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"Adapting to Change: Montana in Transition"

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**ADAPTING TO CHANGE:
MONTANA IN TRANSITION**

by

Senator Max Baucus

February 17, 1989

Thanks, Jim (Lechner, president), for the introduction, and for the invitation to be here today.

This is one group that I don't have to tell what's going on in Montana. You folks are closer to the economic heartbeat than just about anybody.

And that is where you and I share a major concern: Montana's economy. It's important to all of us, and to our families.

There isn't a trip to or from Montana where I don't meet Montanans on the plane. When we start talking about their families, more often than not they tell me their children have been forced to leave Montana to find work elsewhere.

I think that's wrong. I think Montana should export goods, not Montanans. That's why I've made jobs for Montanans my number one priority for the 101st Congress.

We've all seen the changes that have happened over the past two decades. The world is changing, and Montana — like America — has to wake up to the fact that we're no longer alone.

We've seen good times. Remember during the Seventies when Montana enjoyed an almost unprecedented prosperity? Rising agricultural exports and energy prices created an economic boom. The State's population, employment and income grew dramatically.

But the growth of the Seventies gave way to economic decline in the Eighties.

During the Eighties, virtually all of Montana's basic industries have experienced hard times. Agriculture, timber and mining have been forced to undergo significant change. Quite often that change has meant reductions in jobs and in wages. Since 1979, these industries have lost about 12,000 jobs, and total worker earnings dropped about 25 percent.

Many Montanans ask me why this has happened. Why is Montana experiencing such hard times?

Many of Montana's economic problems spring largely from forces beyond our control:

- o The interest rate debacle;
- o The runaway dollar;
- o A massive federal deficit;
- o An uneven playing field in international trade;
- o And the headlong rush into deregulation.

These forces over the last decade have combined to hammer Montana and test the staying power of our people.

These problems are cyclical and, fortunately, there are some signs of recovery:

- o The price of farmland appears to have bottomed out;
- o The weakness of the dollar in foreign exchange markets should help manufacturing and exports;
- o Rising commodity prices are causing a partial recovery in the mining and timber

industries.

However, another part of the problem is long-term and structural.

First, Montana, and the rest of our country, must now compete with the world in selling our agricultural commodities. Our agricultural exports have decreased from \$44 billion in 1980 to \$34 billion today.

We've had some success in breaking down barriers to trade that are key to Montana's export growth. Japan is now buying more beef, and this year the tools of the new trade bill will be employed. You will hear some tough talk combined with action coming out of Washington this year on trade, and that's good for Montana.

I'm now Chairman of the International Trade subcommittee, and will be working hard with key trade officials to force Europe, Japan and Korea to open their markets to U.S. goods. More exports mean more jobs for Montana.

There are other major changes afoot that touch us at home as well. The U.S. is undergoing a dramatic transition into the 'information age.'

Experts predict that by the year 2000, 66 percent of the American workforce will be employed in information services. From 1970 to 1980, 90 percent of the new jobs created involved information and service activities.

We in Montana need to work to attract those new jobs to our state. They are clean industries, and we have a hard working, well educated workforce. All of us need to look hard at new incentives to bring business to Montana.

Third, all our foreign competitors have been increasing their productivity faster than we have — in the case of Japan, almost three times as fast. We're slipping behind other countries in the race for the 21st Century.

Despite the hard knocks, I am optimistic that Montanans are strong and eager for growth. And I believe we can take advantage of the opportunities ahead, if we know how to look for them, and if we prepare now.

While outside forces will continue to affect our economy, there is much we can do to prepare for the decade of the Ninties and the 21st century.

First, we have to change a few minds.

Believe it or not, most people today, unless they were born here, never even consider Montana as a possibility for investment because they think we're too far away, or they can't even place us on a map.

We have to change that perception.

We have to educate people about Montana. We have a great deal to offer.

It's been said that Montana is 'The last of what's best in America.' That's because of:

- o Our independence;
- o Our neighborliness;
- o Our clean air and flowing streams;
- o Our abundance of natural resources;
- o Our safe streets;
- o And, our strong commitment to education.

When we bring these values together, we're unbeatable.

Montana must use these strengths to its advantage. Sure, we want to preserve the good life we have today. I don't want parts of Montana to end up choking on growth like Denver and Salt Lake have. But I think we can have both, if we make the effort.

There are no quick and easy answers. The answers must be based on long-term, strategic planning — And a commitment by everyone — businessmen and women, state and local leaders, and the federal government.

For instance, I think we must make better use of our vast natural resources. We must seek every opportunity to find new uses for our resources and bring more value-added processing into the State. A good example is our efforts in trying to convince Anheuser-Busch to locate a new plant in Billings. It doesn't make any sense to ship our resources elsewhere for processing.

I also don't think we should ship raw lumber to Japan — I think we should sell finished wood products, made by Montanans, in Montana.

Second, we should take better advantage of the awesome beauty of Montana. Promoting tourism is

critical. As far as I'm concerned, Glacier Park is second to none in beauty. And we have some of the best skiing in the world. We need to let people know this.

That means even better promotion, better development of our support services, and shrewd marketing. It means when you bring a Japanese tour group to Montana you don't serve them a 16 ounce steak. You want them to come back, not be scared away!

Third, we must diversify our economic base and begin a serious effort to attract more information, high technology and manufacturing firms into the State. In order to do that, we must actively advertise and let businesses know that we're interested in them, and that we want their investment.

The federal government can do a great deal to foster growth.

During the last Congress, as Chairman of the Rural Economy Subcommittee of the Small Business Committee, I held five hearings on problems facing rural states like Montana and on possible solutions to those problems.

The hearings showed the need for a comprehensive approach to addressing rural problems. I believe there is a strong possibility that a comprehensive package could pass this Congress.

I will be working with other interested Senators to be sure the legislation addresses four barriers I think are critical to rural America's future. I have not determined whether the solution should be strictly federal or a federal—state—private partnership. But I do believe the barriers must be addressed.

The first barrier is lack of an adequate transportation network. Since Congress deregulated the airlines and railroads, rural America has been forced to endure unstable and inconvenient service. At the same time, prices have skyrocketed.

Recently, I led the fight in the Senate to save the Essential Air Service program which is so critical to Montana. If the Department of Transportation had had its way, seven Montana communities could have lost all air service.

That is why I threatened to filibuster then DOT

Secretary—designate Samuel Skinner's confirmation. I knew that if his job were on the line, he'd think twice about letting the proposal go through.

My threat worked. DOT decided to put the ball back in Congress' court and let us fully fund the program through supplemental appropriations.

During my conversations with Mr. Skinner, I asked him to come to Montana and travel to Glasgow, Glendive, Havre, Lewistown, Miles City, Sidney and Wolf Point.

I think it is important to get the Washington bureaucrats out of Washington and into the real world. I want him to see first hand how critical essential air service is to our State.

He agreed to come. I think it will be a real eye—opener.

I am also looking into ways we might be able to ENHANCE air service we have now. One approach might be to expand the Essential Air Service program to require jet service to cities with certain populations.

A second barrier is lack of an adequate

telecommunications infrastructure. I believe that today, telecommunications is as critical to rural America's future as rural electricity, railway and highway systems have been in the past.

I will soon be introducing legislation that would establish a revolving loan fund at the Rural Electrification Administration targetted to developing state-of-the-art telecommunications technologies in rural areas.

The third barrier to success is lack of access to capital. You know that banks view business in more remote areas as more risky than others. As a result, capital is hard to come by.

I will be looking for ways to make capital available to entrepreneurs who would choose to live in rural communities. One approach I am considering is the rural enterprise zone. With this approach, the federal government provides certain tax incentives to businesses that locate or expand in rural areas.

If any of you have ideas or proposals on this, I will be more than happy to hear them. With my committee assignments in this Congress — Finance,

Agriculture, Small Business, and Environment — I can help you. I want to put these committees to work for Montana.

Fourth, rural America lacks access to the latest technologies, education and retraining to stay competitive. If we are going to help Montana enter the 'information age' we need access to the newest information.

Assistance for start-up businesses has been enhanced through the SBA's Small Business Development Centers. But I believe universities should be encouraged to expand or to implement technology transfer or technology extension services. We should take advantage of our universities as much as possible to foster business growth and jobs.

Pulling all these things together — government programs, universities, businesses — to work for Montana is what we need to do.

But what it all boils down to — as always — is people. People working together. You and me finding solutions to Montana's problems.

I want the best for Montana, which is asking a

lot because Montana already offers us much. But I really believe we can meet the challenges of the future, because we have the people and the tradition to prove it.

Last week, Mike Mansfield and his wife Maureen, again graced the chamber of the U.S. Senate. They sat in the visitors' gallery and listened to speeches honoring Mike's years of public service.

I watched Mike during the speeches, and thought about Montana's future. While some may reflect with worry upon Montana's fortunes, I don't share those worries. All I need to do is remember Mike's confident gaze over the Senate chamber that once was his own. He is a monument to what Montanans can do — And a reminder that we all have the capacity to build a Montana that is a monument to the future.

Thanks for having me here today.