Democratic Leadership Conference

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Remarks by Senator Max Baucus
Democratic Leadership Conference
New Orleans, Louisiana
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Thank you Congressman Price. As some of you may know, David Price is a very respected member of Congress. He has been a strong advocate for affordable housing, literacy in the workplace and consumer protection, and he has done a great deal for the people of his district and for the nation as a whole.

I want to also thank Al Fromm and Will Marshall for their leadership of the DLC. They have given this organization its intellectual edge. I would be delinquent if I didn’t thank and recognize my good friend and colleague John Breaux, DLC’s Chairman and our host here this weekend.

I want to spend a few minutes with you talking about where we are and where we are going, as a political party and as a country. To me, this is a very exciting time.

All of us in this room are aware of the incredible changes taking place in our country and in our world. There is a sea change brewing. And I suspect that historians will look back on the early 1990s and proclaim it a watershed of American political and economic development.

The election this November will be the first since the end of the Cold War. The first election since World War II without the unifying influence of the Iron Curtain.

And it will be the first in which the preeminent challenge for our country is economic and not military.

Equally significant, this election comes at a time when Americans feel that Washington just doesn’t work anymore -- at least not for them.

They’re tired of the gridlock. They’re tired of the finger-pointing. They’ve lost faith in the ability of their elected officials to deal with the issues that matter most to their lives.

They see special interests and mismanagement. They see political gamesmanship amidst a 400 billion dollar deficit and 9 million people out of work. And they rightfully ask, "Where’s the leadership?"

Clearly the status quo is no longer acceptable. You have only to look at the results of this year’s primary elections to see the evidence.

THE FAILURE OF THE 1980’S

Americans now recognize that in the 1980’s, the Republican party led us on a spending binge. Only it wasn’t tax and spend, it was borrow and spend.
Government, business, individuals, none of us were immune from this siren call. We didn’t invest, we spent. We didn’t save, we spent.

The way the Reagan and Bush Administrations saw the economy, it was one big party of champagne and cake and dance ’till you drop. Now, the party’s over, and a lot of people who never even got an invitation are out of luck and their out of work.

And what we have is the result of a decade of mistakes. Mistakes that could have been avoided if there had been a strong sense of fundamentals, a long-range plan, and some discipline to follow through.

The question now for all of us is this: Have we learned enough from the dissolute, aimless 80’s to rebuild the economy into something sound and solid -- not just for today, but for tomorrow as well? Not just for ourselves, but for our children and their children, as well?

I think the Democratic Party has learned plenty. The people who lead the party know America’s productivity gains since the mid-1970’s are the poorest of all the G-7 nations. They know our per-capita income has dropped far enough to put us in seventh place internationally. Net investment, net savings, our standard of living are all down.

The 1980’s produced a forty percent drop in investments for education, training, children’s programs, infrastructure, and civilian R&D. Maybe the rank and file don’t care much about the numbers, but they sure have to live with the results.

There’s serious trouble in this country, and it’s not just politicians talking; it’s people hurting. And if we’re going to stop the hurt and get our economy back on track, there are a few things I think are essential.

A DEMOCRATIC GROWTH AGENDA

First and foremost, the Democratic party must have a real economic growth agenda. An agenda which includes both strategic domestic investment and an aggressive international trade policy to open world markets.

Every major advance in our history, from the Louisiana Purchase to biomedical research, was the result of one generation having sense enough to leave keys under the doormat for the next one. They made investments.

Now, it’s our turn. We need a permanent research and development tax credit to help make our science more consistently aggressive. We need to revive Individual Retirement Accounts as a means to increase long-term saving to help create capital. And, yes, we even need a capital gains-style incentive to encourage investments in new, innovative companies.

We need to invest in people through job training, education and family leave policies. And after so many years of breast-beating, we must make a serious investment in our infrastructure.
But we can't just lob money around, and hope it hits where it can do some good. That's already been tried. The result? For more than a decade, the federal deficit's been grazing like Babe the Blue Ox in capital markets around the world.

It has raised the cost of capital in the private sector, added billions to the debt service of all levels of government, and made us more reliant on foreign sources of funds.

Unless we consume less and invest more now, that ox is going to eat us alive. So we have to make focused choices and focused investments.

Business and industry have to make some investments as well. Business must also start scaling back executive compensation to a level more in line with industrial reality than with major league baseball.

We've got the people and the minds to be better than ever before, and better than anybody else. Whether it's zero-defects at Motorola, or renovating management approaches at General Electric. We just have to do it.

But, we also must keep focused on the real goal. The "Long Haul." It's vital that we build to last. We just can't afford a quick, feel-good policy at the expense of long-term growth.

Which reminds me of a comment once made by the comedienne Lily Tomlin. She said if it weren't for false hopes, the economy would just collapse entirely. Sarcasm aside, I think there might be just enough primitive wisdom in that notion to bring our thinking to order.

Investment. Saving. Building. Discipline. Those things are real, not false hopes. They're essential virtues that must be the bedrock of our economic decisions. Our main economic agenda must focus on restoring our long-term economic strength -- so that we can create and sustain the type of jobs which allow Americans to buy their own homes, save for the future and send their kids to college.

It's best for the nation. And it's not bad for Democrats, either. People know something is wrong. If they see Democrats addressing what they in their hearts know to be a fundamental problem, it will not only help restore their confidence in the economy, it will renew their faith in the Democratic party.

**AN AGGRESSIVE TRADE POLICY**

There is another aspect of U.S. economic policy that I want to touch upon today -- one that must be a critical element of any Democratic growth agenda -- and that is international trade.

The DLC has exercised important leadership in the area of trade. In fact, last year at this time, the DLC threw its support behind the proposal to extend "fast track" negotiating authority to the Administration.
And we did the right thing. Fast track allows the Administration to negotiate with our trading partners to open markets for American products. In supporting fast track, we recognized that the United States will never succeed by sticking its head in the sand. We will not build a competitive economy by building barriers to trade.

Bill Clinton may have put it best when he called protectionism "a fancy term for giving up." I couldn't agree more.

But let me be clear on one point. Democrats -- including Democrats who supported fast track -- have profound differences with the Administration's conduct of trade policy.

Granted, American exporters have experienced significant success in the past two years. However, their success has occurred in spite of the Bush Administration -- not because of it. The Bush Administration has failed to exert the efforts needed to pry open world markets for American products.

In fact, the Administration continues to oppose the extension of Super 301 -- our most powerful tool for opening world markets. Congressman Gephardt, Senator Rockefeller and I are all working to insure that Super 301 is returned to the U.S. trade arsenal.

American exporters don't need a "trade week" -- the White House's newest gimmick. Instead, American exporters need an Administration with a year-round commitment to developing new market opportunities abroad.

So it's time we put our trading partners on notice. Free trade must be a two way street:

**BALANCING COSTS OF THE NAFTA**

There is one trade area in which Democrats are situated to make a real contribution -- the negotiations for a "North American Free Trade Agreement" -- otherwise known as "NAFTA."

The White House likes to talk about the potential benefits of a trade agreement with Mexico. And they should. A successful NAFTA would grant U.S. businesses unlimited access to a $6 trillion annual market -- the largest in the world.

And like the Administration, I can point to real potential gains from a trade agreement with Mexico. But I will tell you something that the Administration ignores: There are losers, as well as winners when we enter trade agreements.

While NAFTA will result in some modest gains in overall employment, there is little doubt that some U.S. sectors will be hurt. And there is some very serious environmental issues that must be addressed.
ASSISTING AMERICAN WORKERS

Some job flight to Mexico may be inevitable -- with or without a NAFTA. But in either case, Democrats have a unique opportunity to assist American workers who will lose their jobs.

In 1974, Congress and the Administration entered a deal. When Congress passed the Tokyo Round of GATT amendments, Congress also passed something called the "Trade Adjustment Assistance Act" -- or "TAA."

Like a potential NAFTA, the Tokyo Round benefitted the nation as a whole. Consumers had access to lower cost imports. U.S. exporters had access to more foreign markets.

But the deal had a second element. In return for the broad benefits resulting from the trade agreement, the government would look out for displaced workers. Workers who lost their jobs would receive income support and training for productive new jobs through the TAA.

Until 1981, the bargain held up. But the Reagan and Bush Administrations broke the bargain and betrayed American workers. They have cut TAA funding every year since they entered office. It is an absolute disgrace -- and it must be rectified.

So before a NAFTA passes Congress, Democrats must insist that the TAA bargain be put back in place to once again protect the livelihoods of American workers.

And we must ensure that funds are available for retraining and assistance -- so that we don't allow our workers to become a political football for President's who just don't care. One way to do so would be to create a "Free Trade Trust Fund" for worker assistance and other problems associated with a free trade agreement. The fund would be derived from a small fee on imports and new investments. Here in the United States it would be used to insure a fully funded TAA. And in Mexico, it would be used to cover the costs of enforcing environmental clean-up.

However we fund such a program, one thing is clear. Democrats must talk straight to the American people on trade. An aggressive trade policy is critical to our own economic survival. And while we pursue trade agreements to open world markets, Democrats must also ensure that free trade benefits everyone -- not just a select few.

An aggressive trade policy must be an essential part of any Democratic growth strategy. We will never succeed by closing our borders and retreating to our cocoons.

We have the skills and the ingenuity and the determination to become number one in the world again, we just have to get on with doing the job.
CONCLUSION

The precondition for all of the changes I have discussed, however, is effective leadership. Something we have been lacking for the last four years.

If George Bush has shown us anything, it's that he is the "Wannabee President." George Bush wants to be the education President; he wants to be the environmental president; he wants to be the President who creates 30 million new jobs -- remember that promise. But he is unable to provide the leadership to get the job done.

George Bush does not understand that the biggest job any President will have in the 1990's is to move this country from one economic era to the next.

And since he has failed to move this country forward, it is up to us to move him back to Kennebunkport -- and to finally elect a President who has the vision and determination to get our economy and our country back on track.

I believe this country is ready for new Democratic leadership. It desperately needs this kind of leadership. It's up to us now to be ready for them.

Thank you.