

Speech for the Rotary Club dated 8/6/85

I recognize the significance and importance of your organization not only the size but the contributions you have made to our community and to our state throughout the years. I think, in fact, you were one of the first forums I addressed in my freshman term in the Congress...one of my first trips back to our state. So when I say that its good to back, whether I am loved or unloved, I mean it because its always been a place where thoughts can be exchanged and a dialogue can occur.

I was asked to reflect a bit about the doings in Washington and where we may stand and try to thrust my remarks on the economic scene in my appearance before you today. As I was thinking about my remarks flying home last Saturday, I couldn't help, as the smoke was clearing on Capitol Hill behind me, I couldn't help but think about a story which I can only call about the best example of tunnel vision I've heard of late. Its the story about a man who had a virility problem and he went to a doctor and explained his difficulty to his doctor and his doctor said, "I have a simple solution for you. What you need to do is change your regimen. You need to run 10 miles a day for a couple of weeks and I think its going to mean a tremendous difference for you." And so the patient followed the doctors advise, ran 10 miles a day for two solid weeks and then called his doctor and said, "doctor, I'm checking in." And the doctor said, "Well, are you any better? Have things improved?" The patient said, "I can't give you an answer to whether my virility problem has been licked. I'm a hundred and forty miles away from home."

Tunnel vision. If there were any term I would use to describe Washington, D.C. right now, it would be tunnel vision for reasons we can get into in a minute.

You know, I have represented and worked for this state and this district for eleven years. And 11 years does alot for a person especially in Washington, D.C. One of the things I've noticed its done for me is make me alot more reflective about some of the systemic problems that our country faces today. Its also given a number of us, myself included, a lot less of a sense of appetite for partisanship and a greater interest in basic solutions and the search for those solutions to the problems that beset us both for our state and for our country.

I'd like to make four points to begin my remarks today. First, Oregon and the US are living through what can only be described as an enormous, almost immeasurable era of economic transition. I want to come back to that. Point #2: At such a time for a state and our country, a strategic vision for Oregons future as a part of an agenda for the country for the years to come, it seems to me has to center on timber, on trade and on technology. And thats not to say that these are the only things that matter in our economy but that they have the potential to pull whole other segments of our economy along with them toward a new prosperity...a change prosperity. Point #3: While there was what I can only call a collapse of leadership on the part of both the White House and the Congress on key national issues in the last week or two...the budget foremost among those examples...in contrast I can report to you today that key members of the Oregon delegation, maybe not all members of the delegation, but key members of the delegation, have been highly productive in looking at that strategy for Oregon's future growth and producing concrete, tangible results

that will prepare Oregon for its economic future. And point #4: Its my conclusion that the concept of public works as its been popularized in the Congress for the last number of years as the engine that can drive the economy and produce future American wealth is an outmoded concept. It has been for some time and is increasingly being recognized as such on both sides of the aisle. Maybe at the very top levels on both sides of the aisle but among the middle managers and the young members of Congress on both sides and I think that is a welcome development. In place of the public works concept has come a realization that it will be knowledge intensive work in the future, knowledge intensive industries that will require the pragmatic new strategies involving both business and education to provide for the kind of long term growth America needs and our state needs in the same way public works, interstate highway systems and the like have done in the past.

Lets talk about transition and change. I think that the point was put especially well in an article by Ralph Shaw from here in Portland and is involved in venture capital and a number of you know him. He passed along to me a quote by Jay Forester, the director of Systems Dynamics Programs at MIT and Forester said this, "We're in a major transition between the economic growth that followed WW2 and the growth that will resume in the 1990's. Its a time to readjust and correct imbalances in the economy. The transition between where we were and where we're going is a time of technological change where many of the old technologies are laid aside and the new ones are tested and put in place and become the new basis for economic expansion in the future." I can see this transition and a number of members of my generation in Congress can as well. From that transition that I see I have developed a legislative strategy that is shared by a number of my colleagues within the delegation and in the Congress... A strategy for our state, for Oregon. That strategy centers on trade, on timber and on technology. And with regard to timber I would have to say to you what I said to the city club about a week ago when I indicated that its stability is the foundation and will remain the foundation for our future economic growth.

We hear alot about high technology and its important and I'm going to come to that in a minute. For us in Oregon sitting on a natural resource as we are, to think as every other state is thinking that it is somehow going to be the high tech mecca of the country is really being unrealistic. It seems to me that we ought to get serious about the task of building and stabilizing our natural resources base as the foundation on which we put the building blocks for our future economic growth. Timber and wood products along with other traditional industries follow that category.

If I were to name two major building blocks it would be trade, taking advantage as we could of our geographical position on the Pacific rim and the ability we have to trade with the sunrise nations on the Pacific rim in a new and flourishing trade in the years to come. And thats why some of the concrete achievements that I will mention in a minute that prepare us for that world and that era of trade for Oregon are so terribly significant.

The second significant building block, and it goes on that foundation too, is technology. We may not be the mecca for the United States in high technology but we've got a real start, a working start, and its one that deserves improvement and expansion and with wise policies of the kind that I intend to allude to today I think we can see silicon valley north,

whatever it is that we call our high tech industry in Oregon, flourish and expand and become an incremental part of the prosperity we need to build together for Oregon's future.

With these things in mind I can report to you that a number of members of the Oregon delegation, in this last Congress, have really rolled up their sleeves, over the last year, the first six months of this Congress and in the closing months of the last, have rolled up their sleeves and really produced concrete results for the state to help prepare it along the lines that I have mentioned in keeping with that strategy that I referred to and it was done on a bipartisan basis in the best Oregon tradition.

This is the good news I guess in the report that I give you today. Let me run through the list although I must admit that the intro that Jeff gave me, generous as it was, causes me to abbreviate now. Lets just think about trade. We've been trying for years to repair, to replace that antiquated Bonneville on the Columbia river. The biggest bottleneck to moving barge traffic and the produce and products on those barges from upland river areas down to the port of Portland and from there to international markets. We've been trying for years in vain. Finally in the last week to week and a half in Congress, the Bonneville was not only authorized but it was approved and I tip my hat to Mark Hatfield who was the other member of the delegation who served on an appropriations committee, of course his seat is one that I envy greatly...being chairman on the Senate side is much better than being member on the House side. But working together I can report that the Bonneville lock will be a reality. And no longer we will stand on the Bonneville lock and see a narrow lock with miles and miles of barge traffic lined up behind it waiting to get through, time wasted, costs going up, making our products uncompetitive to other ports on the west coast

We also passed the St. Helen's Dam, a single retention structure there which is so critically important. It stops siltation and flooding and debris from coming down from Mt. St. Helens in a future runoff and clogging up and plugging the Columbia river shipping channel and stopping completely shipping for the port of Portland.

Also close to the river we turn to the shipyards which has to be apart of the traditional industries that we need to maintain. Through persistence, through alot of patience, through trying to not blow our stack at every reckless statement made by the department of the Navy, working quietly behind the scenes and using every ounce of influence that a delegation could. We now have a new destroyer for maintenance and repair here in Portland. We also have within the last few months a Coast Guard ice breaker, homeported here which means the work to maintain and overhalul and keep it operational and that translates into jobs and spinoff economic development. Astoria, a part of my district that has been chronically plagued with lack of economic development has within the last few seeks has been named as a home port site for two Navy mine sweepers and the same thing is beginning to happen there.

Lets turn to timber. We have got major problems back in that foundation industry of timber. Not the least of which is cheap Canadian imports spilling over the 49th parallel making major market penetrations into the US domestic market. The Canadian market share has grown from 15% in 1975 in soft wood lumber to over 33% today. In dimension lumber, the Canadian market share if 50%. These are the kinds of facts that give rise to cries

for protectionism, high tariffs, quotas, things of this kind which in my judgment as a free trader I consider to be counter productive. But in the last year this last Interior appropriations bill, I tried and I had the full support of my colleagues, in trying to take a constructive approach to the problem rather than the destructive approach of protectionism.

What we did was simply redesign the timber sales program of the Forest Service and made use of the Timber Sales Contract Relief Act which allowed operators to turn back to the forest service for resale sales that had been prepared for offering in the past where roads are already in, an infrastructure already prepared and we put 50% the timber sales program in that category dependent upon that kind of sale for 50% of it. What that means is that we will have the lowest cost timber sales programs Congress has produced in years. What that translates into is cheaper US produced softwood lumber which can compete constructively with Canadian imports. That is an achievement as well.

On the high tech front. Good news also for Oregon although each of these is only a step toward the future we are preparing for but the passage of the Export Administration act which I mentioned at the beginning is an incredibly important thing for high tech operators and every where in the country. We've streamlined the hoops and the steps and export licensing procedures that high tech exporters have to go through. Whereas a year ago or two years ago a high tech firm might land a prospective sale abroad and then wait for four months before the wheels of the federal gov't ground out an approval for the export license which usually give the French or the Japanese or some other competitor the chance to move in and take that sale away from us. Whereas that wasn't the case a year ago, today we have a streamlined system in which we think sales are going to be speeded along and markets captured where they have been lost before.

These steps and more I think are a list of tangible results that we can report in a mid year report from the Congress to the state of Oregon on the positive side.

The sobering news and it is extremely sobering, and that's putting it gently is the news of the deficit and its consequences for Oregon and for the country if we fail to get better leadership than what we saw in the final two weeks of this Congress before we recessed. I want to know first where I was coming from as this debate began. I advocated an across the board freeze on spending - all categories of spending, including entitlements. And in addition to that I advocated cuts under last year's levels so that we could approximate a deficit reduction of sixty-seventy-eighty billion dollars in range. Not a balanced budget in one year but the biggest bite of the apple I heard proposed anywhere on Capitol Hill. For awhile I thought that was going to happen. The House passed version of the budget resolution was fifty-six billion dollars and that's nothing to sneeze at. In fact the credit markets responded very favorably to that figure. When the Senate passed it's version of the budget resolution which was also in the fifty-six billion dollar range, I think you can remember what happened there. Again, a very favorable reaction from the credit markets, the stock market broke thirteen hundred the very next day after the passage. But then things began to bog down and two major players, the President of the United States, who will never run for public office again, and the Speaker of the House, who will never have to run for office again either, decided that they were going to hold tight on the two sacred

cows that they felt very strongly about. O'Niell - entitlements, the President - revenue. I'm not advocating balancing the budget by raising taxes but when the Senate leadership proposed, on top of the other cuts, that came close to sixty billion dollars, the addition of an oil import fee, which in my judgement is not anything like excellerating the personal income tax in this country, but an import fee that would produce thirty billion dollars and dedicate those proceeds to deficit reduction, I thought we really had a ballgame going and all it required was leadership on the part of the House leadership and the White House and I think we could have put together a package of about eighty billion dollars, which was close to the range I was looking for myself, although not configured in the way I had imagined in the beginning. We didn't end up with that and that's not news to you. What we ended up with instead is about a forty billion dollar deficit, fifty-five billion if your want to use the most optimistic assumptions. I wouldn't advise you to do that even though the Office of Management and Budget stands by those assumptions. I can't believe that a four percent real growth rate is in store this year. If you don't agree with that, then don't believe in those assumptions. That means then if you follow my line of thinking, we're closer to forty billion dollar reduction. The trouble is that we've missed an opportunity and now it falls to the Appropriations Committees to work within those ceilings set by the budget resolutions, ceilings that were too high and to try to bring actual appropriations, actual spending bill in substantially lower than those ceilings so that we can still get close to the fifty-five to sixty billion dollar range that the credit markets and the stock markets celebrated when they were initially passed in the form of a budget resolution in the House and the Senate. I tell you this, as a single member of the Appropriations Committee in the House, I pledge to work in that direction. If it's necessary, speaking only within the realm within which I can work, and that's the House of Representatives, I'll join my colleagues, whomever they may be, whatever philosophical wing of my party they come from, to use the majority caucus to pass resolutions and instruct the leadership and the committees of Congress to get the kinds of cuts in appropriations that we need to build and do better than the forty billion dollar deficit reduction that the budget resolution requires. My biggest worry and I'm sure I'm echoing the worries that you have as well, with where things have not been left, at mid-point in the year in Congress, on the budget, is really two major things; first, should we slide back into a recession, God forbid, at this time, having failed to take advantage of a general economic recovery, we don't have many tools to work with to get ourselves out of that recession. I mean just think about that. If we have another recession it's going to be deeper, I think it's going to last longer and what tools do we have to work with to get out? Some say "Well prime the pump - spend some more - spend our way out." With a two hundred billion dollar deficit, how in the world is that a tool? To the degree to which you do that, you drive yourself in my judgement, even deeper into the abyss. So that's not a tool. Do you cut taxes? How do you do that with a tax base as cut as it already has been and with the loss of revenue that would result from that, exacerbating the deficit picture as well. I think both tools would be missing and that seems to me to be a long slow climb out of any future recession and that's why it's so urgent and why I've been trying to press my colleagues and why I think many of them have gone home having not agreed with my eighty billion dollar range and those that agreed with me when we first set out on this exercise are a little bit nervous now to only be able to show their

constituents a forty billion dollar increase and that's why I have some hope that when it come to appropriations and actual outlays, we can improve upon that and bring the deficit reduction even further down. The second worry I have about this deficit is what it really represents for America's long-term future. This is not just a list of figures printed in red ink. Two hundred billion dollar annual deficits I would define as a program of dis-investment in this county's future. Dis-investment. And the significance of that I think can be seen when you look at what's happening in the international marketplace with our trading partners, with our competitors in the world economy. We need investment to improve our technology, to modernize our plants and factories, to retool and to build and to prepare ourselves for the challenge we face and that challenge is very real. A program of dis-investment in which the government may borrow up to seventy percent of the total amount of the capitol pool in this country would be a calamity and I think it's going to on the strength of that argument that we end up winning the budget arguement. If that MIT professor that I mentioned at the beginning of my remarks is correct, that we are in a period of transition, and if new technologies are the basis for the next expansion, then our comparative advantage is going to be on the amount of capitol and and investment we can provide. And more than that, it's going to be more and more moving towards, in my judgement, goods that carry with it a high degree of research and development. Research and development obviously depends on the kind of capitol I referred to. This doesn't mean that we, in looking ahead, should for a moment think about abandoning traditional industries. It means greater and greater emphasis on strategies for capitol creation and it means greater and greater emphasis on knowledge intensive work in order to fuel the kind of techlological breakthroughs that future growth rates depend upon. That knowledge intensive work will require capitol of a different nature as well and I think that's worth mentioning, and I mention it in closing. Not just the capitol that builds plants and factories and modernizes and creates thnigs but a kind of capitol that produces highly trained and educated workers. I think we are moving away and have tended to forget this important ingredient - not just in America but also here in Oregon. I'm referring to human capitol. Highly qualified, skilled workers who can man the tasks of developing the technology that Oregon and the United States needs in the years to come. In the book called "Comeback" that some of you may be familiar with, Ezra Vockel put the point extremely well, and I end with what he said.

He made the point that computers, communications, satellites, new materials, biotechnology, these and related fields are probably going to be the fields that, though they may lack the tangibility and the concreteness of railroads and roads which represented the engine of growth in the past, do in fact represent the engine of growth in the future. And thats why I think ideas such as human capital, how we produce better trained minds from our classrooms without resorting to a binge of 1960 social spending is one of the number one items on the American agenda. I call to your attention and will provide any additional information to the members who might be interested because we need your support in this...The research and development tax credit that I have authored and tried to move through the House. Simply put what this does is extend the research and development tax credit to corporations on a permanent and applies and expands it so that corporations, particularly high tech firms, may lend to schools and to institutions of learning chemists, mathematicians, physicists, others who are highly skilled in nature so they can teach in

the classroom and improve the quality of instruction that goes on in those classrooms. The salary for those personnel can be sheltered from taxes. And likewise, high state of art technology can be donated to institutions of learning and at a tax credit claim for that as well.

It is a world of transition. We're moving through it. You certainly see it in Oregon as you travel through my Congressional district but I think the guideline words really are those that Daniel Webster spoke in a different. They are up above the Speaker's podium in the House of Representatives. In paraphrasing those words they catch the spirit of the challenge that face you and me. Webster said in his time, "Let us develop our resources, build up our institutions, harness our energies and see whether in our time and in our day we might do something worthy of being remembered." That was the spirit that captured and animated his time. I think no less is required of ourselves in this changing time. Thank you for the chance to come by. CLAP, CLAP.