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"We're Losing the Ball Game...And We're the Reason", Western States Caucus of the Democratic National Committee.PDF

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MEMO TO EDITORS: Montana Senator Max Baucus is a featured speaker at a conference Friday, May 23, on improving U.S. trade and competitiveness.


In his speech, Baucus compares the U.S. trade problem to a football game that pits an American All-Star team, with players like General Motors, Citicorp and Cargill, against their counterparts on a Japanese All-Star team.

The text of the speech follows:

WE'RE LOSING THE BALL GAME
. . . AND WE'RE THE REASON

Thank you. I am glad to see that the Western States Caucus is taking such an interest in international trade. Westerners have always been pioneers, and, in many ways, they are the pioneers leading the U.S. to the new frontier in international trade with the Far East.

As Will Rogers once said, "There's a little cowboy in all of us - a little frontier." It's going to take a lot of cowboy in all of us to meet the challenge of international trade.

Today I would like to talk about that challenge. And I would like to do so by comparing our trade problem to a game you all know.

I compare the state of U.S. industry to a giant football game, a game that doesn't have the Seattle Seahawks playing the Chicago Bears, but instead pits an American All-Star Team with the best that foreign countries have to offer, a Japanese All-Star Team.

The game is unusual in that each quarter lasts ten years.
The kickoff for my mythical game is January 1, 1960. So today is only halfway through the third quarter, and we can still influence how the game will end before the final whistle at the turn of this century.

First Half - Falling Behind

As our game starts, it's obvious that the U.S. players, whose names are General Motors, Citicorp, Cargill, Alcoa, and IBM, are larger, more experienced and better prepared than their Japanese counterparts.

Unfortunately, many of them are also overweight and overconfident.

To no one's surprise, in the first quarter the U.S. team shows its superior athletic skills and leads 21-3, with the only points for Japan being scored by a camera manufacturer.

But we witness some unusual events that could change the course of this game.

The Japanese players have a long-term vision for their team. They make trades that may not pay off in the short run, but promise long-term growth.

The Japanese players are saving more of their income, and investing it in stronger and more productive players. They'll deny themselves big contracts today if it means a stronger team tomorrow.

And they're learning from us. Their scouts are copying our plays and making our equipment even better than we could.

Our team doesn't have the same approach. Our team makes quick, dramatic deals, called "Mergers" and "High Dividends," which thrill the shareholder fans, but don't do much for the long-term growth of our team.

We're not willing to invest in a player for years, realizing that he may suffer losses when he first plays the international game, but that eventually he will be a winner.

I notice another difference -- the Japanese practice teamwork. Their team is coached by the Prime Minister, with all the cabinet members as assistant coaches.

They are all busy devising a strategy called "Export Driven Economy" -- they know what they're doing and they're busy instituting their strategy.

All the players wear jackets labeled "Japan Incorporated," a very important prescription for working together.

Things are much different on the U.S. side. The U.S. doesn't have a strategy of competition.
They're not used to playing the international game. They're used to playing domestic teams, so they don't adjust to the international realities quickly.

The halfback called Agriculture has been injured and can't compete against most teams.

The fullback called Industry is getting clobbered as the foreign imports break through the U.S. line.

And the quarterback named Small Business can't figure out how to penetrate into the Japanese backfield. He's not big enough to do it himself, and no one on the U.S. side gives him any assistance.

Instead of helping these industries, the U.S. government hinders them. The ticket proceeds -- sometimes called Taxes -- are being given away to an industry called Real Estate, who doesn't even play the international game, rather than to the industries that play on the front line.

Finally, the two teams are playing by different rules.

Japan's team doctor and trainer are officials of the Ministry of Foreign Trade, and anytime a player appears to be hurt, they use what seem to be miracle drugs.

I managed to sneak a look into the Japanese doctor's kit, and I noticed that the primary ingredients were labeled "high duties," "infant industry protection," and "advertising and marketing restrictions for foreigners."

The referees, called the GATT officials, aren't enforcing the rules. Even worse, they don't even have any rules for new types of blocking plays called "Non-tariff barriers" and "Service industry restrictions".

It's clear the rules need to be rewritten.

The second quarter is a disastrous quarter for the U.S. team as the Japanese score four touchdowns and take the lead at the half.

But an interesting thing has happened -- the spectators, the U.S. public, seem very happy . . . they are cheering the Japanese and think it's marvelous that they can get all those foreign goodies at cheap prices.

So at halftime the U.S. is slightly behind but obviously in very deep trouble. This seems like an excellent time to make some adjustments.

The new coach -- affectionately named "The Gipper" -- doesn't believe the U.S. team should have a game plan. He believes we will do best if each player just acts on his own.
He does promise to fatten his defensive linemen. "We need a heavy defensive establishment," he says, but one question goes unanswered: how can the defense hold up when the defensive backs, those basic industries that supply raw materials to that defensive line, appear to be in a lot of trouble?

Second Half -- Time to Put Up or Shut Up

So we go into the second half of the game. It's the decade of the '80s . . . the time to put up or shut up.

As we start the second half, it's clear that the Gipper's strategy isn't working.

Our players are forced to carry new weights. The strong dollar is the equivalent of a 40 percent burden. If a player weighs 200 pounds, we put lead weights of 80 pounds around his shoulders, then cheer him on with, "Run. Compete out there. I don't understand why you're so slow."

The combination of Japanese improvements and U.S. weights is making life miserable for our backfield.

Runner after runner limps off the field with injuries . . . there's U.S. Steel, General Motors, and Timber and Textiles and Mining. The ranks of our running backs are really getting thinned out.

But that's okay, say the coaches; our linemen, the service industries, are doing fine. They are blocking well and opening up gaping holes in the line.

But we're falling further behind because our backfield is dying. We can't score with linemen alone.

Our running has netted a deficit of over 150 billion yards in the last year alone.

So here it is, May 23, 1986. We have passed the middle of the third quarter, and the Japanese team has scored three more touchdowns and is threatening to make it a rout.

Very little seems to be happening on the U.S. side, and it looks like we may lose the game.

But it's even worse than that -- because this is no game. At stake here is the preservation of the American economy.

Our lack of competitiveness is slowly killing us. And if you don't believe me, consider a few figures.

Between 1960-83, U.S. productivity rose by only 1.2% annually; Japan's productivity rose by 5.9%, almost five times as much. We only have 15 years left in this ballgame to reverse 25 years of disastrous productivity.
Our 1985 trade deficit with Japan was larger than our 1980 trade deficit with the entire world. Soon we will be the largest debtor nation the world has ever known. We are digging ourselves into a hole -- and we don't have much time to get out of it.

Let's make no mistake about it -- empires can rise or fall -- consider Greece, Rome, Great Britain. We can fall too -- unless we act now to reverse the current trends.

To return to my game analogy, there are two ways the game can come out. In one, the U.S. suffers a devastating defeat. In the other, the U.S. stems the tide in the third quarter and rallies to win.

What are the differences in the two scenarios?

The U.S. will lose if we simply continue business as usual. We will lose if we do nothing about the events that created the huge budget and trade deficits of the last several years, and if we do nothing about our underlying lack of competitiveness.

But there is another way. There is a way in which we can still win. My game plan includes at least five points.

1) We need to even the playing field in international trade. The countries we deal with must be brought to the table to establish rules that permit our businesses to sell in their markets as freely as they sell in ours. If we don't establish fair rules, we won't win the ballgame.

2) We must address our own lack of competitiveness. It's easy to blame foreign countries for our trade problems. But if we are honest with ourselves, much of the problem is our own lack of competitiveness.

We don't sacrifice short-term profits for long-term investment that will do far more to increase our productivity and international competitiveness. We don't encourage savings, which provides a necessary pool for investment. And we don't aggressively learn how to sell better in foreign markets. The Japanese do all of these things, and they are killing us.

3) We should change government policies that discourage competitiveness. At present, our government discourages American competitiveness. Our tax code distorts investment decisions, and discourages savings and research and development, all of which are essential to American competitiveness. The Finance Committee's tax reform proposal would improve the tax code in all of these respects, and I support it. It may cause some pain for some people, but you can't win a ballgame without some sacrifice and pain.

4) We need to reduce insurance costs. Our insurance costs are seriously undermining our competitiveness. Chrysler estimates that health insurance costs alone add $500 to the cost of each car it produces. They are the largest, single cost, above rubber,
steel or any other input. We must bring these costs under control.

5) **We need to reduce the budget deficit.** Our continuously increasing budget deficit is a time bomb that must be addressed. It has increased the value of the dollar and threatens to halt future growth. I support Gramm-Rudman-Hollings, distasteful though it may seem.

Those are my five points for winning this ball game, but none of them will be easy.

In football terms, it's like having to score six touchdowns, starting with the ball on our own five-yard line.

In human terms, it will require sacrifice, perseverance, and some short-term pain for a lot of long-term gain.

It will require that we change our fundamental approach toward investment, savings, education and international marketing. And it will require that we change them in an extremely short time.

Not an easy order, but it can be done.

Every day that our budget and trade deficits continue, every day that our industrial establishment grows weaker, every day that we become less competitive in domestic and global markets is a day wasted in the U.S. comeback.

All our efforts will be needed to reverse the current trends.

But we must act now -- because this is the most important ballgame we'll ever be in.

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