



a report from

2nd congressional district of arizona

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Staring Down Reality

"This year, Congress had a chance to bite the bullet. It bit a marshmallow instead."

A few weeks ago, Congress approved the First Joint Budget Resolution. As legislation goes, it carries no real weight. It is not a law, it is not signed by the President, it cannot be repealed. What it really amounts to is a set of guidelines. The Budget Resolution only establishes an overall spending target, an agreement among 535 men and women that our final draft of the federal budget will carry a total level of spending that does not exceed this "target" that we have set for ourselves.

Voting for a Budget Resolution, however, did not give us a budget. That will come later, as the House of Representatives and the Senate begins the tedious job of appropriating money for everything from the Central Arizona Project to national defense and deciding whether to abolish the National Aquarium in the lobby of the Department of Commerce building.

Despite the fact that the Budget Resolution is only a "rough draft," it took on major symbolic importance this year because it was viewed as the first important vote on President Reagan's economic recovery plan.

Members of Congress had several budget choices. But when the dust settled, anyone could see that only one of the budget plans, that offered by Congressman David Obey of Wisconsin, provided for a balanced federal budget in 1982.

Congress has talked for a long time about balancing the budget, and by all measure of public opinion, Americans want a balanced budget.

When I came to Washington as a freshman congressman in 1961, my very first bill was one that called for a balanced federal budget. I had no takers.

During the late 1960s, as our country became increasingly mired in the Vietnam War, I voiced my concern about the long-term and potentially damaging effects that financing such a conflict, without any increase in taxes, could have on our economy. That was not a popular view.

Today, economic responsibility seems to be in vogue, but one still may ask if Washington is really paying any attention. I thought there was good reason to face our economic problems squarely back in 1961 and later, during the Vietnam War. I think there is reason now to balance the budget (our \$80 billion a year interest payments on the national debt should be compelling in itself.)

This year, Congress had a chance to bite the bullet. It bit a marshmallow instead.

In the vote on the Budget Resolution, I supported the plan offered by Congressman Obey. Aside from balancing the budget, the Obey plan also offered stronger support for transportation and energy and many other areas that I believe to be critical to our country's future.

The debate on the floor of the House was long and spirited. All of us made our points, but the Obey resolution failed and the resolution offered by the Administration was approved.

It is one thing to make your case, and quite another to stand as an obstructionist. Those of us who favored a different plan lost, but the responsible course now is for each of us to work as hard as we can with what we have.

My differences with the President's budget remain, however, and they boil down as much to a matter of concern about determination, as to the absence of a balanced budget in 1982. More on that later.

Are We Really Serious?

As this newsletter is mailed, Congress faces another piece of the President's economic program -- the Kemp-Roth tax cut plan -- or something close to it.

Briefly, Kemp-Roth would provide a 30 per cent tax cut for every American, at the rate of 10 per cent a year for three years.

In 1979, 70 per cent of the Southern Arizona households that responded to my legislative questionnaire said they preferred a balanced budget *before* a tax cut.

Responsible, politically conservative business executives in Arizona have collared me at luncheons or have written letters voicing outright opposition to cutting taxes now.

And prominent economists identified with both major political parties have written lengthy and scholarly pieces for newspapers and magazines and their message has been the same: this is not the time for an across-the-board tax cut.

The tax-cutting game that Congress likes to play every few years is a gimmick and one that can be cruelly misleading. The "my tax cut is bigger than your tax cut" line does none of us much good. It does the country no good. And it brings me right back to the same point once more: are we really staring down economic reality when we engage in notions that address a symptom of our ills, but do nothing to attack the illness?

A Kemp-Roth style tax cut in our inflationary times would be like a painkiller -- it might make us feel good for awhile, but the pain will be back.

Does it make sense, when the public is demanding a balanced budget, to approve a Budget Resolution that is not balanced, and then talk about cutting taxes?

What We Must Face

I've gone on here a bit about what Congress isn't doing. So okay, Udall, what *should* Congress be doing? Fair question. I happen to have a list -- but before getting to that, let me make a couple of points:

* **First**, we need to be taking a look at the underlying rate of inflation, that part of the inflationary spiral that has become "built-in," and find out what we can do to break it. We need to examine our loss of competitiveness in the global marketplace. More protectionist legislation doesn't solve anything. We need to find imaginative ways to attack inflation psychology and to put our national mind back on the right track.

* **Second**, the United States still is in desperate need of a national energy policy. While there has been solid and reassuring progress in this country's willingness to conserve and to reduce the consumption of petroleum, and while the Organization of Petroleum Exporting Countries (OPEC) froze the price of oil last month, we're not yet out of our energy bind. It's true that our daily consumption of imported oil has dropped from 8.3 million barrels to about 6 million, but it's also true that we are still spending about \$80 billion a year for those 6 million barrels.

The OPEC price freeze will slow the rate of increase in the price of oil, but the cartel's announced cut in production will "sop up" the current glut of crude oil, and prices will

remain high. The exportation of American dollars is one of the major factors in inflation today -- maybe the major factor. As our money is pumped overseas, Arab sheiks bring it back to the United States and buy up our banks, our shopping malls, our land, and you name it, and that's no good.

Here are ways Congress can move against each of these problems:

* **Taxes.** Rather than play a lopsided tax-cut game of doubtful benefit, it would be wiser to look at a list of selective tax cuts. Congress should take a look at how we can help business and industry with tax incentives that will spur productivity, employment and aid in the reindustrialization of America. If we are to cut taxes, let's cut in favor of equity: reduce the "marriage penalty," cut the rate on investment income, reduce estate and gift taxes and increase tax incentives for retirement savings.

The proper financial incentives can help us combat the "inflation psychology" mentioned earlier.

* **Government.** Paring back the size of the federal government is something everyone can endorse, but it isn't likely to help the economy very much. Reducing duplicative and constraining regulations will. So let's get serious and get to work in the serious areas that can really have a solid impact on our lives, our jobs and on the futures of our children. Helping our industrial base regain our competitive edge should be the primary goal.

* **Energy.** We still need a national energy policy. Now is not the time to ignore our energy problem, but it is time to redouble our effort and to help accelerate research and not reduce it. Depending on the good will of OPEC isn't my idea of energy security. Energy independence means breaking away from the "underlying inflation" that has become locked into our economic planning.

* **Spending.** While we're cutting government spending, we should be careful not to be pound foolish. Many of our cities (Tucson among them) now face potentially serious budget problems in 1982. Cuts in some federal programs could worsen the situation, and shifting a tax burden from one level of government to another is not cutting spending. As the Obey budget proposal demonstrated, there are ways we can help local government while we pare away the federal deficit.

Time to Act

There's an old story about Abraham Lincoln that tells of the time he was plowing a field. He came to a stump in the middle of a row, and his friends all laughed. If he

tried to remove it, he would lose valuable plowing time. How, they asked, was old Abe going to handle that?

A day or two later, Lincoln saw his friends in town and announced he had solved the problem of the stump. Astonished, his friends asked how.

"Plowed around it," Lincoln said.

What worked for Lincoln won't work for our country.

Not now, not today. We can't solve any of our problems by plowing around them, pretending they aren't there, refusing to face them squarely with the tough, decisive measures that we need.

A few years ago, I was ready to sign up as a co-sponsor of a Tax Incentive Plan, designed to fight inflation by offering tax incentives to employers who keep prices down and employees who hold down wages. It would have created no new bureaucracy and would have offered some hope to stem our wage-price spiral.

A year ago, I introduced legislation to help cut red tape for energy projects.

Two years ago, I sponsored the Small Business Promotion and Relief Act, designed to attack what ails small business in this country and incorporating many suggestions that came out of a day-long small business seminar in Tucson.

Four years ago, I co-sponsored a "sunset" bill, which would have provided for the automatic death of federal programs and agencies that could not justify their existence at the end of five years.

Each of those proposals had the backing of a good number of members here in the House. But gradually, Congress backed away from each one.

Today, we are trying to fight inflation a piece at a time, our energy projects are not going fast enough, small businessmen are still being hurt worst of all, and useless government agencies are still with us.

Not exactly "Profiles in Courage."

It isn't going to do much good to talk about a balanced budget and then vote for a budget that isn't balanced. When the business community needs help and our productivity is down, cutting taxes for a family of four earning \$20,000 a year by less than \$200, isn't going to increase productivity. News of a global oil glut sounds good, but there won't be a glut forever. And we have done nothing about stemming the flow of \$80 billion a year to foreign

countries. And eliminating the National Aquarium in the Department of Commerce building isn't going to do a lot about inflation.

If this Administration means what it says about getting tough with inflation and facing our economic ills head-on, they have no more ardent ally than Mo Udall. But when we sidestep our most pressing problems, it only raises questions about our determination, about our willingness to seriously face what ails us.

My agenda isn't perfect, but my experience tells me that the public doesn't expect perfection. They do expect courage and action, when the situation demands it.

With your help and advice, I want to get on with the job.



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