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"Housing for the Eighties", Mountain Plains Regional Convention for Housing and Redevelopment

Max S. Baucus

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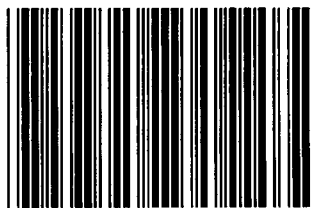
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_____ **Housing for the Eighties - 2 Versions**

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BAUCUS

HOUSING FOR THE EIGHTIES

BY SENATOR MAX BAUCUS

BEFORE THE MOUNTAIN PLAINS REGIONAL CONVENTION

FOR HOUSING AND REDEVELOPMENT

AUGUST 18, 1981

BILLINGS, MONTANA

LADIES AND GENTLEMEN, IT IS A GREAT PLEASURE TO BE HERE WITH YOU TONIGHT.

I KNOW THE LAST THING YOU WANT TO HEAR IS SOMEBODY STANDING HERE TALKING ABOUT WHAT'S GOING ON IN WASHINGTON.

LET ME BEGIN BY SAYING THAT THE PROBLEMS OF THE HOUSING INDUSTRY REMIND ME OF A STORY FORMER SENATOR ED MUSKIE USED TO TELL. IT SEEMS A FRIEND OF SENATOR MUSKIE'S WANTED TO BOARD HIS HORSE FOR A SHORT WHILE.

THE FIRST FARMER HE APPROACHED SAID HE WOULD KEEP IT FOR \$25 A DAY PLUS THE MANURE.

TOO HIGH, SENATOR MUSKIE'S FRIEND SAID, AND HE WENT TO ANOTHER FARMER WHOSE PRICE WAS \$15 A DAY PLUS MANURE. THIS WAS STILL TOO HIGH, SO THE FELLOW WENT TO A THIRD FARMER WHO OFFERED TO BOARD THE ANIMAL FOR \$5 A DAY.

"HOW COME YOU DIDN'T ASK FOR THE MANURE TOO." THE FRIEND

YS.

HIGH INTEREST RATES, FEDERAL SPENDING CUTS, NO MONEY FOR
MORTGAGES, INFLATION AND ALL THE OTHER BAD ECONOMIC NEWS MEANS WE
ARE NOT INVESTING MUCH IN HOUSING.

AND, AS SENATOR MUSKIE'S FRIEND FOUND OUT, YOU GET WHAT YOU
PAY FOR.

TONIGHT I WOULD LIKE TO DISCUSS PRESIDENT REAGAN'S ECONOMIC
PROGRAM AND HOW IT AFFECTS FEDERAL HOUSING PROGRAMS.

I VOTED FOR THE TAX CUT PACKAGE PRESIDENT REAGAN SIGNED INTO
LAW LAST WEEK. AND I VOTED FOR THE PACKAGE OF SPENDING CUTS.

I DON'T AGREE WITH EVERY PART OF THE PRESIDENT'S PACKAGE.
INDEED, ON NUMEROUS OCCASIONS I JOINED EFFORTS TO CHANGE SPECIFIC
PROPOSALS AND TO PROPOSE ALTERNATIVES TO THE PRESIDENT'S PLAN.

BUT IN THE END I VOTED FOR THESE BILLS BECAUSE I AGREE THAT
IT'S TIME TO GET FEDERAL SPENDING UNDER CONTROL AND BECAUSE I
BELIEVE WE NEED A TAX CUT TO REKINDLE AMERICA'S PRODUCTIVE
CAPACITY.

YET THIS NEW ECONOMIC PROGRAM RAISES SEVERAL FUNDAMENTAL
QUESTIONS ABOUT THE ROLE OF THE FEDERAL GOVERNMENT. ONLY TIME
WILL TELL HOW THESE QUESTIONS WILL BE ANSWERED. I WOULD BE LESS
THAN HONEST IF I DIDN'T SAY THAT I AM CONCERNED ABOUT THE
DIRECTION WE ARE HEADED.

I WANT SENATORS TO KNOW THAT IN ORDER TO HAVE A BALANCED BUDGET IN FISCAL YEAR 1984 AND BEYOND, WE ARE GOING TO BE FORCED TO MAKE MAJOR AND PAINFUL BUDGET REDUCTIONS BEYOND THOSE BEING MADE THIS YEAR. WE COULD EASILY FACE THE NECESSITY OF REDUCING SPENDING BY OVER \$80-BILLION DURING THE NEXT TWO YEARS."

THE PRIVATE SECTOR IS EQUALLY SKEPTICAL ABOUT REAGANOMICS. THE SENIOR VICE-PRESIDENT FOR MANUFACTURERS HANOVER TRUST COMPANY OF NEW YORK RECENTLY WROTE, AND I QUOTE:

"THE REAGAN ADMINISTRATION MUST EXAMINE ITS SPENDING AND TAXING POLICIES VERY CAREFULLY WITH THE AIM OF BRINGING DOWN THE BUDGET DEFICIT AS SOON AS POSSIBLE SO THAT WASHINGTON WILL NOT CONTINUE TO DRAIN THE STRENGTH FROM THE PRIVATE SECTOR THROUGH ITS HUGE FINANCING REQUIREMENTS. THE FINANCIAL COMMUNITY DOES NOT DOUBT THE ADMINISTRATION'S INTENTIONS TO DO SO: IT ONLY QUESTIONS WHETHER THIS CAN BE ACHIEVED BY BOOSTING DEFENSE SPENDING AND CUTTING TAXES WHILE BARELY HOLDING THE LINE ON NON-DEFENSE OUTLAYS."

THE PROBLEM IS THIS: THE PRESIDENT HAS JUST SIGNED A TAX CUT THAT WILL REDUCE FEDERAL REVENUES BY \$749-BILLION OVER THE NEXT FIVE YEARS. IN ADDITION, HE WANTS TO INCREASE DEFENSE SPENDING BY \$ 1.6 TRILLION OVER THE NEXT FOUR YEARS. AND, HE

E THAT THERE IS VERY LITTLE LEFT TO CUT. ALL THIS MEANS THERE
LL BE TREMENDOUS PRESSURE TO CUT FEDERAL SPENDING FOR SOCIAL
OGRAMS --- THE PEOPLE PROGRAMS.

HOUSING

LET'S TURN TO FEDERAL HOUSING PROGRAMS. HOUSING MAKES UP A
RGE PART OF THE FEDERAL BUDGET. IT'S INEVITABLE THAT THE
MINISTRATION WILL LOOK CLOSELY AT HOUSING PROGRAMS IN ITS
FORTS TO CUT SPENDING.

JUST BEFORE THE AUGUST RECESS, THE SENATE APPROVED THE HUD
PROPRIATIONS BILL. AND ALREADY IT'S CLEAR THAT TIMES HAVE
ANGED. SPENDING FOR HUD AND SOME 20 INDEPENDENT AGENCIES WAS
IT BY ROUGHLY 15 PERCENT FOR THE YEAR BEGINNING OCTOBER 1. THAT
ANSLATES INTO A LOSS TO MONTANA OF ABOUT \$500,000 IN
ONSTRUCTION AND REHABILITATION MONEY UNDER SECTION 8. FOR THE
83 FISCAL YEAR OVER \$650,000 IN SECTION 8 MONEY WOULD BE CUT.

THE ADMINISTRATION IS PROPOSING MUCH MORE THAN JUST CUTTING
HE BUDGET HOWEVER. THEY ALSO WANT TO COMBINE A WHOLE HOST OF
EDERAL PROGRAMS INTO BLOCK GRANTS. AS MOST OF YOU KNOW, UNDER
HIS CONCEPT GRANTS FOR A VARIETY OF SPECIFIC PROGRAMS WOULD BE
MPED INTO ONE BLOCK GRANT. AFFECTED PROGRAMS WOULD BE TURNED
VER TO STATES AND LOCAL GOVERNMENTS TO OPERATE OUT OF THIS LUMP
JM GRANT.

BLOCK GRANTS ARE A KEY ELEMENT IN THE ADMINISTRATION'S

IMPACT WILL BE FAR GREATER.

FOR YOU BLOCK GRANTS WILL MEAN THAT INSTEAD OF LOBBYING CONGRESS AND HUD EVERYTIME YOU NEED FUNDING, YOU WILL BE SPENDING YOUR TIME IN THE STATE CAPITOL WHERE THE STATE LEGISLATURE AND THE GOVERNOR WILL BE MAKING THE DECISIONS.

HUD ADVERTISING

BUT WHILE ATTENTION SEEMS FOCUSED ON BUDGET CUTS AND BLOCK GRANTS, MUCH MORE COULD BE DONE TO SAVE MONEY. FOR EXAMPLE, RECENTLY THE BILLINGS GAZETTE CARRIED A STORY THAT IT HAD RECEIVED SOME 28 PRESS RELEASES IN ONE SINGLE DAY. ONE DAY!

THERE PROBABLY ISN'T ENOUGH NEWS IN ALL OF WASHINGTON TO JUSTIFY 28 PRESS RELEASES IN ONE DAY -- BUT HUD THOUGHT SO.

THIS ISN'T THE FIRST TIME I'VE RUN INTO THIS PROBLEM. LAST YEAR I LOOKED INTO THE ADVERTISING BUDGETS OF SEVERAL AGENCIES TO SEE IF THESE FUNDS WERE BEING SPENT WISELY. HERE ARE JUST A FEW EXAMPLES OF WHAT I FOUND:

-- A DEPARTMENT OF TRANSPORTATION MAGAZINE RAN AN ARTICLE TITLED "WHEN LOBSTERS TRAVEL, THEY GO BY AIR"

-- OR HOW ABOUT THIS, "FINDING AN APARTMENT IN POLAND" -- FROM HUD.

-- ONE AGENCY PUTS OUT A FILM ENTITLED "CLAM AND OYSTER

.AM'."

LAST YEAR I SPONSORED AN AMENDMENT TO SEVERAL APPROPRIATIONS BILLS THAT CUT 10 PERCENT OF THIS ADVERTISING MONEY FROM THE BUDGET.

BUT CLEARLY, WE HAVEN'T SOLVED THE PROBLEMS. SO THIS YEAR DURING THE SENATE'S ACTION ON THE HUD BILL, I GOT A COMMITMENT FROM THE CHAIRMAN OF THE APPROPRIATIONS SUBCOMMITTEE TO LOOK FURTHER INTO THIS.

I AM OUTRAGED TO FIND OUT ABOUT THESE KINDS OF WASTEFUL SPENDING. I DON'T KNOW HOW THE ADVERTISING BUREAUCRATS CAN LIVE WITH THEMSELVES SOMETIMES BECAUSE THE MONEY THEY ARE SPENDING TO TELL US ABOUT "CLAM AND OYSTER SAM" SHOULD BE SPENT IN PLACES LIKE BILLINGS, MONTANA PROVIDING HOUSING FOR PEOPLE WHO NEED A ROOF OVER THEIR HEADS AND A DECENT SHELTER.

THE REAGAN ADMINISTRATION SEEMS INTENT ON CUTTING FEDERAL SPENDING. AND I AGREE A LOT CAN BE CUT. BUT I WANT TO MAKE SURE THEY CUT THE RIGHT KIND OF FEDERAL SPENDING. I WANT TO MAKE SURE THE FEDERAL BUREAUCRACY USES A LITTLE COMMON SENSE WHEN IT THINKS ABOUT SPENDING OUR MONEY.

THE HOUSING INDUSTRY COULD UNDERGO A RADICAL CHANGE DURING THE REAGAN YEARS. AND SOME OF THE CHANGES ARE JUSTIFIED. THE FEDERAL BUREAUCRACY IS BLOATED. THERE ARE TOO MANY REGULATIONS. WE DO NEED NEW APPROACHES TO HOUSING AMERICANS.

WASHINGTON, I INTEND TO SPEAK OUT IF I DON'T AGREE WITH THEIR
POLICIES. BUT I NEED YOUR HELP AS WELL. WHENEVER YOU SEE
NEEDLESS REGULATION OR RED TAPE, DON'T HESITATE TO LET ME KNOW.

THESE DAYS WE MUST LEARN TO LIVE WITH LESS. BUT LET'S MAKE
SURE WE SAVE THE BEST.

HOUSING FOR THE EIGHTIES

First Draft

by Senator Max Baucus

Before the Mountain Plains Regional Convention
for Housing and Redevelopment

August 18, 1981

Billings, Montana

Ladies and gentlemen, it is a great pleasure to be here with you tonight.

~~I must say at the outset that a banquet speech is one of the most difficult to give. I look out there and see all of you who have been eating and drinking and now probably would just like a short nap.~~

~~And I know the last thing you want to hear is somebody standing here talking about what's going on in Washington.~~

Let me begin by saying that the problems of the housing industry remind me of a story former Senator Ed Muskie used to tell. It seems a friend of Senator Muskie's wanted to board his horse for a short while.

The first farmer he approached said he would keep it for \$25 a day plus the manure.

Too high, Senator Muskie's friend said, and he went to another farmer whose price was \$15 a day plus manure. This was still too high, so the fellow went to a third farmer who offered

to board the animal for \$5 a day.

"How come you didn't ask for the manure too," the friend asked.

The farmer replied, "For five dollars a day there won't be any." Well, that's the picture with the housing industry these days.

High interest rates, federal spending cuts, no money for mortgages, inflation and all the other bad economic news means we are not investing much in housing.

And, as Senator Muskie's friend found out, you get what you pay for.

Tonight I would like to discuss President Reagan's economic plan and how it affects federal housing programs.

I voted for the tax cut package President Reagan signed into law last week. And I voted for the package of spending cuts.

I don't agree with every part of the President's package. Indeed, on numerous occasions I joined efforts to change specific proposals and to propose alternatives to the President's plan.

But in the end I voted for these bills because I agree that it's time to get federal spending under control and because I believe we need a tax cut to rekindle America's productive capacity.

Yet this new economic program raises several fundamental questions about the role of the federal government. Only time will tell how these questions will be answered. I would be less

than honest if I didn't say that I am concerned about the direction we are headed.

I'm not the only one who has these concerns. The Chairman of the Senate's Budget Committee, Senator Domenici, recently said and I quote:

"I want Senators to know that in order to have a balanced budget in fiscal year 1984 and beyond, we are going to be forced to make major and painful budget reductions beyond those being made this year. We could easily face the necessity of reducing spending by over \$80-billion during the next two years."

The private sector is equally skeptical about Reaganomics. The senior vice-president for Manufacturers Hanover Trust Company of New York recently wrote, and I quote:

"The Reagan Administration must examine its spending and taxing policies very carefully with the aim of bringing down the budget deficit as soon as possible so that Washington will not continue to drain the strength from the private sector through its huge financing requirements. The financial community does not doubt the Administration's intentions to do so: it only questions whether this can be achieved by boosting defense spending and cutting taxes while barely holding the line on non-defense outlays."

The problem is this: the President has just signed a tax cut that will reduce federal revenues by \$749-billion over the

next five years. In addition, he wants to increase defense spending by \$ 1.6 trillion over the next four years. And, he says he will balance the budget by 1984. Now, considering that the President can't stop paying interest on the national debt, and Congress won't let him cut Social Security payments, you can see that there is very little left to cut. All this means there will be tremendous pressure to cut federal spending for social programs --- the people programs.

HOUSING

Let's turn to federal housing programs. Housing makes up a large part of the federal budget. It's inevitable that the Administration will look closely at housing programs in its efforts to cut spending.

Just before the August recess, the Senate approved the HUD appropriations bill. And already it's clear that times have changed. Spending for HUD and some 20 independent agencies was cut by roughly 15 percent for the year beginning October 1. That translates into a loss to Montana of about \$400,000 in construction and rehabilitation money under Section 8. For the 1983 fiscal year over \$650,000 in Section 8 money would be cut.

The Administration is proposing much more than just cutting the budget however. They also want to combine a whole host of federal programs into block grants. As most of you know, under this concept grants for a variety of specific programs would be lumped into one block grant. Affected programs would be turned over to states and local governments to operate out of this lump

sum grant.

Block grants are a key element in the Administration's budget strategy. But while the Administration looks at block grants as a way to cut spending and reduce the role of the federal government in housing programs, for many of you the impact will be far greater.

For you block grants will mean that instead of lobbying Congress and HUD everytime you need funding, you will be spending your time in the state capitol where the state legislature and the Governor will be making the decisions.

HUD ADVERTISING

But while attention seems focused on budget cuts and block grants, much more could be done to save money. For example, recently the Billings Gazette carried a story that it had received some 28 press releases in one single day. One day!

There probably isn't enough news in all of Washington to justify 28 press releases in one day -- but HUD thought so.

This isn't the first time I've run into this problem. Last year I looked into the advertising budgets of several agencies to see if these funds were being spent wisely. Here are just a few examples of what I found:

-- A Department of Transportation magazine ran an article entitled "When Lobsters Travel, They Go by Air"

-- Or how about this, "Finding an Apartment in Poland" --

from HUD.

-- One agency puts out a film entitled "Clam and Oyster Sam". The film was described as "an educational, musical comedy designed for general audiences...with toe-tapping tunes like 'Everybody got to Love an Oyster' and 'Nobody Doesn't Love a Clam'."

Last year I sponsored an amendment to several appropriations bills that cut 10 percent of this advertising money from the budget.

But clearly, we haven't solved the problems. So this year during the Senate's action on the HUD bill, I got a commitment from the Chairman of the Appropriations Subcommittee to look further into this.

I am outraged to find out about these kinds of wasteful spending. I don't know how the advertising bureaucrats can live with themselves sometimes because the money they are spending to tell us about "Clam and Oyster Sam" should be spent in places like Billings, Montana providing housing for people who need a roof over their heads and a decent shelter.

The Reagan Administration seems intent on cutting federal spending. And I agree a lot can be cut. But I want to make sure they cut the right kind of federal spending. I want to make sure the federal bureaucracy uses a little common sense when it thinks about spending our money.

The housing industry could undergo a radical change during

the Reagan years. And some of the changes are justified. The federal bureaucracy is bloated. There are too many regulations. We do need new approaches to housing Americans.

Our job, however, is to make sure the good isn't thrown out with the bad. As a Democratic Senator in a Republican Washington, I intend to speak out if I don't agree with their policies. But I need your help as well. Whenever you see needless regulation or red tape, don't hesitate to let me know.

These days we must learn to live with less. But let's make sure we save the best.