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## KSEN Farm Forum

Max S. Baucus

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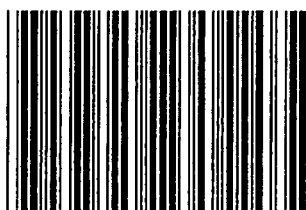
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BAUCUS

# United States Senate

WASHINGTON, DC 20510-2602

## KSEN Farm Forum

Remarks of Senator Max Baucus  
KSEN Farm Forum  
Shelby, Montana

February 11, 1995

Thank you, Bob, and good morning everyone. It's great to be back here in Shelby. The place where Montana farmers drew the line. Parked their trucks and said "we're not going to take it any more."

I want to thank all the folks at KSEN for the invitation, and congratulate you on the thirtieth Farm Forum. It is a great tradition. And I'm happy to see you all out on a cold morning like this, because we've got some important things to talk about.

I had originally planned to give a very different talk. We have a lot to discuss on the 1995 Farm Bill, the National Highway System and imports from Canada. And we'll have some time for that. But yesterday I made one of the biggest decisions in my career as a public servant -- that is, to support the Balanced Budget Amendment to the Constitution. And that's something worth spending some time on first.

### DECISION TO SUPPORT BALANCED BUDGET AMENDMENT

In the past few months, I've spent a lot of time walking. Back in December I walked down from Missoula to Hamilton. Then earlier this month from Livingston to Bozeman. Next weekend it will be Great Falls to Fort Benton.

You learn a lot when you walk the roads and just listen to people. I'm sure you won't be surprised to hear that Montanans are frustrated with their government. Angry with regulations that take ordinary people for dummies who don't know their own work. Frustrated because government doesn't listen. Above all, angry that the government doesn't live within its means.

And after listening to my friends on the road, and also after thinking about this for a year or so, I've decided to make a change. I have always supported a balanced budget. And I now believe a Constitutional Amendment is the best way to get one.

I questioned this Amendment in the past simply because I have a reverence for the Constitution. I do not like the thought of amending it to address any subjects beyond the fundamental questions of our rights and responsibilities as citizens.

There are serious, thoughtful arguments against this Amendment -- arguments on Constitutional principle, and arguments based on its practical effects. But I have seen Congress, and the country as a whole, evade our responsibility too many times.

## TWO BASIC QUESTIONS

Obviously, there are times -- in wars, in depressions -- when borrowing is not wrong. But to do it year after year, without any emergency, is scandalous.

Last year the economy grew faster than it has in a decade. Any economist would say in years like 1994, we should run a surplus and retire some of the debt. Instead we borrowed more. And the time has come to bring it to a halt for good.

So we face two questions. First is the practical one of how to make enough cuts and raise enough revenue to balance the budget. And the second -- more profound -- question is how to establish an ethic that says constant, irresponsible over-borrowing is simply wrong.

I found the essay Professor James Wilson published in the Wall Street Journal a few weeks ago very perceptive. He said that in years past:

"something akin to a Victorian ethos had restrained our spending. Now that ethos is gone."

That goes for everyone. The federal government evades the problems at the root of the deficit. States blame Washington for unfunded mandates without admitting how much Washington pumps into their budgets every year. Citizens write letters that demand tax cuts, money for local projects and a balanced budget all at the same time.

That is a failure of values. At every level, it is a failure to admit the truth and take responsibility. It shows how far we have come from the ethos Wilson describes. And I really think that we no longer have a choice. It is time to pass the Balanced Budget, protecting Social Security and capital spending if possible, and send it on to the states to let our Governors, State Legislatures and citizens debate the issue and vote on it.

## RIGHT TO KNOW

But I think we can also make the amendment better. To begin with, the amendment is only a statement that the budget must be balanced. It contains no plan of how to do it.

That is also a question of values. In Montana, you look people in the eye and tell them the truth. You don't promise to fill them in later. Our state government is the country's most open and accessible. Our State Constitution guarantees the people access to virtually every official document or meeting.

It should be the same in Washington. A "right to know" provision, requiring us to spell out a program that balances the budget within seven years, is an essential part of a Balanced Budget Amendment.

### EXEMPT SOCIAL SECURITY

And we have to protect Social Security as well. That's because Social Security is not really a government program at all. It is essentially a pension fund. People who work contribute to it throughout their career. The federal government manages the money and returns it to them with interest on retirement.

So it is not federal money. It belongs to the people who pay into the system. It is wrong to count payments from the Social Security Trust Fund as spending, or to count Social Security contributions as revenue. To do either is really a breach of contract.

Robert Olandt, from Rollins in the Flathead, expresses it perfectly in a letter he wrote me two weeks ago:

"Sir, you and I and countless others are or have been paying Social Security premiums with the expectation that this program will, in fact, not be diminished ... that quality of life may be preserved as we enter later maturity. Just getting old is bad enough. There has to be some dignity as well."

When this Amendment passes, we can pass budget resolutions which do not cut Social Security. I will work very hard to make sure we do that. But the temptation to include Social Security will be great. And the better course is to say now, in this Amendment, that Social Security is off the table.

### THE 1995 FARM BILL

What does this mean for the 1995 farm bill? Maybe quite a bit. The Agriculture Committee held its first hearing on the bill last Tuesday, focusing on how farmers are affected by tax policy.

The witnesses want to eliminate the capital gains and the inheritance tax. They want to a tax deduction for healthcare insurance expenses. There were suggestions to accelerate investment depreciation, provide for income averaging and offer an investment tax credit. In short these folks want lower taxes.

I feel very strongly about the health insurance deduction. It is unfair that a big corporation can write off health expenses and a farmer can't. So I'm going to work hard on that one.

But we have to live within our means, with or without a Balanced Budget

Amendment. The question is, do we want tax cuts badly enough to cut or eliminate farm supports to get them. That is a tough call. And I don't want a room full of Senators and lobbyists to make it. It is a decision that you, as citizens and producers, ought to make. After all, it's your money. So I want your opinions on the issue.

The farm bill is just beginning. And you can take nothing for granted. On the Administration side, we are close to the status quo. The President's budget is \$63.2 billion, the same as last year. But when you look closer, what he seems to want is less commodity spending and more nutrition and economic development. It's a bit out of whack and I want to rebalance it.

And from the other side, Senator Lugar, the new Agriculture Committee Chairman, talks about eliminating all farm programs. I don't like that either. Montana receives about \$400 million a year in farm supports. And I believe it's a good investment that means a lot to the bottom line of Montana families.

### CONSERVATION RESERVE PROGRAM

I also feel strongly about keeping the Conservation Reserve Program. In raw money terms, CRP means a lot to us. It is over \$100 million a year for Montana, meaning about one dollar in every four we receive in farm payments.

But money may be the least of it. CRP also protects the things we all love about Montana. It gives sportsmen prime hunting and recreation; raising the quality of life and bringing in tourist dollars for our economy. It prevents erosion, improving land and water quality. While it's not perfect, it's a good program in a lot of different ways. And of course, it raises farmer incomes.

### CUT WASTE FIRST

Agriculture has already taken quite a few cuts. I think other budget areas should be hit first to balance the budget -- but it is a simple reality that not everybody agrees with me. Everything is on the table.

I believe we have a lot of waste to cut first. Last year I looked into spending on federal courthouses and cut \$120 million out of courthouse budgets. Judges in Boston and New York were buying themselves private kitchens and rosewood panelled offices. I cut \$50 million from the CIA's National Reconnaissance Office, when I found it wasting money on a building with a fountain and a sauna.

There is a lot more to cut. The Army Corps of Engineers wastes almost every penny they get. We still fund giant boondoggles like the \$70 billion Space Station. All by itself that would pay for seven years of farm supports.

We still pay \$12 million a year for an absurdity like "TV Marti" -- a weather balloon beaming dubbed reruns of "Laverne and Shirley" to Cuba between three and six in the morning. Nobody even sees the programs. Not even insomniacs. Castro just jams the signal. It's like beaming money out into the void.

But if cuts in farm supports are inevitable, I do not want Washington deciding what is best for you as producers. I want you to tell me what programs you think are unnecessary, so that if cuts are inevitable they will fall in areas that hurt Montana producers as little as possible. And I want you to tell me what we absolutely have to keep -- and I will back you up.

## THE NATIONAL HIGHWAY SYSTEM

The other big item this year is highways. The National Highway System bill I'm working on is just about as important for Montana farmers as the Farm Bill. Whether you're bringing the crop to the grain elevator -- going off to spend the weekend at Glacier Park -- or coming here to for the Forum, you need top-quality roads.

Back when I was a kid, we had almost nothing. There was a paved road from Great Falls up here to Shelby and over to Cut Bank. Another one from Great Falls to Havre. The Hi-Line was paved from Malta to the Dakota Line. And everywhere else -- except for a little twenty-mile strip from Lewistown to Moccasin and one a bit longer from the Fresno Dam to Chester -- we had flat dirt roads and that was it. If you were a farmer in Harlem, or Jordan, or Chinook, you were literally off the map.

Today it's a lot better. But when you look at the Road Atlas, you see for yourself that we have much more to do all the way from Shelby to the Dakota line. Because our roads aren't good enough, our producers are at a real disadvantage. A disadvantage not only compared to our friends in Kansas or Washington, but compared to Canada and Europe. And that's wrong. Montana producers have a right to be treated fairly.

And when the National Highway system is built, producers will be treated fairly. We will get top-quality roads all through northern and eastern Montana. When it's done, Montana will get 4000 miles of new roads, as safe and well-maintained though not always as big as I-15.

Cut Bank, Havre, Malta and all the way out to Glasgow and Culbertson on the Hi-Line. Big Sandy and Fort Benton on the road from Havre to Great Falls. I'll be walking that road next week, by the way, so stop and say hello if you're driving by. Lewistown, Grassrange, Jordan and Circle on Route 200. There will be top-quality new roads connecting the farmers in all these rural counties to the ports and the big city markets.

Grain and stock will get to market faster. Montana will get three thousand high-paying construction jobs a year. The new job opportunities will slow down outmigration.

Everybody wins. Virtually nothing in the works in Washington, Helena, or anywhere else will do as much for Montana jobs and agricultural producers.

#### CHINA AND TCK SMUT

Of course, we need buyers even more than we need good roads. And one of the best ways to make sure we have buyers is to get rid of unfair trade practices.

One I'm making a high priority this year is China. They bought 5.6 million tons of American wheat in 1991 and less than half that last year. And they have essentially boycotted Pacific Northwest wheat for years.

They claim that importing our wheat would infect their crop with smut -- as if you air-bombed their fields with containers of wheat instead of sending the wheat to the mills. Scientists find that the smut they're worried about can't even grow in China because of the climate.

That has a direct effect on the income of Montana producers. Most of our wheat crop is exported to Asia from the Pacific Northwest. In 1991, in fact, that was the destination of three quarters of our crop. If China abandoned unfair trade and began buying from the Pacific again, the price would rise. So I am leaning hard on the Administration to take this up with the Chinese, and make them play fair.

#### END USE CERTIFICATES

Finally, I'll turn to our Canadian friends, who got a bit of bad news a few days ago.

For years, End Use Certificates have been required on all grain imported to Canada. And like the Bible says, do unto others as you would have done unto yourself. Canada is now going to learn the wisdom of that advice.

The rule came out on January 26th. On February 27th, all wheat coming in from Canada will require End Use Certificates. That will make sure American money doesn't pay to export foreign grain. And on a bigger scale, the Memorandum we won last year is working. Wheat and barley growers have some breathing room.

You know what that means? It means that a few people with a good cause out here on the Hi-Line can get results. The blockade worked. Washington finally listened and did something about it.

When we were here last April for the ITC hearing, there were three hundred Canadian grain trucks crossing the border at Sweetgrass every week. This January, that was down to sixty trucks a week. It is down by eighty percent. Canadian imports have fallen from 2.7 million tons in the 1993-94 marketing year to less than half a million since last September.

And with end user certificates coming, it will be even better next month.

The Canadians are awfully mad at me about all this. One Canadian magazine called me a dog. A "pit bull," to be more precise. The President of the United Grain Growers of Canada said I am "ignorant" and that I "consistently take the low road." And the Agriculture Minister said I was cheating in some way when I got the International Trade Commission to come up here last April and listen to you instead of going up to Ottawa.

They even went so far as to call me a bad public speaker! Can you believe it?

Well, they may blame me for the wheat deal. But you know what? They're wrong. You deserve the credit.

Folks like Hank Zell who put themselves on the line and started the protests. Herb Karst, fighting for you this very day in Vancouver on the Joint Commission. Larry Munson, Ron Jensen and Steve Ahrens, who came back with Hank and Herb for the White House meetings with Bob Rubin and Mike Espy. And all of you who joined the protest or testified to the International Trade Commission in the gym last April. You are the reason we got tough on Canadian grain. I just listen and do what you tell me.

#### CONCLUSION

And I want to congratulate you, because you did something tremendous. You beat the bureaucracy, the diplomats and the lobbyists. You won a big one for ordinary, hard-working folks.

And that shows that while we've got troubles, this is still the greatest country in the world. Because America is a place where, with faith and persistence and hard work, you can still get a fair deal. And all of you here today have proven it.

Thank you.