Montana Association of Realtors Convention (1)

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Senator * or Department*: **BAUCUS**

Instructions:
Prepare one form for insertion at the beginning of each record series.
Prepare and insert additional forms at points that you want to index.
For example: at the beginning of a new folder, briefing book, topic, project, or date sequence.

Record Type*: Speeches & Remarks

MONTH/YEAR of Records*: October-1981
(Example: JANUARY-2003)

(1) Subject*: Montana Realtors Speech in Helena on Economy
(select subject from controlled vocabulary, if your office has one)

(2) Subject* 2 Versions

DOCUMENT DATE*: 10/09/1981
(Example: 01/12/1966)

* "required information"
Speech: Montana Realtors - Helena
10-9-81

How do we get interest rates and inflation rates down?

I don't have to give you a casualty report.

I don't have to tell you what toll it's taking on budget. $100 billion in debt.
So what do we do about it?
What to do?

Let's see how we got here. Let's begin in early 1960s

2% inflation
4.5% interest

Vietnamese was the beginning of problems

$100 B cost
Russia buildup
Stream on budget
Great Society Programs added 3 to mounting federal bills.
Both guns & butter

Only trouble is we didn't pay for it
- Pres. Johnson & Cong
no courage.

Live on borrowed time.
Inflationary fires burning

Then we got another body blow in 1973
OPEC
$35 1981
$2 641 1971
Inflation / interest rates up
- Tax cuts
  \[
  1\% - 1\% \%
  \]

1980 elections: Carter + Dems out

Reagan & Repub choice
Dramatic change

The plan:
1. Spending cuts:
   \[
   \$35 - \$34
   \]
   \[
   \$349 B + to 1986
   \]
2) Tax cut - Supply-side economics
   - Too much spending + consumption
     Not enough savings
   - 10-10-10
   - 10-5-3
   - $35 B: 1982
     $749 B: to 1986

3) Moderate money supply
   Federal Reserve encouraged

Collision of two theories
Will it work?

Will people save?

Will bus receipts increase productivity?

Will incomes go up reducing deficit?

Time will tell?  Hope so!

Only two ways to lower interest rates:

1) There's another question.  Should we wait?
   Should we in meaningly change foreign measures to reduce interest rates?

   Usury laws
   Credit reallocation

   Two fee credit

   Reconstitute Fed
I believe we can't wait

At least have hearings on bills

Ready if collapse

In the meantime maintain a close watch on basic programs.

Warning signals:

1) Numbers don't add up. 1984 bad budget based on many economic assumptions.

349 v. 749 v. $1.7T defense

2) Perception: Middle class left out: Richer getting richer at expense of middle incomes.
(2) Neglect additional efforts.
- Program can't solve problem
- Have complicated economy, and now program

1. M. Mendel quote

(1) Change in certain in costs means
- Japan saving

(2) Expect more
- Expect
If it doesn’t work?

- Cut more spending: Thatcher
- Raise revenue - tax roll back
- Draconian N/Y2

Interest rates down

Balanced budget
ECONOMIC SPEECH

HOW DO WE GET INTEREST RATES AND INFLATION DOWN?

I DON'T HAVE TO GIVE YOU A CASUALTY REPORT.

I DON'T HAVE TO TELL YOU WHAT TOLL IT'S TAKING ON THE BUDGET: INTEREST ON THE NATIONAL DEBT WILL TOP $100 BILLION THIS YEAR. THAT'S $100 BILLION WE DON'T HAVE TO SPEND ON HIGHWAYS, OR FARM PROGRAMS, OR HEALTH PROGRAMS, OR HOUSING.
SO WHAT CAN WE DO ABOUT HIGH INTEREST RATES?

FIRST, LET'S LOOK AT HOW WE GOT HERE.

LET'S BEGIN WITH THE EARLY 60'S. INFLATION WAS 1.6 PERCENT BETWEEN 1960 AND 1965. AND INTEREST RATES WERE 3.5 PERCENT. HOUSING STARTS WERE 1.5 MILLION ANNUALLY.

THE VIETNAM WAR WAS THE BEGINNING OF THE PROBLEM. BETWEEN 1965 AND 1970 MILITARY SPENDING ROSE BY NEARLY $60 BILLION IN TODAY'S DOLLARS.
THE GREAT SOCIETY PROGRAMS ADDED TO THE MOUNTING FEDERAL DEBT. CONGRESS AND THE PRESIDENT WANTED TO HAVE BOTH "GUNS AND BUTTER".

THE ONLY TROUBLE WAS THAT WE Didn'T WANT TO PAY FOR IT. PRESIDENT JOHNSON AND CONGRESS Didn'T HAVE THE COURAGE TO RAISE TAXES OR CUT OTHER SPENDING TO PAY THE TAB.

EVEN THEN WE WERE LIVING ON BORROWED TIME. THE INFLATION FIRES WERE BURNING EVEN THEN.
WE GOT ANOTHER BODY BLOW IN 1973 WHEN OPEC OIL PRICES WENT THROUGH THE ROOF.

IN 1971 OPEC OIL COST $2 A BARREL. BY 1981 THAT HAD JUMPED TO $35 A BARREL.

INFLATION AND INTEREST RATES HAVE FORCED MANY AMERICANS TO PAY HIGHER TAXES, ALSO. TAXES HAVE GONE UP 1 TO 1¼ PERCENT A YEAR.

AMERICANS EXPRESSED THEIR DISPLEASURE ABOUT THE DETERIORATING ECONOMY BY VOTING OUT PRESIDENT CARTER AND TURNING CONTROL OF THE SENATE OVER TO THE REPUBLICANS.
RONALD REAGAN AND THE REPUBLICAN PARTY WERE THE CHOICE.
THEIR PROGRAM PRESENTED A DRAMATIC CHANGE IN THE COURSE OF ECONOMIC POLICY.

THE REPUBLICAN PLAN WAS:
1). SPENDING CUTS:
   $37 BILLION THE FISCAL YEAR BEGINNING OCTOBER 1.
   $135 BILLION BETWEEN FISCAL '82 AND '84.
   $147 BILLION IN ADDITIONAL CUTS BETWEEN '82 AND '84.
2). TAX CUTS -- SUPPLYSIDE ECONOMICS:
   THE GOAL TO INCREASE SAVINGS AND DECREASE SPENDING
   INDIVIDUAL CUT: 5-10-10
   ACCELERATED DEPRECIATION: 15-10-5-3
   COST IN FISCAL 82 = $37.6 BILLION
   TOTAL COST (82-86) = $749 BILLION.

3). MODERATE MONEY SUPPLY. WHEN THE PRESIDENT AND CONGRESS
   FAILED TO STOP INFLATION, THE FED STEPPED IN WITH A
   TIGHT MONEY POLICY. AND YOU KNOW HOW THAT POLICY HAS
   DRIVEN UP INTEREST RATES.
BUT WHEN YOU PUT ALL THE PIECES TOGETHER YOU REALIZE YOU HAVE A COLLISION COURSE BETWEEN THE SUPPLY SIDE ECONOMISTS AND THOSE WHO BELIEVE IN A TIGHT MONEY POLICY -- THE MONITARISTS.

THE BASIC QUESTION REMAINS: WILL THE PRESIDENT'S ECONOMIC PROGRAM WORK?

WILL PEOPLE SAVE?

WILL BUSINESSES RE-INVEST TO INCREASE PRODUCTIVITY?

WILL INCOMES GO UP, THUS REDUCING THE DEFICIT?
I HOPE SO. BUT ONLY TIME WILL TELL.

THERE ARE SOME WARNING SIGNALS ALREADY.

1). THE NUMBERS DON'T SEEM TO ADD UP. BALANCING THE BUDGET BY 1984 IS BASED ON ROSY ECONOMIC ASSUMPTIONS.
CUTTING TAXES BY $749 BILLION AND INCREASING DEFENSE SPENDING BY $1 TRILLION.

2). THE PERCEPTION IS THAT MIDDLE CLASS IS BEING LEFT OUT.
THE RICH ARE GETTING RICHER AT THE EXPENSE OF THE MIDDLE INCOME.
HOW WE DEAL WITH THE IMMEDIATE INTEREST RATE CRISIS IS ANOTHER QUESTION. DO WE TAKE IMMEDIATE STEPS TO LOWER INTEREST RATES OR DO WE WAIT FOR THE REAGAN ECONOMIC PROGRAM TO WORK.

THERE'S ANOTHER QUESTION. SHOULD WE WAIT. THE SHORT TERM SOLUTIONS ARE:

1). USURY LAWS
2). CREDIT ALLOCATIONS
3). TWO TIER CREDIT
4). RECONSTITUTE THE STRUCTURE OF THE FED. I HAVE SPONSORED A BILL TO MAKE SURE FARMERS AND SMALL BUSINESSMEN ARE REPRESENTED.
I DON'T BELIEVE WE CAN WAIT. AT LEAST WE SHOULD GO AHEAD WITH HEARINGS ON THE BILLS AFFECTING INTEREST RATES. BUT I BELIEVE WE SHOULD DO MORE AND TAKE A STRONGER POSITION IN FAVOR OF LOWER INTEREST RATES.

LET'S NOT NEGLECT ADDITIONAL APPROACHES TO SOLVING OUR ECONOMIC PROBLEMS, SUCH AS:

1). TARGETING TAX INCENTIVES DELIBERATELY TOWARD SAVINGS AND INVESTMENT AND AWAY FROM CONSUMPTION:

2). RETRAINING WORKERS TO MEET THE DEMAND FOR WORKERS ADJUSTED TO THE NEW U.S. AND WORLD TECHNOLOGICAL STRUCTURE.
3). Launching a program to increase and encourage export trade, in agriculture for example.

4). Take another look at tax expenditures.

5). Take a serious look at some of the new tax structure schemes, such as a progressive consumption tax.

Have to remember that the economy is complicated. And it's easy to find the simple solutions. But as H.L. Mencken said, "For every complex problem, there is a simple solution -- and it's wrong."
IF THE PRESIDENT'S PROGRAM DOESN'T WORK, WHAT DO WE DO NEXT:

1). CUT SPENDING EVEN MORE -- SOONER OR LATER, HOWEVER, WE WILL RUN OUT OF THINGS TO CUT. AT THE PRESENT RATE, BY 1984 THE FEDERAL GOVERNMENT WILL BE DOING NOTHING MORE THAN PAYING ENTITLEMENTS AND PAYING FOR THE DEFENSE BUDGET.

2). RAISE REVENUE -- INCREASE TAXES

3). BUT CONTINUED HIGH INTEREST RATES SOONER OR LATER WILL DESTROY THE ECONOMY. LET'S MAKE SURE THE CURE IS NOT WORSE THAN THE ILLNESS. AT SOME POINT THE HIGH INTEREST RATE POLICY WILL WIPE OUT ANY INCREASES IN PRODUCTIVITY CAUSED BY THE TAX INCREASE.