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Helena Home Builders

Max S. Baucus

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SPEECH TO HELENA HOME BUILDERS

MAX BAUCUS

AUGUST 16, 1984

HELENA

I CERTAINLY DON'T NEED TO TELL YOU ABOUT THE IMPORTANCE OF THE HOUSING INDUSTRY TO BUSINESS. JUST LOOKING AROUND THE ROOM TONIGHT I CAN SEE JUST ABOUT ALL OF MAIN STREET AMERICA REPRESENTED.

BUT, JUST HOW VITAL HOUSING IS TO THE ECONOMY IS OFTEN UNDERSTATED OR MISSED. CONSIDER THE FOLLOWING:

• MORE THAN SIX OUT OF EVERY TEN HOUSEHOLDS ARE HOMEOWNERS.

• NEARLY 30 PERCENT OF THIS NATION'S ENTIRE WEALTH IS IN THE VALUE OF HOMES.

• IN 1983, ABOUT 30 PERCENT OF THE NATION'S TOTAL ECONOMIC GROWTH WAS GENERATED BY THE HOUSING INDUSTRY.

• DURING A GOOD YEAR, THE HOUSING INDUSTRY CREATES ALMOST 3 MILLION JOBS AND BILLIONS OF DOLLARS WORTH OF GOODS AND SERVICES.

• ALMOST HALF OF ALL AMERICANS ARE WILLING TO SPEND 30 TO 40 PERCENT OF THEIR INCOME TO BUY A HOME.
SO, IT SHOULD COME AS NO SURPRISE THAT THE HOUSING INDUSTRY IS THE BELLWETHER FOR THE NATION’S ECONOMY. WHEN HOMEBUILDING SUFFERS, THE NATION SLUMPS.

BUT, THINGS HAVE BEEN LOOKING GOOD. HOUSING TURNED IN A STRONG PERFORMANCE IN THE FIRST HALF OF THIS YEAR AND INDICATORS SHOWED A RECOVERY IN 1983.

DEFICIT TROUBLES

WHY, THEN DO WE FIND OURSELVES AT A CRITICAL CROSSROADS? WHY IS THE ECONOMIC RECOVERY OF 1983 HOLDING ON ONLY BY THE SKIN OF ITS TEETH? WHY ARE WE EXPERIENCING GROWTH AT THE SAME TIME AS UNPRECEDENTED TROUBLES WITH THE ECONOMY?

WHY, FOR THE FIRST TIME IN 30 YEARS, IS THE RATE OF HOME OWNERSHIP IS DECLINING?

BECAUSE THE FEDERAL DEFICIT IS GROWING BY $22 MILLION AN HOUR.

BECAUSE, BY 1985, THE NATION’S FEDERAL DEBT WILL TOTAL $1.788 TRILLION, MORE THAN THREE TIMES THE SIZE OF THE NATIONAL DEBT JUST TEN YEARS AGO.

BECAUSE, TO COVER THIS DEFICIT, THE GOVERNMENT TAPS UP CREDIT OTHERWISE AVAILABLE TO PRIVATE BUSINESS. IN 1950, GOVERNMENT BORROWED 3% OF ALL AVAILABLE CREDIT; IN 1965--5%; IN 1970--20%; AND LAST YEAR NEARLY HALF OF ALL BORROWING WAS DONE BY THE GOVERNMENT.
BECAUSE INTEREST PAYMENTS ON THAT DEBT ALONE WILL EQUAL 16 PERCENT OF ALL FEDERAL EXPENDITURES BY 1989.

AS STRANGE AS THIS MAY SOUND DURING AN UPSWING IN THE ECONOMY, WE ARE ON THE VERGE OF SLIPPING BACK INTO AN EVEN DEEPER RECESSION THAN LAST EXPERIENCED.

SO, WHAT DO WE DO ABOUT IT?

DEFICIT CONTROL

WE MUST CONTROL THE DEFICIT AND WE MUST CONTROL THE DEFICIT NOW!

THAT IS WHY I HAVE JOINED THREE OTHER SENATORS - TWO REPUBLICANS AND A DEMOCRAT - TO CALL FOR A ONE-YEAR BUDGET FREEZE ON ALL FEDERAL SPENDING.

SENATORS KASSEBAUM, GRASSLEY, BIDEN AND I GOT TOGETHER AND DECIDED THAT THESE DEFICITS CRY OUT FOR A UNIQUE SOLUTION:

A SOLUTION THAT TRANSCENDS PARTISAN BICKERING;

A SOLUTION THAT TRANSCENDS THE PLEAS OF SPECIAL INTERESTS;

A SOLUTION THAT GETS DEFICITS AND INTEREST RATES DOWN, NOW, NOT SEVEN YEARS FROM NOW.
I'm proud of our proposal.

While others are trying to assess blame for the deficits, we are emphasizing the need for a solution.

While others are promoting political "acid tests" to underscore their distaste for deficits, we are actually working to get the deficits down.

There are some who would rather promote gimmicks.

There are some who would rather hide behind smoke and mirrors.

But we won't get the deficits down until we have 51 members of the Senate and 218 members of the House that have the political courage it takes to get the job done.

I am sorry to say that some senators of both parties have shied away from our approach.

Some complain it's too tough on seniors and veterans.

Some complain it's too tough on the Pentagon.

But as I travel around Montana, I find that most people are so worried about deficits, that they are willing to help contribute to the solution so long as they know everyone else will too.
LAST WEEK IN WASHINGTON, I PROPOSED TWO SPECIFIC ACTIONS THAT I BELIEVE WILL MOVE US SEVERAL STEPS CLOSER TO A BUDGET FREEZE AND A LONG-TERM DEFICIT REDUCTION PROGRAM.

FIRST, I AM CALLING ON THE LEADERSHIP OF THE SENATE AND THE HOUSE OF REPRESENTATIVES TO RECONVENE THE CONGRESS AFTER THE NOVEMBER ELECTION FOR THE LIMITED PURPOSE OF ENACTING AN EIGHTEEN MONTH SPENDING FREEZE.

IT IS CLEAR THAT IN THE CURRENT ELECTION CLIMATE, THIS CONGRESS IS NOT ABOUT TO TAKE ANY ADDITIONAL DEFICIT REDUCTION ACTIONS.

BUT WE CAN'T AFFORD TO WAIT ANOTHER SIX MONTHS!

MY SECOND PROPOSAL IS FOR THE NEXT PRESIDENT, WHOEVER IS ELECTED, TO CONVENE A DEFICIT REDUCTION SUMMIT CONFERENCE.

SUCH A CONFERENCE WOULD BRING TOGETHER ADMINISTRATION AND CONGRESSIONAL LEADERS FOR THE PURPOSE OF DESIGNING A BI-PARTISAN LONG-TERM DEFICIT REDUCTION PACKAGE.

THERE ARE OTHER STEPS WE NEED TO TAKE TO KEEP THE HOUSING INDUSTRY, AND THUS, THE AMERICAN ECONOMY, HEALTHY.
FED MONETARY POLICY

We need a Federal Reserve that is sensitive to those industries most affected by interest rates--small business and agriculture.

The Senate this year told the President to fill the next vacancy on the Fed with a representative from one of those sectors.

Instead, he appointed a person who represents academia and partisan politics and refuses to even explain what her philosophy on monetary policy is.

That is why I led a fight on the Senate floor last week to oppose the appointment of Martha Seeger to the Fed Board.

TAX SYSTEM

Restoring public confidence and fairness in the tax system is also needed and will be the focus of a series of proposals we will be taking up in the Finance Committee.

Such a system must promote important social and economic objectives like low-cost housing for all Americans.

Attempts to undercut the mortgage deduction must be thwarted.
In addition to those tasks ahead of us, I am happy to have helped in the fight this summer to reauthorize the mortgage revenue bond program and to kill the unfair Treasury proposal to require a fifteen percent interest charge when homeowners finance the sale of their own home.

Financial Deregulation

Another concern in the housing industry is the increasingly fast pace of deregulation and fundamental change in our financial industry. I believe it is time to pause and reflect before proceeding any further in completely redefining banks and financial institutions.

Banking as we learned in 1929, is built upon confidence more than anything else.

Further expanding banking powers in commercial services like real estate, insurance, and securities when confidence is already shaky is neither prudent nor wise.

National Commitment to Decent Housing

Finally, in 1949 Congress made a national commitment to provide decent housing for every American family. I reaffirm that commitment in 1984.
WE CAN MEET THAT COMMITMENT WITHOUT THE FEDERAL GOVERNMENT.

FOURTH THE ENTIRE BILL. WE HAVE LEARNED THAT STATES CAN HELP
BY STARTING PROGRAMS TO POOL MORTGAGE Revenue BONDS, STRENGTHEN
THE SECONDARY MORTGAGE MARKETS, AND ENCOURAGE INVESTMENTS.

THE HOUSING INDUSTRY ITSELF HAS TAKEN TREMENDOUS STEPS TO
KEEP HOUSING AFFORDABLE BY INCORPORATING NEW TECHNOLOGIES TO
PRODUCE THE LEAST EXPENSIVE YET MOST EFFICIENT MATERIALS AND
PRODUCTS AVAILABLE.

YOU'RE IN AN EXCITING INDUSTRY. IT IS EVER CHANGING AND
GROWING. THE DEMANDS ON YOU ARE GREAT, AND THE FUTURE NEVER
CERTAIN.

I KNOW, IF WE CAN CONTROL THE DEFICIT FAST, YOU WILL BE
BACK ENJOYING THE GROWTH AND PROSPERITY YOU HAD A TASTE OF
EARLIER THIS YEAR. AND, YOU WON'T HAVE TO WORRY ABOUT IT
LASTING FOR JUST A FEW MONTHS.

THANK YOU.