

APRIL 9, 1987

TO: SENATOR

FR: GREG SCHNACKE

RE: MISSISSIPPI/RECESS

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Water shortage really hurting the Delta area and the Tupelo area. High usage and low water table are forcing the state to look to ways and funding to bring in surface water to meet the needs in these areas. Sen. Cochran's office will be looking at a \$30 million project to bring water to the Tupelo area soon. Not clear where they are going to try to get the money yet.

TED ( the turtle/shrimp fishing issue (see Louisiana memo for details) is the burning issue on the coast. Cochran hasn't taken a position yet.

Not much on Transportation. Pretty quiet since the passage of the Highway Bill.

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SUBJECT: RECESS ISSUES/LOUISIANA

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LOUISIANA: They are member of Central States Low-Level Waste Compact. With Kansas making all the noise about pulling out of the 5 state compact, may be a question or two. The Kansas Senate defeated a proposal to withdraw from the compact, but voted to ban underground dumps. The Governor has also announced he is appointing a task force to study Knasas' options for either staying in or leaving the compact.

The raging controversy in Louisiana is the TED (Turtle Exclusion Device) that would be required to be attached on shrimpers nets to automatically jetison caught green sea turtles who are on the endangered species list. The shrimpers are in orbit about this (cost, plus not a lot of evidence proving turtles are being decimated). Cong. Bob Livingston is a leader of the "Ted Offensive" or the "Anti-Ted" forces and they have been working on legislation not to fund EPA's TED program.

Other issues that may come up:

Gypsum waste: 4 fertilizer plants wanted variences from Clean Water Act to dump Gypsum waste (by product of fertilizer production) into Mississippi River. This was hot about a month ago. The agreement that has been worked out is that the companies can dump the water that collects around the land stacked gypsum waste, but not the gypsum itself. They are still looking for a place to dump it because of the low level radiation and heavy metal content (Kansas, maybe?)

Superfund priority sites are a topic in Louisiana. There is a lot of toxic waste there and they are concerned that they are taken care of.

There was an issue recently of PCB's being dumped from an out of state gas pipeline in N. Louisiana, this has been resolved and should not be an issue now.

Some people think the timber industry is being affected by acid rain, but Livingston's office doesn't see the evidence yet/.

Livingston has reluctantly supported the oil import fee. They really don't like it, but there is a split of opinion for it that tends to favor it.

Avoid ethanol/gasahol subsidy discussion. Shut in gas is a very real problem there.

## TRADE ISSUES IN MISSISSIPPI

1. Textiles. Problems in Tupelo, Blue Mountain, Hattiesburg, Greenville and other parts of the Delta area in north central part of state. Cochran on textile bill, state identifies with plight of industry.

2. Timber. Southern pine producers have been concerned about softwood lumber imports from Canada.



8 April 1987

BUDGET TALKING POINTS

o There they go again. Last week the full House passed and the Democratically-controlled Senate Budget Committee approved a 1988 budget that will reduce the deficit -- but guess how -- by raising taxes!

o Nearly half of the 1988 deficit reductions -- 18.5 billion in the Senate plan, and \$18 billion in the House's -- would come from tax increases. And over four years, the so-called "Chiles" budget would increase taxes by \$98 billion -- \$70 billion above the revenues requested by the President.

o Almost 80% of the \$283 billion in deficit cuts over the 4 years would come from defense, higher taxes, and interest savings on the debt.

o Those facts alone are bad enough, but on top of that the Democrats have thrown in the towel on meeting the Gramm-Rudman-Hollings deficit target. Instead of getting down to \$108 billion, which is the mandated level, these Democratic plans would result in a deficit around \$134 billion.

o We must keep the promise we made when we adopted Gramm-Rudman-Hollings. And we must do so without raising taxes, without threatening our national security capability, and without harming programs for the elderly, needy and handicapped.

o Every spring we begin this ritual of budget writing, spending weeks in committee, weeks on the floor of both the House and Senate, adopting a fiscal blueprint that we then go on to ignore. Something has got to give if we are ever to put our fiscal house in order.

o One answer -- though not a cure-all -- is to reform the budget process itself. And this week I joined former Senate Budget Committee Chairman Pete Domenici in co-sponsoring a package of budget process reforms.

o Though it includes many technical changes, the key feature would be for us to go from a one-year, to a two-year budget cycle. This would give us the opportunity to try some long-range planning, and allow committees the opportunity to focus on policy making instead of accounting.

o But as far as the 1988 budget goes, there's only one way we can get a meaningful plan. And that would be for the White House, Republicans, and Democrats to join together in sponsoring a plan that would focus on spending cuts -- both domestic and defense -- and perhaps include revenue increases such as the President proposed.



MEMORANDUM

April 9, 1987

To: Senator Dole  
From: Mark Bisnow  
Re: Textile bill status

Senators Hollings and Thurmond introduced a new version of their textile bill on February 19. They claim it is much more moderate than before, but of course the Administration remains opposed as strongly as ever.

The Hollings-Thurmond bill has 47 co-sponsors in the Senate and Hollings said at Finance Committee yesterday he hopes they will agree to a hearing on it. There do not appear to be the votes in the Finance Committee to take up the bill in connection with omnibus trade legislation, so Hollings and Thurmond are presumably looking for other vehicles. They are concerned about a filibuster, however. In the House, Ed Jenkins is reportedly willing not to press a textile amendment to the omnibus trade bill, but expects to get a hearing and possible separate vote in return.

The Senate bill has three major aspects: (1) it would limit the growth of textile and apparel imports to no more than 1% a year over the baseline of 1986 imports; in comparison, the last bill called for an actual rollback; (2) it would allow the administration to allocate the quota: specific countries would not be targeted as they were previously; (3) the bill would permit compensation to be made to affected foreign countries.

The Administration has the following responses to these points: (1) allowing a growth of imports of 1% a year is extremely restrictive: the number of consumers, and their demands, grow much more than that; (2) the Multi-Fiber Arrangement as well as 34 existing bilateral textile agreements provide import restrictions unparalleled in any other industry, and the Administration has been working hard at these; (3) the textile industry is doing as well or better than most American industries--it's true jobs have been lost, but this is because of higher productivity, not imports; (4) there is nothing inherently wrong with growth of the market share of imports--that's what the adjustment process is all about, and why we're not producing buggy whips anymore; (5) contrary to the arguments of the industry, the bill would be GATT-illegal, in that restrictions are supposed to be imposed only where injury is demonstrated through a quasi-judicial process, which is not the case here; and (6) since there's no current textile agreement with Europe and Canada, and yet the new quotas may affect them, it's not clear what sort of compensation we'd be in a position to give them.

Note: This bill is considered by many to be highly "protectionist." You can justify not co-sponsoring it by the fact that you have agreed to carry the Administration's competitiveness bill and avoid taking positions on specific issues until an overall policy can be decided.



4/9/87

# TALKING POINTS ON TRADE

--OUR MERCHANDISE TRADE DEFICIT FOR 1986 WAS \$170 BILLION, BUT THE TREND HAS BEEN IMPROVING. IN NOVEMBER, THE DEFICIT HAD BEEN THE WORST EVER, OVER \$19 BILLION, BUT FOR DECEMBER IT DECLINED TO \$10 BILLION. FOR JANUARY IT WAS BACK UP TO 14.8. STATISTICS FOR FEBRUARY WILL BE RELEASED IN MID-APRIL. THERE'S REASON TO THINK THEY WILL BE BETTER, GIVEN THE DECLINING DOLLAR.

--THIS IS STILL UNACCEPTABLE, OF COURSE, BUT IT SHOWS THAT THE ADMINISTRATION'S ATTACK ON THE PROBLEM--SO FAR PRINCIPALLY THROUGH EXCHANGE RATE ADJUSTMENT--IS BEGINNING TO HAVE SOME EFFECT.

--THE MAIN PROBLEM CONTINUES TO BE OUR WHOPPING BUDGET DEFICIT, WHICH REQUIRES US TO ENGAGE IN MASSIVE FOREIGN BORROWING. THIS PUTS UPWARD PRESSURE ON THE DOLLAR, AND ALSO ENCOURAGES FOREIGNERS TO EXPORT TO THE U.S. SO THEY CAN GET THE FOREIGN EXCHANGE THEY'D LIKE TO BE ABLE TO INVEST IN U.S. DEBT.

--A CHRONIC TRADE DEFICIT IS EXTREMELY DANGEROUS BECAUSE IT MEANS WE ARE CONSUMING MORE THAN WE PRODUCE. THIS MEANS WE HAVE TO KEEP BORROWING FROM ABROAD. IN ADDITION, IT MEANS WE ARE LOSING JOBS BECAUSE OUR DOMESTIC INDUSTRIES AREN'T GETTING THE WORK ORDERS THEY COULD.

--THE ANSWER, HOWEVER, IS NOT TO IMPOSE STRINGENT QUOTAS AND ERECT HIGH TARIFF WALLS. I AGREE WITH PRESIDENT REAGAN THAT DOING EXACTLY SUCH THINGS EARLIER THIS CENTURY CAUSED A CONTRACTION OF WORLD ECONOMIC ACTIVITY AND HELPED TO BRING ON THE GREAT DEPRESSION.

--THE ANSWERS TO THE TRADE PROBLEM ARE MORE FUNDAMENTAL: DOING SOMETHING ABOUT OUR BUDGET DEFICIT, ABOUT THE EXCHANGE RATE WHICH PRICES OUR GOODS OUT OF FOREIGN MARKETS, ABOUT THE DEBT BURDENS OF POOR COUNTRIES WHO CAN NO LONGER AFFORD TO BUY OUR PRODUCTS, ABOUT CLOSED FOREIGN MARKETS.

--THERE ARE SOME THINGS THAT CONGRESS CAN DO RIGHT NOW. FOR EXAMPLE, WE CAN PROVIDE GREATER ASSURANCE TO OUR TRADING PARTNERS THAT WE WILL INVESTIGATE AND RETALIATE AGAINST ANY UNFAIR TRADE PRACTICES WHICH THEY EMPLOY. AND WE CAN ALSO HELP PROVIDE BREATHING SPACE FOR OUR FIRMS AND INDUSTRIES AS THEY SEEK TO ADJUST TO THE CHANGING REALITIES OF INTERNATIONAL COMPETITION.

--THEREFORE, I HAVE JOINED A NUMBER OF MY COLLEAGUES IN INTRODUCING ON FEBRUARY 5 A MAJOR PIECE OF TRADE LEGISLATION INTENDED TO ACCOMPLISH THESE OBJECTIVES, SPONSORED BY SENATOR BENTSEN. I ALSO INTRODUCED THE ADMINISTRATION'S COMPREHENSIVE COMPETITIVENESS PACKAGE ON FEBRUARY 19, AND I AM CONSIDERING OFFERING ADDITIONAL TRADE PROPOSALS IN MY OWN BILL SHORTLY.

--BUT I BELIEVE THAT WE CAN ACHIEVE A CONSTRUCTIVE AND SUCCESSFUL OUTCOME ONLY IF WE HAVE BIPARTISAN COOPERATION, AND COOPERATION BETWEEN THE CONGRESS AND THE WHITE HOUSE. IT IS TIME FOR THE STATESMANSHIP THAT THE URGENCY OF OUR PROBLEMS REQUIRE.



APRIL 9, 1987

TO: SENATOR  
FROM: GREG SCHNACKE  
SUBJECT: GROUND WATER PROTECTION

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This looks to be an emerging issue that could grow into a national debate affecting the entire population nationwide.

Headline stories like Love Canal rattle the public and bring lots of attention to a single area, but trace amounts of chemicals and other contaminants are showing up in underground water supplies nationwide. Agricultural chemicals are prime offenders.

The Safe Drinking Water Act sets strict standards for pollutant levels in drinking water. The standards are probably unrealistically high, i.e., if you drank 2 litres per day of water at a given level of contaminant for 70 years you have a chance in a million of getting cancer, but you can never convince the public of that.

There is federal oversight over state primacy programs, but in reality the states are doing the work, making the choices and cleaning up the pollution problems.

Leaking of pipelines, underground storage tanks (gas stations), and other sources of chemicals and contaminants will be the focus of state and local government efforts to prevent, protect and cleanup ground water pollution.

Many states are interested in keeping primary responsibility for the management of groundwater resources. They want the federal role to be one of maximum flexibility and afford state officials a free hand in protection and management of this precious resource.

Sen. Durenberger will introduce a bill after the recess that authorizing \$80 million to EPA, \$140 million (already appropriated) to USGS and \$6 million to Agricultural Research Service for the purpose of research into the problem.

States like South Dakota have argued that the proper federal role is one of research. The Association of Western State Engineers based in Pierre, S.D. have perhaps the best statement on the subject:

"Ground water management programs have been or should be established by the states. The role of the federal government should be to assist with research, technical assistance and data gathering to further these programs.

"The Association of Western State Engineers opposes any federal ground water effort which might interfere with the states' ability to manage their ground water resources in a manner best suited for each state's needs."

This issue could become a very expensive proposition. A lot of cost benefit analysis will be used, but the issue is one where the public will probably demand pristine drinking water supplies, but is unaware how much that will cost.



4/8/87

*Prepared by*

THE SENATE REPUBLICAN POLICY COMMITTEE

Senator William L. Armstrong, *Chairman*

## TALKING POINTS ON THE ECONOMY

### JOBS

- The unemployment rate for March dropped to 6.6% from 6.7%, the lowest since March of 1980.
- The total number of American civilians employed in March was 111.4 million.
- During the past year, the economy has created over 2.5 million new jobs, and nearly 12 million since 1982. And since 1981, the U.S. has created nearly three and a quarter times as many new jobs as Canada, Japan, Australia and all of Europe combined!
- Of the total U.S. population, a near-record 61.5% were working in March. (The highest was 61.6% in February.) There has been a strong and sustained upward trend in job-holding since 1982. By comparison, the best employment rate attained during the 1960s was 58%, and 59.9% during the 1970s.

Unemployment rates for minorities and youth are unacceptably high, but at least since 1982 these rates have moved lower.

- The unemployment rate for teenagers has dropped from 23.2% in 1982 to 18.1% today.
- The unemployment rate for blacks has declined from 18.9% in 1982 to 13.9% today.
- The unemployment rate for Hispanics fell from 13.8% in 1982 to 9.0% today.

Meanwhile, employment has gone steadily up:

- The employment rate for all adult women has risen from 48.4% in 1982 to 52.6% today.
- The employment rate for black adult women has risen from 47.5% in 1982 to 51.7% today.
- The employment rate for black men has risen from 61.4% in 1982 to 66.1% today.
- The employment rate for all teens has risen from 41.5% in 1982 to 44.4% today.
- The employment rate for black teens has risen from 19.0% in 1982 to 24.9% today.
- Vietnam-era veterans (those who served in the armed forces between 8/5/64 and 5/7/75) are doing well in the job market. The unemployment rate for all Vietnam-era vets (age 30 and over) was 5.6% in March. This compares to an unemployment rate of 5.8% for all men (age 20 and over). Over 90% of all Vietnam-era vets are ages 30-44; the unemployment rate for these vets is only 5.5%. For the same age group of non-vets, the unemployment rate is 5.6%. [Note: The Bureau of Labor Statistics does not distinguish between veterans who served in southeast Asia and those who did not.]



### HIGH WAGES, NOT LOW

- Over the past year (Feb. to Feb.), 41.5% of the over 2.5 million jobs created were considered "managerial and professional specialty" -- the highest-paid category classified by the Labor Department.
- During the Reagan years, 1981-85, over 46% of all jobs created were high-paying jobs (over \$28,047, after adjustment for inflation), while only 6% were low-paying jobs (under \$7012, after adjustment for inflation). By contrast, only 11.2% of all jobs created during the Nixon-Ford years were high-paying, and during the Carter years, the number of high-paying jobs actually dropped by 9.9%. Moreover, 37.5% of all new jobs created during the Nixon-Ford years were low-paying, and under Carter, a stunning 41.7% were low-paying jobs.

### ECONOMIC GROWTH STILL POSITIVE

- We are in the 53rd consecutive month of positive economic growth -- this is the second longest expansion since the late 1940s.
- GNP growth for the last quarter of 1986 was only 1.1%, but net exports were higher than predicted. The low GNP growth was anticipated, however, because of the expected shift of economic activity to 1987 in order to take advantage of lower tax rates. The Blue Chip forecasters expect a healthy growth rate of 2.1% this quarter, 2.8% for the second quarter, a fairly robust 3.5% for the third quarter, and 3.4% for the fourth quarter.
- The Commerce Dept.'s index of leading economic indicators rose another 0.7% in February, continuing a long trend of steady positive signs about the health of the economy. If the index continues to gain throughout the first quarter of 1987, it will have risen 11 quarters in a row, a string exceeded in length only during the mid-1960s.

### PRICES

- The Consumer Price Index rose at a 6.7% annual rate over the first two months of 1987, due primarily to a (probably temporary) jump in energy prices. Most forecasters expect an overall rise of about 4% in 1987.
- For 1986, the CPI rose by only 1.1%, the smallest rise since 1961. This 1.1% increase represents the fifth year in a row that consumer prices have increased by less than 5%. Such a stretch of controlled inflation has not occurred since the mid-1960s.

### INTEREST RATES

- Interest rates saw a slight blip upward as several large banks raised their prime lending rate from 7.5 to 7.75%. This uptick is the only bump in a steady downward trend in the prime since mid-1984 -- over 2 and one-half years. And this is still a long way from the 21.5% rate we started with in January 1981.

### OTHER SIGNS OF HEALTH

- Retail sales increased a healthy 4.1% in February. According to the Commerce Dept., sales were up in all the broad categories. After adjustment for inflation, annual retail sales have increased by nearly 18% since 1982.



- Sales of new one-family homes in February were at an annual rate of 680,000. Although this is down slightly from the record-breaking level of 1986, it represents a huge jump from the sales rate of 436,000 in 1981. Meanwhile, sales of previously owned homes increased by 6% in February. This February sales rate of 3.69 million units per year is 11.8% above last year's total.
- Other signs that the economy is continuing its growth are an increase in factory orders, up a hefty 4.3% in February, an estimated 0.5% rise in industrial production (the fifth straight monthly increase), and a 6% rise in new orders for durable goods.

Staff contact: Bob Mottice, x42946

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