

President Duane ?, Governor Chuck and members of the Kiwanis  
I'm glad we could get together today and have a chance to visit  
with you.

Let me tell you how pleased I am to come before you to report  
to your organization and people in eastern Washington county  
about some of the problems and hopefully some of the solutions  
facing the economy today. And more importantly what I intend to do  
working for you on the constructive end of some of the those  
solutions.

I want to ask a question before I begin, if I could. It was  
last week I think when the State of the Union Address was made.  
I never know how widely watched those events are. In my own case  
I have never missed one. I think they are history in the making.  
Whether they are Democratic or Republican Presidents I always make  
it my business to attend. But I don't know about the television  
audience, and I'd just like to get a showing of hands of how many  
of you watched the state of address. Can I see a showing of hand.  
That's superb, that's excellent. What were the rest of you doing?  
A Kiwanis meeting, sure.

Well, I want to tell you something. As Mike indicated in his  
introduction I'm the first Democrat ever elected in Oregon's First  
Congressional District and Oregon has had a first District since  
Statehood and I make no bones about being a Democrat. I'm proud  
to be a part of a new generation of Democrats that represent something  
exciting for the two party process, the growth potential and the  
economic potential of the country and we can get into that later.  
But as a Democrat I want to offer my own evaluation or impressions  
of that speech. Of the 10 State of the Union addresses I've heard  
I've never heard a president enunciate, articulate, the basic  
values that most Americans agree with, more clearly and more

compellingly than President Reagan did. He didn't use these precise words but the values were there nevertheless. What were they? One of them certainly was Growth, economic growth, personal growth in a growing economy. The other value that was articulated with tremendous force and eloquence is the concept or value of strength. Strength as a nation in a dangerous world and that too is something that is a basic American value. And the third, and there may be more, the third principle value that came through loud and clear at least to this member of Congress was the notion of individual merit. That thing that has been the secret behind the growth, the emergence and the success story that the United State of America has become. I want to say to you that on each one of these values I don't think you'd find a rational person in the United States Congress today in fundamental disagreement, and as surprising as it may seem to you there still, in my judgement, is a majority that falls in that category, rational people. I do think there is fundamental agreement there and one of the things I want to tip my hat to the President on, though we have differences of opinion, is that we are in a time when those values<sup>do</sup> need to be articulated. We do need to be reminded about what those values are and we do need to set upon a course that achieve those goals so that this country keeps<sup>is</sup> competitive, economic and social edge. And to that extent I fully compliment the President for doing it in a way is unmatched since the days of John Kennedy or FDR, the two modern presidents who most people say were masters at the task.

Here however is the problem, the problem as I see it for the country. How do we take wise steps, wise and prudent steps to achieve the goals that are embodied in the values that we heard enunciated in the State of the Union address. And how do we achieve those values?

I think in thinking about this we ought to forget some of the old mainstream democrats that are the popular subjects of the editorial cartoonists. Tip O'Neil, after all, as Mike and I were talking about it at the table today, is retiring in two years. A lot of his generation is moving aside. What's happening in the Congress is that moving to the front incrementally as the old Guard retires is a whole new generation of this party, my party, not yours, but mine, which is not in experience or in history the same as the old guard. Let me give you some examples that are very important to understand as we try to make sense out of <sup>what happens in</sup> Congress in the coming years. This new generation in my party is a post depression generation. Our <sup>hasn't been</sup> experience ~~xxxx~~ one of recession, it's been one of inflation. Inflation is the number one problem that we identify as the economic problem that must be avoided at all costs. Not New Deal programs that are designed to fight the New Deal all over again and to try to address a depression that was born in the 30's and will never return. There's another difference, it's a post-Vietnam generation. One that feels that there are twin problems in Foreign Policy. One extreme of that problem would be an isolationism which you can see in some of older guard who absolutely refuse to see any vital American interest anywhere in the world and that is very similar to what the Republican party was back prior to World War I. There is that element in the Democratic Party, but that is the older generation. The newer generation sees that as a problem, knows that there are vital interests that must be protected, the Persian Gulf is one of them. It also sees the other extreme, that is a problem of interventionism where without carefully thinking through the steps we can get bogged down in areas where we do not have high stakes issues that affect our vital interests and end up being bogged down and having resources diverted

from the defense of our vital interests elsewhere in the world. I think that the emergence of this new generation is exciting. Whether you are a Democrat or a Republican, I think you should be too.

Because the other aspect of this new generation is that it is a group of Congressmen who are more concerned about the creation of wealth and strategies for growth rather than the old generation's concept of simply redistributing that which has already been created. That's the generational divide that has emerged in the Democratic Party and now you begin to see people like Dick Gephardt, <sup>of Missouri</sup> who is now the Caucus Chairman, who represents this different generation, stepping forward, only a few steps away from the ultimate source of power in the Congress itself. Why is that important? What's important about it is, if it is encouraged and if it comes to fruition, we then as a country, Democrats, Independents and Republicans, will have as a society, as a political society, two great major political parties arguing not as they do in Great Britain with one party talking about generating wealth and the other talking about redistributing wealth. Instead we will have two great parties battling over who has the best idea, the best strategy for the generation of growth with which this country is going to face increased competition in an increasingly international marketplace in the years to come. That kind of competition is constructive competition. The kind of competition we have seen in Great Britain is destructive competition, because it polarizes, it plays on class warfare, it feebles a society and <sup>a</sup> people to mobilize to the task at hand and I just feel an enormous sense of optimism about what is in store in the next few years.

Let me step back from that long range analysis. I don't think it's terribly long range. I think we're two, three, four years away from a Democratic party, whether it's in the minority or the majority, which has that as its basic orientation. My task is to work to bring that about. Let me step back from that and talk about, if I may, the values that we heard enunciated in the State of the Union address and without any attempt at partisanship at all explain to you why working for this district in Oregon and working for our State I think there is room for responsible differences of opinion about how we get to the goals that were articulated in the address.

Let's take the question of growth. We all agree. There is a majority behind the idea that without growth our children have no future and in our own lifetime, economic livelihood is imperiled. The single greatest obstacle to the continuation of this recovery, which has been remarkable, is the budget deficit that has been proposed and sent to Congress this year which is in the neighborhood according to the Office of Management and Budget of \$180 billion. The Congressional Budget Office says it's closer to \$214 billion. Now I had a dairy farmer come up to me yesterday and say, when I explained this, and said, How can you really say that this is an obstacle. He was a Washington County Dairy Farmer and, not that he was a Dairy Farmer, he just happened to be, and came up to me and he was a businessman. He said, I don't understand really. I'm beginning to wonder if these deficits do make any difference. He said, I remember back when interest rates were 21% and our deficit under Carter was much lower than 180 billion and interest rates today certainly aren't that high. Maybe, just maybe these deficits can be

absorbed, can be handled and maybe they won't be the threat to growth that we've all thought they are and that you indicate that they are. I tried to explain to him a fact that I hope is not missed on the part of any Oregonian or any American citizen or any member of this organization for that matter. And that is the only thing that is saving us today with these huge deficits is the amount of foreign capital that is coming in to the United States and expanding the capital pool within which the government is sticking its nose into the trough and sponging out capital to finance this deficit. The degree to which we have an enormous influx of foreign capital is the degree to which we can have government going in borrowing these massive sums of money, \$180 billion a year, projected to be up to \$300 billion in future years without crowding out<sup>XO</sup> the point where that competition ~~xxxxxxx~~ for demand drives interest rates back up again. But what happens if the foreigners decide that they want to back out and they could at any minute. Capital decisions are made like that. The instant foreign capital moves out our capital pool shrinks and then these huge government deficits are going to be competing against the remaining capital pool which is a domestic capital pool and the small businessman, the hi-tech entrepreneur, the consumer who wants a car, the <sup>potential</sup> homebuyer, everyone of them is going to be crowded out by the massive appetite by the federal government in its insatiable demand for capital to cover the deficits that have been run up. So that when I say to you that growth is a value that we all agree with I really must say to you that in my judgement we cannot grow ourselves out of this deficit. We've got to make spending cuts in order to do so. I fully realize that I'm a Democrat standing before you today that may make you think how credible is this to hear a Democratic member of the House say we have

to have spending cuts to solve this problem. But I want to suggest to you (he didn't have to laugh that hard). I want to suggest to you this, in all sincerity, whether you are a Republican or whether you are a Democrat, or whether your world revolves around capital formation or helping your fellow man, no one's agenda for this country is going to be achieved if we have the economic destruction that is sure to follow if these deficits stop the growth that we are for the moment enjoying. No one's agenda will be achieved. So there are Democrats ~~that~~ who ought to buy into a deficit reduction strategy, Republicans ought to buy into it, Independents ought to buy into it. It ought not to be a partisan issue in any sense of the word. This is why, in this Congress, I will be doing something that I spoke of during the last campaign and that is trying to join with Republicans and boll weevil Democrat and moderate Democrats, whoever I can band together and work and work for an across the Board budget freeze, which freezes both the cost of living adjustments on entitlements and have you heard anyone's proposal deal with that sensitive issue yet -- you have not. It would freeze entitlements and straight across the board it would freeze domestic spending and would in fact freeze military spending for this year's budget cycle.. I want to tell you why I think that's important. <sup>value 56</sup> ~~if~~ we freeze across the board you're going to have winners and losers. If you let military spending go forward and freeze <sup>x 4 x 0</sup> cost of living adjustments on entitlements those people in Congress who have as their sacred cows the protection of entitlements and the cost of living adjustment therein -- they are going to do everything they can to cancel out the other side from balancing budget in the way the other side intends to do it, and they have enough muscle to do so. The reverse is also true so what you have ~~is two~~ are two polar camps really, some who are saying today

balance the budget but don't touch military spending at all, not a nickel, not a dime. And others who say balance the budget but don't touch entitlements or domestic spending, not a dime, not a nickel. Both have enough muscle to stop each other getting deep reductions in the deficit in the manner in which they desire, they prefer. But neither has enough muscle to win the fight themselves, so what you have potentially is stalemate and a prospect of going through this entire Congress with no meaningful reductions in expenditures. I would predict that that is going to frighten the foreign capital that ~~was spoken about~~ we've spoken of earlier today. It's going to flee this country. Its going to result in a return to high interest rates. You know what that does. I don't have to spellout. I don't have to draw any pictures to a ~~businessman~~ group of businessmen in Oregon in terms of the consequences of that. So what we need then, it seems to me, although I must say, and I think as businessmen you would agree with me, across the board freezing ~~budgeting~~ approaches to budgeting is really not very artful. You really ought to make surgical decisions and decide these things on a more fine tuned basis but in this environment where one side can cancel out the other what we ~~will~~ have to do to get at least a 50 billion reduction in the deficit this year, and that ought to be the minimum goal, is to freeze across the board and then find some additional cuts below the freeze where we can do without some of those expenditures. My number 1 goal in this Congress will be to try to form a bipartisan group, just as we did last year, to pass a budget freeze. Last year we lost by 70 votes. I had the Democratic Majority Leader oppose me and I had the Republican Minority Leader oppose me. They opposed me for different reasons on this proposal. But now what we're beginning to see



is Robert Dole in the Senate and the New Majority Leader in the Senate and other <sup>Republican</sup> leaders in the Senate coming together behind this idea. I think we now have a chance on a bipartisan basis to work for such a budget proposal and doesn't that really make the greatest sense of all. I mean, there's so much in the world, as I tell my colleagues, for Democrats and Republicans to argue about. Why perpetuate a lethal argument that threatens to poison the economy and destroy this recovery. If it's ~~xxxxxxx~~ destroyed this early the slide downhill is going to be ever/so much deeper than ~~xxxxxx~~ the last recession was. Why play games with the stakes that high. Why not band together, solve the problem, get that one behind us and then let Democrats and Republicans argue about everything else in the world they have to argue about without America's economic future being at stake. Well that will be my number one priority and let me also tell you this, because you need to know it, I believe the President won a mandate for no new taxes in the last election. I think the onus is on Congress to cut spending not to raise taxes. If we cut spending and leave taxes alone except for the possibility of simplification, but no new revenue increases I think the capital markets are going to be calmed. I think they are going to be steady. I think the foreign capital will be calm and steady as well and it will set the foundation for action in the next budget cycle which could be a duplicate of the same freeze proposal until we steadily get out of the woods of these \$200 billion deficits that are staring at us.

Let me conclude by saying this the alternative is to accept the President's budget absolutely as its been offered by the administration. With all due respect and I do try to conduct myself as a statesman in the Congress, with all due respect the budget as its been proposed

if it were to be adopted would be a no growth budget for the state of Oregon. I think it would be a no growth budget in many ways for the country because of the deficit problem it doesn't really address. It is \$180 billion out of balance. It does propose cuts, about \$41 billion worth of cuts but nary a nickel of those cuts go to deficit reduction. Instead they are carried over and Casper Weinberger becomes the beneficiary and the money is being spent instead in that agency of the federal government. For Oregon it is poison in several ways. First because of the deficit, secondly because of the programs that are being cannibalized in those cuts that are being transferred over to Weinberger's department. Let me give you a couple of examples and then I'll end and receive your questions. User Fees - Waterway user fees, that is being proposed to raise revenue to cover this deficit. If we impose waterway user fees, as you well know, along the Columbia river, every commodity that moves down that great Columbia river system to the Port of Portland and out across the sea is going to be taxed at a point that those goods will be uncompetitive compared to the goods shipped out of ports like Seattle and San Francisco and if we are trying to turn to an economy in Oregon where we diversify our timber based economy and turn to trade as one of the building blocks that's simply a non-starter of an idea. That's one problem we have in the budget. The second one is forest receipts to cover the deficit forest receipts are being cut back. We used to have an agreement we had until today an agreement in which the federal government after timber is harvested receives income, but the states and local areas in which the forests are located receive receipts as well to help with

planning, to help them manage future harvests and so forth. This budget would cut several hundred million dollars out of forest receipts take them all back to the federal government merely to cover a deficit that is caused by the factors I've described. For Oregon what that is is a problem that is aimed straight at the cornerstone of our current economy. How do you diversify our economy if the centerpiece of your economy has something like this aimed straight at it. Before you diversify you have to protect and strengthen ~~the well we can't do~~ that which you already have.

Well, we could go on. I would just conclude with education funds. I don't believe 1960's social spending for education is the wave of the future or the answer to America's problems but I do believe this, unless this country gets very serious, very quickly about the kinds of investments it puts into the classrooms and into the minds of the children we're trying to educate we aren't going to have the trained manpower to provide for our hi-tech industries which for Oregon represents yet another economic building block for our future and for this country represents that critical cutting edge that our security depends upon and our economic livelihood depends upon. Part of the cuts in this budget cut into college student aid and though there have been abuses in college student aid I think those abuses ought to be fixed rather than just having program cutbacks ~~for~~ where middle income families will find at a time tuitions running sometimes \$10 thousand a year that they can't put their kids through school. It is estimated that about ~~800,000~~ 800,000 students will no to through college as a result of the cutback in college student aid. We need more PHD's, we need more electronics engineers, we need more people getting better educations in order to keep that technological edge that has made America what it is, is Oregon's future and is our

economic livelihood. Why is it important to Washington County? The Office of Technology Assessment said that the Sunset Corridor here in Washington County is about the sixth most desirable place in the country for the development for the development of high technology industries. We have a tremendous potential. I believe in that potential, but you have to have skilled manpower, trained manpower, educated people in order to serve those industries. Isn't it really better rather than cannibalizing these programs, many domestic cuts are needed, but rather than cannibalizing those programs that represent in my judgement investments in our future, isn't it better really to say let's make an even deeper dent in the deficit this year by freezing across the board all of the sacred cows and not cannibalizing those long term investments that we've got to have in order to have prosperity and a generation of wealth in the years to come. No new taxes, spending freeze. Those are the two key goals that I'll be working for in the session of Congress.

I appreciate the chance to come by and give you this report before we go back into session on Tuesday and start watching the fur fly and see who wins this fight.

Tigard Kiwasas  
Speech

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