

4-8-1983

Employees of MCA (1)

Max S. Baucus

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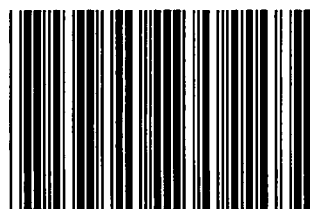
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(2) Subject* **Before Employees of MCA**

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BAUCUS

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SPEECH BY SENATOR MAX BAUCUS

BEFORE EMPLOYEES OF MCA

APRIL 8, 1983

GOOD MORNING.

I WOULD LIKE TO MAKE A FEW COMMENTS, THEN RESPOND TO ANY QUESTIONS YOU MAY HAVE.

THE ECONOMIC FORECASTERS IN WASHINGTON FINALLY ARE GETTING OPTIMISTIC. LAST WEEK THE REAGAN ADMINISTRATION REVISED ITS ECONOMIC FORECAST.

UNEMPLOYMENT HAS STOPPED RISING. FACTORY ORDERS ARE INCREASING. HOUSES ARE BEGINNING TO SELL. INFLATION CONTINUES TO FALL.

IT APPEARS THAT THE ECONOMIC RECOVERY AT LONG LAST HAS ARRIVED. BUT THE REAL ISSUE IS HOW LONG IT WILL STAY.

THE KEY IS INTEREST RATES. UNLESS INTEREST RATES CONTINUE TO DROP AND STABILIZE AT REASONABLE LEVELS, THE RECOVERY WILL NOT LIVE UP TO ITS ADVANCED BILLING.

I DON'T HAVE A QUICK FIX THAT WILL KEEP INTEREST RATES DOWN. BUT THERE ARE SOME THINGS CONGRESS CAN DO THAT WILL HELP.

WE HAVE AN OPPORTUNITY IN THE NEXT FEW WEEKS TO BEGIN THAT TASK.

I THINK THERE ARE FOUR BASIC STEPS THAT ARE NEEDED.

FIRST, WE MUST REDUCE THE FEDERAL BUDGET DEFICIT. WE NEED A PLAN OF STEADY, LONG-TERM AND REALISTIC CUTS IN THE FEDERAL DEFICIT. I SUPPORT A \$20 BILLION A YEAR REDUCTION IN THE FEDERAL DEFICIT. THAT WOULD BE THE KIND OF SIGNAL NEEDED TO PROVE THAT DEFICITS ARE HEADING DOWN.

THE SENATE WILL VOTE FOR BUDGET TARGETS BEFORE MEMORIAL DAY.

I WILL PROPOSE AN ALTERNATIVE TO THE CURRENT BUDGET THAT WOULD CUT \$21 BILLION THIS YEAR FROM THE FEDERAL DEFICIT.

SECOND, WE NEED TO REQUIRE A BALANCED BUDGET. THE FEDERAL BUDGET IS OUT OF CONTROL. WE NEED NEW TOOLS TO ENCOURAGE BALANCED BUDGETS. I AM INTRODUCING A BILL THAT WOULD PERMIT CONGRESS AND THE ADMINISTRATION TO OPERATE IN THE RED, BUT ONLY AFTER THREE-FIFTHS OF CONGRESS VOTED TO PERMIT DEFICIT SPENDING.

THIRD, CONGRESS MUST GET TOUGH WITH THE FEDERAL RESERVE. CHAIRMAN VOLCKER'S TERM EXPIRES THIS SUMMER. THIS SHOULD BE AN OPPORTUNITY TO PUT PRESSURE ON HIM AND THE FED TO LOWER INTEREST RATES. I'M ON THE FINANCE COMMITTEE AND LOOK FORWARD TO THAT OPPORTUNITY.

FOURTH, WE MUST REFORM THE FED. WE MUST NOT BE HELD HOSTAGE BY THE MYTH OF AN INDEPENDENT FEDERAL RESERVE. CONGRESS SHOULD PLAY A GREATER ROLE IN SETTING MONETARY GOALS.

INTEREST RATE GOALS SHOULD BE COORDINATED WITH THE ECONOMIC GOALS SET BY CONGRESS AND THE PRESIDENT. NO ONE BENEFITS IF THE FED IS OPERATING LIKE A TOTALLY INDEPENDENT AGENCY.

REDUCING FEDERAL DEFICITS

IT'S EASY TO TALK ABOUT CUTTING FEDERAL BUDGET DEFICITS. GETTING THE JOB DONE IS ANOTHER STORY.

I WILL BE PROPOSING AN ALTERNATIVE BUDGET THAT WOULD ACHIEVE SAVINGS IN SEVERAL WAYS. LET ME BRIEFLY DESCRIBE SOME OF THE PROVISIONS:

o THE SOCIAL SECURITY REFORM PACKAGE WILL CUT THE DEFICIT BY \$11 BILLION A YEAR FOR THE NEXT FIVE YEARS.

o CONGRESS ALSO MUST DO A BETTER JOB OF GETTING THE MOST BANG FOR EVERY DEFENSE BUCK. I SUPPORT INCREASED MILITARY FUNDING. WE MUST MAINTAIN AND STRENGTHEN OUR NATIONAL DEFENSE.

BUT I BELIEVE A 5 PERCENT A YEAR INCREASE IN THE DEFENSE BUDGET ALLOWS US TO ACCOMPLISH THAT GOAL, WITHOUT WASTING MONEY. A 5 PERCENT GROWTH RATE WOULD CUT THE DEFICIT BY \$9 BILLION A YEAR OVER THE NEXT FIVE YEARS.

O IT'S POPULAR IN WASHINGTON THESE DAYS TO TALK ABOUT ELIMINATING THE THIRD YEAR OF THE TAX CUT. I DISAGREE.

THE THIRD YEAR OF THE TAX CUT IS THE ONE THAT IS MOST BENEFICIAL TO MIDDLE INCOME TAXPAYERS. INSTEAD, I THINK WE SHOULD CAP THE BENEFITS FROM THE THIRD YEAR CUT.

I WOULD LIMIT THE TAX CUT TO \$700. COUPLES EARNING \$35,000 OR LESS WOULD RECEIVE THE FULL 10 PERCENT. ABOVE \$35,000, THE TAX CUT WOULD DECREASE. THIS PROPOSAL WOULD SAVE ABOUT \$7 BILLION A YEAR.

O FINALLY, A MODEST PROGRAM OF CLOSING LOOPHOLES IN THE TAX CODE COULD RAISE ABOUT \$6 BILLION A YEAR.

THIS LIST ALONE WOULD CUT THE CURRENT PROJECTED DEFICITS BY \$21 BILLION IN 1984, \$28 BILLION IN 1985 AND \$45 BILLION IN 1986. THIS AMOUNTS ONLY TO A PORTION OF WHAT I THINK NEEDS TO BE DONE, BUT IT IS AN IMPORTANT BEGINNING.

REDUCING DEFICITS BY \$20 BILLION A YEAR WOULD SEND A CLEAR SIGNAL TO BUSINESS THAT CONGRESS IS SERIOUS ABOUT REGAINING CONTROL OVER FEDERAL SPENDING.

AND, SUCH A PROGRAM WOULD EASE THE CREDIT CRUNCH THAT IS HELPING KEEP INTEREST RATES TOO HIGH.

THIS IS MY PROGRAM TO MAKE SURE ECONOMIC RECOVERY IS HERE TO
STAY. I WOULD BE HAPPY TO ANSWER ANY QUESTIONS YOU HAVE.

THANK YOU.