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International Consumer Credit Association

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THANK YOU. I VERY MUCH APPRECIATE THE OPPORTUNITY TO BE HERE TODAY.

WHEN I WAS INVITED, I ACCEPTED WITH PLEASURE.

AS MEMBERS OF THE INTERNATIONAL CONSUMER CREDIT ASSOCIATION, YOU ARE VITALLY CONCERNED ABOUT THE ECONOMY. MOST IMPRESSIVELY, YOU ARE LOOKING AHEAD TO THE FUTURE.

YESTERDAY, ON THE AIRPLANE, I GLANCED AT YOUR MAGAZINE, THE CREDIT WORLD. I WAS STRUCK BY TWO ARTICLES IN PARTICULAR.
THE FIRST INVOLVED CONSUMER CREDIT IN JAPAN. THE SECOND DESCRIBED NEW TECHNOLOGIES IN CONSUMER CREDIT.

LET ME QUOTE FROM THE ARTICLE ABOUT NEW TECHNOLOGIES:

"HOW WOULD YOU LIKE TO TAKE THE BEST TELEPHONE OPERATOR COLLECTOR YOU'VE EVER KNOWN, WORKING ON THE BEST DAY HE'S EVER HAD, AND MULTIPLY HIS RESULTS A THOUSAND TIMES OVER...EVERY DAY? INCREDIBLE AS IT MAY SEEM, A NEW COMPUTER IS CAPABLE OF DOING JUST THAT."

THEY SAY A SPEECH SHOULD HAVE A SINGLE THEME. MY THEME TODAY IS THE MESSAGE OF THAT ARTICLE, THE GREAT POTENTIAL OF THE FUTURE.
LISTENING TO THE POLITICAL DEBATES, WE SENSE A FEELING OF UNCERTAINTY, AND DRIFT.

WE FACE THE OMINOUS DANGERS OF NUCLEAR WAR.

WE FACE DEEP, FAR-REACHING ECONOMIC PROBLEMS.

WE SEE CONGRESS STRUGGLING TO PASS A BUDGET. INCREASINGLY WE ARE DIVIDED INTO FACTIONS, EACH WITH A DIFFERENT VIEW OF THE PERFECT BUDGET.

BUT WHILE OUR SHORT TERM PROBLEMS ARE SEVERE, THE LONGER TERM GIVES REASON FOR HOPE. GREAT CHALLENGES BRING GREAT OPPORTUNITIES.
FIFTEEN YEARS AGO, A FRENCHMAN WROTE A BOOK ABOUT AMERICAN SUCCESS. HE CALLED IT THE AMERICAN CHALLENGE.

HE MARVELED AT THE CREATIVITY OF AMERICAN BUSINESS.

HE ADMIRIED OUR ABILITY TO THINK AHEAD.

HE ENVIED THE EXCELLENCE OF OUR PRODUCTS.

HE RESPECTED OUR FAITH IN THE POWER OF IDEAS.

AND HE KNEW THAT OUR DEMOCRATIC SYSTEM MADE IT POSSIBLE.
Too often we see investment, and capital, in purely material terms. But the secret of American success is a broader definition.

It involves human capital—investing in people, through education, and training.

It involves the capital of ideas—investing in research and development.

America has always anticipated the future, and America has always been prepared for it. That is the secret of our strength.
THE WORLD ECONOMY IS CHANGING.

NEW INDUSTRIES ARE BEING BORN, IN COMPUTERS, COMMUNICATIONS, MEDICAL TECHNOLOGIES, AND ADVANCED ELECTRONICS.

NEW PRODUCTS WILL SERVE CONSUMERS. NEW JOBS WILL EMPLOY AMERICANS, WHO WILL NEED SPECIAL SKILLS ON THE JOB.

OLDER INDUSTRIES FACE DECAY, AND JOBS ARE THREATENED.

OUR ECONOMY IS BECOMING INTERDEPENDENT WITH ECONOMIES OF OTHER NATIONS. ONE IN SEVEN AMERICAN JOBS DEPENDS ON TRADE.
INSTABILITY IN THE MIDDLE EAST THREATENS OUR ENERGY LIFELINE. HIGH INTEREST RATES CRIPPLE OUR ECONOMY, AND CREATE TENSIONS WITH EUROPE.

INTERNATIONAL COMPETITION IS RISING. AMERICAN AUTOMAKERS ARE CHALLENGED BY THE JAPANESE. AMERICAN STEELWORKERS ARE CHALLENGED BY EUROPE.

TRADE TENSIONS RISE AS NATIONAL ECONOMIES DETERIORATE.

AND MANY AMERICANS SUFFER.

ALMOST TEN PERCENT OF THE COUNTRY IS OUT OF WORK.
INTEREST RATES ARE OVER 16%.

FARMERS ARE HAVING THE WORST TIME SINCE THE 1930's.

HOW SHOULD THE UNITED STATES RESPOND?

FIRST OF ALL, LET ME ILLUSTRATE THE POINT BY USING BANKRUPTCY AS AN EXAMPLE.

THIRTY YEARS AGO, OUR ECONOMY WAS ASSET ORIENTED. IF YOU WALKED INTO A DEPARTMENT STORE TO BUY A TELEVISION, THE STORE WANTED TO KNOW WHAT ASSETS YOU HAD FOR SECURITY.

BANKRUPTCY LAWS WERE ASSET ORIENTED. YOUR ABILITY TO DISCHARGE DEBTS WAS BASED ON WHAT YOU OWNED.
TODAY, IN 1982, THE REAL WORLD IS NO LONGER ASSET ORIENTED. WE HAVE BECOME INCOME ORIENTED.

THAT DEPARTMENT STORE NOW WANTS TO KNOW IF YOU HAVE A STEADY JOB AND A STEADY INCOME--NOT JUST HOW MANY CARS YOU OWN.

OUR BANKRUPTCY LAWS MUST CHANGE WITH THE ECONOMY. WHEN CONSIDERING ONE'S ABILITY TO DISCHARGE A DEBT, WE SHOULD CONSIDER ANTICIPATED FUTURE INCOME RATHER THAN ASSETS ALONE.

THIS FUTURE INCOME APPROACH IS EMBODIED IN A BILL I HAVE SUPPORTED IN CONGRESS, S. 2000.
THAT BILL HAS PASSED THE SENATE SUBCOMMITTEE ON WHICH I SERVE. IT HAS AN EXCELLENT CHANCE OF PASSING THE SENATE.

AND IT IS A GOOD EXAMPLE OF THE KIND OF ANALYSIS THAT IS NEEDED TODAY.

THINK ABOUT THE FUTURE.

TECHNOLOGICAL PROGRESS WILL HELP US CURE DISEASE, FIND NEW SOURCES OF ENERGY, TRANSPORT US QUICKLY AND EFFICIENTLY, INFORM US, AND ENTERTAIN US.

AS NEW BUSINESSES EMERGE, OLDER ONES CAN BE REBUILT.
ONE OF THE SECRETS OF JAPANESE SUCCESS IS THAT THEY SPEND A GREAT DEAL OF TIME THINKING ABOUT, AND PREPARING FOR, THESE CHANGES.

TOO OFTEN, WE DO NOT.

YOU HAVE READ A LOT ABOUT SUPPLY-SIDE ECONOMICS. LET'S THINK ABOUT WHAT IT MEANS.

UNDER THE CURRENT PROGRAM, DEFENSE SPENDING WILL BE 40% OF ALL FEDERAL SPENDING. BY 1987, WE WILL SPEND OVER A TRILLION AND A HALF DOLLARS ON DEFENSE.

SO WE HAVE THE LARGEST TAX CUT IN AMERICAN HISTORY. AND THE LARGEST DEFENSE BUILD-UP IN AMERICAN HISTORY. BUT HOW DO WE PAY FOR IT?

WE PAY FOR IT BY CUTTING MANY GOVERNMENT PROGRAMS TO THE BONE. AND STILL WE HAVE RECORD DEFICITS.

WE PAY FOR IT BY NEGLECTING OTHER NEEDS. AND BY THAT NEGLECT, WE SACRIFICE OUR LONG TERM COMPETITIVE POSITION.

HERE ARE SOME QUESTIONS THAT OCCUR TO ME:
WHY AREN'T WE DEVOTING MORE EFFORT TO RESEARCH AND DEVELOPMENT?

WHY DOES JAPAN PRODUCE ALMOST TWICE AS MANY ENGINEERS, PER CAPITA, AS WE DO?

WHY ARE WE NEGLECTING OUR ROADS AND PORTS, WHICH ARE ESSENTIAL TO A VIGOROUS ECONOMY?

WHY ARE PH.D.'S GOING DOWN IN NUMBER? IN CHEMISTRY, PHYSICS, ASTRONOMY, COMPUTER SCIENCES, AND ENGINEERING THEY ARE DOWN BETWEEN 25 AND 40%. AND MANY OF THE GRADUATES ARE FOREIGN STUDENTS.

WHY ARE WE REDUCING OUR NATIONAL COMMITMENT TO EDUCATION?
WHY AREN'T WE DEVELOPING A COMPUTER-LITERATE POPULATION?

WHY DOES THE CONGRESSIONAL OFFICE OF TECHNOLOGY ASSESSMENT SUGGEST THAT WE ARE ABANDONING OUR LEADERSHIP ROLE IN SPACE SCIENCES?

WHY DOES JAPAN—AND NOT THE UNITED STATES—POSSESS THE MOST COMPREHENSIVE ANALYSIS OF WORLD ECONOMIC AND MARKET TRENDS?

WHY IS AMERICAN BUSINESS PRE-OCCUPIED WITH SHORT-TERM PROFIT MARGINS, WHILE THE JAPANESE EMPHASIZE LONG-TERM INVESTMENT?
WHY DO WE ADOPT LOOSE FISCAL POLICIES, AND TIGHT MONETARY POLICIES, THAT RAISE INTEREST RATES?

WHY CAN'T LABOR, GOVERNMENT, AND MANAGEMENT WORK TOGETHER, MORE OFTEN, AS THEY DO IN JAPAN, AND GERMANY? WHY MUST SOME AMERICANS SEE GOVERNMENT AS THE ENEMY, WHILE OTHERS SEE LABOR AS THE ENEMY, WHILE STILL OTHERS SEE BUSINESS AS BAD?

WHY MUST SO MUCH SCARCE CAPITAL BE RESERVED FOR Mergers, MANY OF WHICH DO NOT SERVE NATIONAL ECONOMIC NEEDS?

These are the questions I have begun asking in the Senate Finance Committee. These are matters I hope you will consider in the years ahead.
WE NEED TO EXAMINE GOVERNMENT PROGRAMS, AND THE TAX CODE, FROM TOP TO BOTTOM.

WE SHOULD LOOK AT RESEARCH. EDUCATION. TRAINING OF SKILLED LABOR. SPACE SCIENCES. ROADS AND PORTS. COMPUTERS. COOPERATION BETWEEN LABOR, MANAGEMENT, AND GOVERNMENT.

BUSINESS NEEDS TO THINK BEYOND THE NEXT QUARTER'S PROFITS.

AND POLITICIANS NEED TO THINK BEYOND THE NEXT ELECTION.

AND WE NEED TO RESTORE THAT SENSE OF CONFIDENCE, DYNAMISM AND INGENUITY THAT HAS SERVED THIS NATION IN THE PAST.
THINK ABOUT OUR GREAT NATIONAL MOMENTS.

TAKE THE CONSTITUTION. THE FOUNDING FATHERS CREATED SOMETHING NEW. THEY WANTED A CONSTITUTION THAT WOULD LAST. THEY WERE LOOKING FORWARD.

THEY TALKED. BUT THEY ALSO ACTED.

THEY AGREED. BUT THEY COMPROMISED.

THEY GOT THE JOB DONE.

TAKE THE MARSHALL PLAN.

PRESIDENT TRUMAN HAD LEARNED THE LESSON OF HISTORY. HE UNDERSTOOD THE MISTAKES MADE AFTER WORLD WAR I. HE WOULD NOT REPEAT THEM.
PRESIDENT TRUMAN DECIDED TO REBUILD EUROPE. TO BRING STABILITY THROUGH PROSPERITY. IT WAS A GENEROUS AND WISE ACT BY A GREAT POWER. IT WAS THE MOST EFFECTIVE ANTI-COMMUNIST PROGRAM EVER DEVISED.

OUT OF CENTURIES OF EUROPEAN WARS GREW A EUROPEAN COMMUNITY, AND A WESTERN ALLIANCE.

TAKE THE SPACE PROGRAM. PRESIDENT KENNEDY WANTED TO MOVE INTO A NEW FRONTIER. SCIENTISTS WERE MOBILIZED. RESOURCES WERE ALLOCATED. GOALS WERE DEFINED. NATIONAL PURPOSE WAS RALLIED.
BEING AN AMERICAN WAS A STATEMENT OF PRINCIPLE. WE MADE IT TO THE MOON. WE MADE SCIENTIFIC DISCOVERIES THAT INVIGORATED AMERICAN BUSINESS.

THE CONSTITUTION. THE MARSHALL PLAN. THE SPACE PROGRAM.

EACH INVOLVED TRYING SOMETHING NEW. EXPERIMENTING.

EACH INVOLVED A POSITIVE, CAN-DO ATTITUDE.

INSTEAD OF FINDING REASONS NOT TO ACT, WE ACTED.
THAT'S THE ATTITUDE WE NEED TODAY.

THIS COUNTRY HAS INCREDIBLE POTENTIAL.

WE HAVE A STANDARD OF LIVING THAT IS THE ENVY OF MOST OF THE WORLD.

WE FORGET: PEOPLE WANT TO LEAVE THE SOVIET UNION. BUT THEY WANT TO ENTER THE UNITED STATES.

WE DO FACE SUBSTANTIAL PROBLEMS, AND WE CANNOT EXPECT FAST OR EASY ANSWERS.
BUT BY WORKING TOGETHER, THINKING AHEAD, AND SHARING THE BURDEN, WE CAN START MOVING FORWARD AGAIN.

THAT'S WHAT MAKES AMERICA UNIQUE.

THANK YOU.