHIC CHARACTERISTICS, REDUCED PROGRAM COSTS IN FISCAL YEAR 1982 BY ABOUT $450 MILLION TO $650 MILLION, A REDUCTION OF ABOUT 4 TO 6 PERCENT. THE SAVINGS WERE SIGNIFICANTLY LOWER THAN ORIGINALLY ANTICIPATED. THE NUMBER OF FOOD STAMP PARTICIPANTS INCREASED BY 45 PERCENT FROM 1978 TO 1984. AVERAGE ANNUAL BENEFITS INCREASED BY 18 PERCENT, WITH FEDERAL SPENDING ON NUTRITION PROGRAMS UP 58 PERCENT.

- o FURTHER, SOME FINE-TUNING OF THE FOOD STAMP PROGRAM OCCURRED DURING THE REAUTHORIZATION PROCESS LAST YEAR, AND BENEFITS WERE INCREASED BY ABOUT $500 MILLION TO $1 BILLION FOR THE NEXT THREE FISCAL YEARS. THESE CHANGES REFLECTED LEGISLATION INTRODUCED BY MYSELF AND SENATOR BOSCHWITZ IN THE SENATE AND MR. PANETTA ON THE HOUSE SIDE.

ACTUAL PROGRAM GROWTH

- o WHILE SOME MAY CLAIM THAT CUTS IN FOOD PROGRAMS ARE THE CAUSE OF MANY HARDSHIPS, THE FACTS SIMPLY TO NOT INDICATE THIS RESULT. LET'S TAKE THE WIC PROGRAM, FOR EXAMPLE. THIS PROGRAM HAS STEADILY EXPANDED DURING THE LAST SIX YEARS. IN 1979, FEDERAL FUNDING WAS APPROXIMATELY $550 MILLION AND MONTHLY PARTICIPATION AVERAGED 1.5 MILLION WOMEN, INFANTS AND CHILDREN. FOR THIS FISCAL YEAR, THE PROGRAM IS SERVING 3.3 MILLION PARTICIPANTS WITH A FEDERAL INVESTMENT OF ABOUT $ 1.6 BILLION. THIS IS A FAIRLY SIGNIFICANT INCREASE AT A TIME WHEN OTHER PROGRAMS WERE UNDER- GOING BUDGET REDUCTIONS, AND IT REFLECTS THE TREMENDOUS BIPARTISAN POPULARITY OF THE PROGRAM IN THE CONGRESS.

ROOT CAUSES OF HUNGER

- o THE PROBLEM OF HUNGER IS A VERY COMPLEX ONE, WITH ITS ROOT CAUSES BASED IN ECONOMIC CONDITIONS. THE FOOD STAMP PROGRAM IS A PRETTY GOOD BAROMETER OF THE ECONOMY. WHEN UNEMPLOYMENT RISES, THE COST OF THE PROGRAM INCREASES ABOUT $650 MILLION FOR EVERY PERCENT OF UNEMPLOYMENT. SIMILARLY, WHEN FOOD PRICE INFLATION INCREASES, PROGRAM COSTS GO UP ABOUT $350 MILLION FOR EACH PERCENTAGE POINT. DURING THE PERIOD 1982-1983, WHEN THIS COUNTRY WAS EXPERIENCING A DEEP RECESSION, PARTICIPATION ROSE ACCORDINGLY AND SPENDING INCREASED IN RESPONSE TO THE INCREASED NUMBER OF INDIVIDUALS WHO MET THE ELIGIBILITY CRITERIA.

TOO MUCH EXPECTED OF FOOD STAMP PROGRAM

- **FOOD PRICES HAVE RISEN 20 PERCENT SINCE 1980, WHILE INFLATION IN SHELTER COSTS AND UTILITIES HAS INCREASED 30 PERCENT AND 40 PERCENT, RESPECTIVELY. THE REAL BURDEN IS ON NON-FOOD LIVING PROBLEMS, AND THE FOOD STAMP PROGRAM SHOULDN'T BE ASKED TO SHOULDER THE ENTIRE BURDEN OR BECOME AN EXPANDED INCOME SECURITY PROGRAM.** NOT ONLY ARE BASIC BENEFIT LEVELS INDEXED FOR FOOD PRICE INFLATION, BUT THE DEDUCTIONS FOR UTILITIES AND SHELTER WITHIN THE PROGRAM ARE EACH INDIVIDUALLY INDEXED. NO WONDER FEDERAL SPENDING IS GETTING OUT OF HAND! FOOD STAMPS IS RAPIDLY BECOMING A CASH TRANSFER PROGRAM -- RATHER THAN A PROGRAM TO COMBAT HUNGER. **THIS IS A FOOD PROGRAM, AND SHOULD NOT BE EXPECTED TO SOLVE EVERY PROBLEM THAT POOR PEOPLE FACE.**

- WITH A PARTICIPATION OF ABOUT 20 MILLION, FOOD STAMPS IS A VERY BROAD-BASED PROGRAM. FOR THIS REASON, MANY PEOPLE TRY TO MAKE IT DO THINGS IT WAS NEVER DESIGNED TO ACCOMPLISH. WE SHOULD KEEP ITS ACTUAL GOALS IN MIND. AND, ALONG THESE LINES, THE REAL ROOT CAUSE OF HUNGER IN THE CONTEXT IN WHICH THIS COMMITTEE IS EXAMINING THE PROBLEM IS POVERTY.

NO REAL EVIDENCE OF HUNGER

- DURING THE LAST FIVE YEARS, MY SUBCOMMITTEE HAS HELD EXTENSIVE HEARINGS ON THE NUTRITIONAL STATUS OF LOW-INCOME AMERICANS IN AN ATTEMPT TO DETERMINE THE EXTENT OF REPORTED "HUNGER" PROBLEMS AND THE POTENTIAL CAUSES. ALL OF THIS EXPLORATION BY MY SUBCOMMITTEE AND OTHERS UNDER-SCORED THE FACT THAT COMPREHENSIVE, OBJECTIVE, UP-TO-DATE INFORMATION IS SIMPLY NOT AVAILABLE. MOST OF THE SO-CALLED EVIDENCE OF THE PROBLEM HAS BEEN ANECDOTAL IN NATURE. THE REALITY OF THE "HUNGER" PROBLEM HAS BEEN DISTORTED BY THE MEDIA IN RESPONSE TO COMPLAINTS BY PROFESSIONAL HUNGER CRITICS WHO SELDOM OFFER CONSTRUCTIVE IDEAS AND EXPECT THE FEDERAL GOVERNMENT TO DO EVERYTHING.

FAIR TREATMENT OF THE ISSUE

- FURTHER, THE HUNGER ISSUE SHOULD BE TREATED FAIRLY. WHILE THERE ARE SOME DESERVING AMERICANS WHO FAIL TO RECEIVE ADEQUATE FOOD ASSISTANCE, THERE ARE OTHERS WHO RECEIVE BENEFITS WHO SHOULDNOT. ALTHOUGH THIS IS RARELY THE FOCUS OF ATTENTION BY HUNGER ACTIVISTS OR THE MEDIA, IT SHOULD BE NOTED FOR THE RECORD THAT, IN THE FOOD STAMP PROGRAM ALONE, AN ESTIMATED $ 900 MILLION ANNUALLY IS SQUANDERED THROUGH THE OVERISSUANCE OF BENEFITS, PAYMENTS TO INELIGIBLE RECIPIENTS AND OUTRIGHT FRAUD. THIS $900 MILLION DOLLARS COULD GO A LONG WAY TOWARD ASSISTING THOSE NOT NOW BEING REACHED.

HUNGER -- A SHARED RESPONSIBILITY

- THERE IS A FALSE NOTION, ADVOCATED BY SOME, THAT THE SOLE RESPON- SIBILITY FOR FOOD ASSISTANCE, INCLUDING DISTRIBUTION, SHOULD REST WITH THE FEDERAL GOVERNMENT. IT HAS ALWAYS BEEN MY VIEW THAT FEDERAL EFFORTS SHOULD BE COMPLEMENTED BY STATE AND LOCAL GOVERNMENTS, AS WELL AS THE PRIVATE SECTOR. ALL OF THESE ENTITIES WORKING TOGETHER SHOULD BE ABLE TO PROVIDE ASSISTANCE TO THOSE IN NEED. THE WORK OF NONPROFIT ORGANIZATIONS, LIKE CHURCHES, FOOD BANKS, AND SOUP KITCHENS, AND COMMUNITY VOLUNTEERS IS ESSENTIAL IN THE WAR AGAINST HUNGER, AND PROVIDES INVALUABLE ASSISTANCE, BECAUSE THESE ARE THE PEOPLE WHO ARE ABLE TO IDENTIFY THE INDIVIDUALS IN THEIR COMMUNITIES WHO ARE TRULY IN NEED.

- WHILE NUTRITION PROGRAMS HAVE HAD A DRAMATIC, POSITIVE IMPACT ON HUNGER AND MALNUTRITION IN THIS COUNTRY, THE FEDERAL BUREAUCRACY, NO MATTER HOW SENSITIVE, CANNOT POSSIBLY RESPOND TO ALL OF THE PROBLEMS OF PEOPLE IN NEED OF FOOD ASSISTANCE. RESPONSIBILITYMUST BE SPREAD AND SHARED IF WE ARE TO PROPERLY SERVE THOSE WHO PERMANENTLY OR TEMPORARILY NEED HELP. EACH INDIVIDUAL REQUIRES HELP DUE TO A DIFFERENT SET OF CIRCUMSTANCES, AND THE FEDERAL GOVERNMENT IS INCAPABLE OF RESPONDING WITH THIS TYPE OF FINE-TUNED PRECISION.

INCREASED SPENDING NOT A SOLUTION

- IF WE LOOK AT CURRENT DOLLARS NOT ADJUSTED FOR INFLATION, FEDERAL SPENDING IN THIS AREA HAS GONE FROM ABOUT $14 BILLION IN FISCAL YEAR 1980 TO $20.5 BILLION THIS YEAR. LAST YEAR'S FOOD SECURITY ACT SUBSTANTIALLY INCREASED SPENDING FOR THE FOOD STAMP PROGRAM BY $500 MILLION TO $ 1 BILLION, DEPENDING ON HOW THE INCREASES ARE CALCULATED.

- MR. JOHN C. WEICHER, F. K. WEYERHAUSER SCHOLAR IN PUBLIC POLICY RESEARCH AT THE AMERICAN ENTERPRISE INSTITUTE, TESTIFIED BEFORE THE NUTRITION SUBCOMMITTEE ON JUNE 14, 1985, WITH REGARD TO THE FOOD STAMP PROGRAM AND SAFETY NET, STATING: "THE EFFECTS OF...CHANGE IN DIRECTION ON THE WELFARE OF MOST HOUSEHOLDS HAVE PROBABLY BEEN SMALL. THE CHANGES IN THE INCOME MAINTENANCE PROGRAMS TURN OUT TO BE LESS SIGNIFICANT THAN MUCH OF THE PUBLIC DISCUSSION WOULD SUGGEST. 'THE SAFETY NET HAS PROBABLY BEEN MAINTAINED, PARTICULARLY FOR THE POOREST PEOPLE.'"