

PETE DOMENICI

February 7, 1985

There's a saying in Washington about how government works. The President proposes and Congress disposes. This week President Reagan proposed to Congress a record 974B budget with a 180B deficit. Now it's Congress's turn to dispose. And the man at the center of the action is today's luncheon speaker, Senator Pete Domenici of New Mexico, the Chairman of the Senate Budget Committee. Domenici came here today in fact from a Committee hearing where he was questioning Defense Secretary Casper Weinberger. Some say it might have even been an inquisition and we'll hear from them more about that later. Until 1980 Domenici was a low profile lawmaker who spent most of his time on New Mexican affairs. But in the 1980 election Republicans gained control of the Senate and Domenici moved into the limelight as Chairman of the potent Budget Committee. He played the key role in pushing through the President's budget in 1981, that cut federal spending by \$175B over a four-year period. That was the largest single federal spending cut in the nation's history. While generally agreeing with the conservative fiscal policy of the President, Domenici has often found himself opposing Mr. Reagan on the issue of budget deficits. He has also proved himself to be a rather feisty chairman, once chastising David Stockman by saying "You run the Office of Management and Budget; I'll run this committee." Domenici was born 52 years ago in Albuquerque, the son of Italian immigrants who ran a wholesale grocery business. Like another well known Senator from the West who apparently is still running for President, Domenici altered his name. Mr. Domenici's first name at birth was "Pietro". He changed it to Pete when he first ran for public office. Now that that's out

why we can clear the air and if you ever want to run for President, it won't be a scandal. After graduating from the University of New Mexico in 1954, Domenici played minor league baseball with the Albuquerque Dukes. But seeing that he wasn't about to make the big leagues as a pitcher, he switched careers and became a junior high school math teacher. He later entered the University of Denver Law School and graduated in 1958. Domenici first ran for public office in 1966 and was elected to the Albuquerque City Commission. A year later he was elected Commission Chairman, the equivalent then of being the city's mayor. After an unsuccessful attempt to become governor of New Mexico in 1970, Senator Domenici was elected to the United States Senate in 1972. He was the first Republican Senator elected from his state in 36 years. Perhaps the highest compliment paid to him at least recently came from his Democratic counterpart on the Budget Committee, Senator Lawton Chiles of Florida, the ranking minority member. Chiles once said of Senator Domenici "Pete knows what he's talking about and is tenacious. But more reasonable in an unreasonable situation that most people ought to be. Domenici is married and he and his wife Nancy have eight children, which could explain his tolerance. And now, please welcome our guest today, Senator Pete Domenici of New Mexico. (applause)

PD - Thank you very much David. Let me start by telling you that of late the last four or five days, I understand distinguished majority leader of the U.S. Senate has said that he passed the ball as far as putting together a package and passed it over to the budget committee and to me without going into a big long story about a great fullback named Leroy who ran the ball 26 consecutive times, let me just say that I called him up. As you know, Leroy, when they asked him to run the 27th time, he said "Leroy don't want the ball." Well, I called the distinguished leader and said that I kind of

felt like Leroy. But in any event I would like to start by suggesting without being presumptuous that there are few approaches to deficit reduction in a time like this, considering the committee structure of the United States Congress, there are few committees that have the tools to affect a real deficit reduction package. I believe the budget process provides for our Congress and for our people such tools. And I'll tell you a little bit more about that as I explain to you what I hope we'll be able to do. But before I do that maybe I ought to share with you why we have so much difficulty in my opinion dramatically reducing the federal expenditures this year. I just ran for public office and I had a very successful campaign. I come from a state with a 2 to 1 Democrat registration and I guess my people in New Mexico paid me the extreme compliment, probably something that as long as I live, whatever I will do, I will forever be grateful for. In the midst of this very difficult fiscal time, they gave 72.3% of the vote. Now why did that happen? I think it happened because the people of the United States and the people of the state of New Mexico are upbeat. They are optimistic. The young people of the country set kind of the pattern when they decided to mainstream this election, get off the streets, and get into the electoral process and then they went one step further. In a rather dramatic change, not only were they involved day-to-day, not only did they register in extraordinary numbers, but well over 60% of the young people of the country voted for the President and voted Republican. Now that reminds me of how much this optimism that's around has permeated the landscape. In my campaign I kept telling my campaign people that I'm old-fashioned. You tell me the day is gone when we ought to be worried about bumperstickers and how many yard signs you've got and I kept telling them "Where are they?" And they kept telling me, "Just wait they'll all be there."

Everything's going along fine." They'd show me the polls and I'd ask them where's the evidence out there in the street; I want to see the people. Well I finally got evidence not only of that but of the extent to which we have convinced the American people that things are good. That they ought to have joy in their hearts and a smile on their face. When I went to a senior retirement home in a little town of Portales, NM, as I arrived I was given instant evidence that my admonitions to my staff about getting this job done really had occurred because many of the occupants were in wheelchairs. And believe it or not I saw 13 wheelchairs with People for Pete bumperstickers on them. And I knew that we were doing a great job. But the first man that really wanted to talk to me was 89 years of age. He had a big smile on his face and the smile would never leave. He finally coralled me and got me up close to him and wanted me to share some thoughts. So he said to me, Senator, I am 89 years of age and things are great. And I wanted to know why and so I got a bit closer where I could hear very well and he said, Senator, did you notice as you came in the list of occupants and I said, no sir, but I'm really interested. You're in a wheelchair; you look somewhat crippled. Why are you so happy? And he said, come here. And I got down close and he said, Senator, there are only 13 men and 87 women in this nursing home. (laughter) And he said, if my health holds up everything will be great! (laughter) Well, I will just allude to one more just to convince you that we have a very difficult job of convincing ourselves that we must take some very drastic and serious medicine. Three weeks after the campaign, I was standing on a couple of steps outside of a building trying to hide because I was talking to somebody and I wanted to be private. But everybody that came by on that street saw me and 13 in a row stopped and walked up the steps and said, Hello, Senator, boy it's great that you got

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elected. They all knew my name, Senator Pete. Think how difficult it would have been if it would have been Senator Pietro--David. But in any event, the last of the 13 were two street urchins--street people. And believe it or not they stopped and walked up the stairs, they were as dissheveled as any two I've ever seen and they walked up and knew my name perfectly, were congratulatory and said You must believe us; we may not look like it but we both voted. And we went through a lot of difficulty to vote; and he looked up and said, We voted for you. And the man said We voted for President Reagan. And he pointed to his head and indicating where all of us, including him, have their brains. And he said, While everything isn't rosy, things are going pretty good; we're not stupid. Now--I believe with that background and the President's speech last night that the American people are indeed feeling upbeat. Now it's very tough to sell medicine that is hard to take to a populus and to a Congress that feels that optimistic and that upbeat. Yet I might submit to you that that only makes it more urgent that we tell the truth, that we assess the problem as it really is, and that we attempt to fix it. Now, let me just give you one number. Yesterday, the distinguished Economics, Ph.D., Rudy Penner, told us as he described the future in terms of the American deficit three startling things. 1) If our country were, God forbid, to have a serious recession and incidentally, my friends, we have had 7 1/2 recessions since the second World War. I say 7 1/2 because we had one that's in controversy as to whether it was a big enough downturn. But we have normally followed a business cycle and we have them. He indicated to us if we have one and it were to last about 22 to 24 months like the last one, under current policies, on the expenditure side that is what we are spending your money for and current tax laws, what we take in from you, the

deficit would spiral--we thought it had already reached some pinnacle but he said it would go up to \$425B. So you can put that in perspective the entire expenditure of your federal government absent interest in the year 1985 is \$804B and he says the deficit will be that. 2) He says that we are debt servicing the enormous approaching \$2Trillion deficit of the American government to the peoples of America and the peoples of the world; we are debt servicing that today. About 50% from the world and not from ourselves; about 50% is coming in from countries around the world, institutions around the world, peoples around the world and that's because this is a great place to invest and because interest rates are inordinately high and we never thought such a miracle of funding an American deficit could occur. And 3) the third fact is that if we do nothing but leave the policies of our government as they are across the board, the deficit three years hence will be over \$260B-\$290B and one would have to assume that that will be the case even if we had prosperity for all of the three years. Now I think given that, that we ought to be concerned. I think given the fact that everybody's optimistic, we ought to nonetheless sit down and do what we must. My hope is that the Budget Committee in the United States Senate can take the President at his word on a few of the recommendations that he's made. He has in a very real way called our bluff because there's a lot of rhetoric around about a freeze. He took a very conventional kind of freeze. What an average American would think a freeze is. And he said no more money will be spent in 1986 than we spent in 1984. Excuse me 85. 5 to 6 you spend exactly the same amount of money except for your interest. Now my friends that's dramatic. The government of the United States has not done that ever in the past twenty-five years. Where expenditures year after year

are exactly the same, that will require that we find \$50B in outlays, expenditures from programs of the American people in one year and take them off the books and say we won't spend them. Now it seems to me that the budget committee is in a position to say to the committees of the United States Congress if ratified by both bodies, you must do these certain things and do it within a time frame and bring it back to us and let us pass a law changing things. Now on the other hand, Congress has said through at least 30-38, maybe as many as 40 members bipartisan in the Senate, let's freeze. But my friends their freeze is a different kind of freeze; they'll freeze programatic levels not outlays, not expenditures. And so all that may seem to be difficult medicine if you did that across the board on everything. Everything--defense, social security, all costs of living, medicare providers, the whole ball of wax. You're somewhere between \$12B and \$20B short of that goal that the President set of no more expenditures one year over the other. And now my friends, the real tough medicine. If you take social security out, you add \$6B more to that \$12B to \$20B. If you take defense out as he has suggested, reduce his requests some, you've got to add about another \$12B to \$14B down there below that line and if my arithmetic serves me right, you're very close to \$40B that you've got to find in the domestic programs of the United States. Now I don't give you that rather difficult scenario to tell you that it's impossible but I submit that for those who say, let's get the President to do more in defense, let's get the President to bite the political bullet of social security. Yes, we ought to go try and get the President to concur that we need some more give in those areas. But I don't believe there is a chance unless and until a very large group of United States Senators say we are willing to make some substantial cuts in that \$12B-\$20B that you need even if you freeze. My friends, there's no way to escape that

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programs like AMTRAK, mass transit, automatic entitlement to hospitalization for veterans regardless of means. Revenue sharing, housing programs, direct loan subsidies of all types to the small business man through small business and to the large giant corporations through XM Bank. No way to escape looking at 50-60% of those and saying, we must do them. I don't think we have a chance of putting a package together that further addresses the defense build-up and the President's requests until we have a willingness on the part of a large group of Senators to make the package real by bidding some very serious domestic cuts. That's why it's kind of a put-up or shut-up period of time as I see it. Now, the one thing we can do, we can accomplish this and hold most of the programs for the poor of this country, eith intact or permit them to increase. So that ought to tell you that if it's going to be difficult to get these cuts that I'm talking about it is not the poor of this country through their Representatives and otherwise, that will be at the heart of the problem or that we will have to convince. I regret to tell you that in the last 25 years we have built up a litany of programs that subsidize and contribute to the middle income and the rich of this country through pension systems, XM Banks, and all the other myriad of non means tested programs. So the battle will not be between the lobbyists if there are many for the poor but rather to all the special interest groups representing those who for years have talked one way and now we'll see how they'll talk as we address the very difficult issues of how much are they willing to contribute to this enormous American problem that I've just described to you. Now I'd like to tell you in another way how tough it is. Some say entitlements have grown so fast they must take more. Some say the budgeted programs like water and sewer grants, and aid to education has taken too much. It can't take anymore. Others have said it's all defense that caused it; we'll just have to take it all out of that. From years 1981 through '85 the facts do not sustain that

premise. All of the entitlements have grown in real growth at about 3.1% compounded annually over the years I've just told you-- 3.1. Not 14, not 15 and all of that, that this budget's out of balance because of entitlement, that's changed dramatically in four years. That isn't to say that many of them shouldn't be restrained, but that's the fact. The discretionary non-defense account, same period of time, have grown a negative 1.3. That means they have not even grown in real terms over three years. Defense has grown 7.5 compounded. But lo and behold, the interest payments that we're paying have grown twelve and one half percent compounded annually over the four years and will now be between 145 and 160 billions of dollars. For those of you who remember the Lyndon Johnson days you will recall that his biggest political problem before he was confronted with Viet Nam was how to give a hundred billion dollar budget to the American people and therein we got the unified budget so they could look better to put it all on. The interest debt now is 155 and growing in some compounded manner is absolutely incredible such that it would reach 425 if we had another business cycle recession. Now, can we do it? I don't know. But clearly we will have to show that we are willing to bite some pretty tough domestic bullets and I've already given you the parameters. Is AMTRAK a program for the poor? Are those other programs I've described XM Bank and the like programs for the poor? No. But we'll have to put a group of those together. But clearly, you can't get there without including defense and social security in my opinion. For some kind of an additional contribution in fairness and in equity and in symmetry and to hold things together. It appears to this Senator that you've got to broaden the base from which you can consider the restraint. Now I don't want to leave any misunderstanding about defense; it is a high priority item. I'm very proud to be part of a team that forced the defense budget up substantially in the

last years of Jimmy Carter. I'm very proud to be part of looking at the arsenal that we now have and saying it's on the way to modernization. I'm pleased that I voted so that we now have a volunteer army that's first class. And that many are willing to join it and it's costing us a lot of money. But the proof of the matter is that we cannot continue the kind of build-up, we cannot continue the kind of expenditures that are being asked for unless--unless there is no real risk to America's future from large deficits. Unless the economy can continue on indefinitely with a era of prosperity and these kinds of deficits. Because that and defense and everything else will have to bear some share of this rather dramatic, large deficit reduction package or it will fall apart, in my opinion, and there is no committee of the Congress and no chairman who can put it together. And if you can't put it together I submit we are at crossroads; we might even be at grid lock; we let the regular system and the regular committees muddle through for 9 or 10 months and at the end of the year we will pass some Appropriations bills pat ourself on the back and maybe look and say, prosperity's still here. But we won't get the kind of reform and changes that the times mandate and that I believe the American people in the last election ratify in this respect. They forgot about all the little issues and they voted on two. And that's peyton to me in the waning days of the campaign. They voted on two. We want general economic prosperity because we want a future. That was from the very old to the very young. And second, we want some kind of negotiating with reference to nuclear weapons. Both of those things are occurring. But if we believe the first one, depends upon reduction then I submit, the party that wants to remain in power will have to lead the way on some deficit reductions and then say we kept prosperity and I believe they will forget the votes of the next three or four months and vote as they did last time for more of the same. Thank you very much. (applause)

Question and Answer period. The first question is a rather topical one Senator. Senator Dole indicated today that Senate Republican leaders have conditionally, informally agreed to freeze cost of living increases including social security. Do you personally favor freezing the social security as part of an overall package?

PD - David, I do. Obviously, I am not going to do any better than the leader did in describing where we all were. I am going to support it if we can put a 50-54B dollar reduction package together and if it appears that we have a reasonable chance of passing it. I think that's what is meant by the conditionality that distinguished the new leader of the Senate said in his statement and that holds good for me too.

Question - Senator, are there any circumstances under which you would consider a "revenue enhancement"--that is a tax increase--in order to reduce the deficit.

PD - Let me answer that this way. No, I don't believe a package of the type I just described putting together a deficit reduction package with strong reconciliation mandates to the committees on maybe as detailed a programmatic elimination and the like. I don't think it could fly with taxes attached. And I don't think it should. I think the President's definition in the last campaign that taxes are a last resort is pretty easy to explain as it applies to now. Certainly if you are putting together a deficit-reduction package and right up front you include taxes, there is nobody among the population of the United States that would assume that's a last resort. They would assume we haven't even tried to reduce the deficit. So it appears to me that last resort means you go through this exercise that I've described here today in the last 20 minutes and you do the very best you can and then between the President and the people of this country and ourselves we assess

whether we've done the very best that we could and did we get it down? And then, and only then, should you look at it in my opinion. Let me give you one other thought. Yesterday, we had a brief explanation of the historic level of taxes in this country and I offer another word of caution. For those who think the tax base is extremely low, the truth of the matter is that it is very very close with social security and the two bills of tax increases that were passed in the last two years. Very close to historic levels of GNP. That is about 19.2 and we've had 19.5 for most of our history. And interestingly enough, the few times that it's perked up over 19 the American people have, through this Democratic process, have insisted that it be lower. So I don't know that it's a permanent cure to plug taxes in because I assume that even if you did, at some point out there in a few years the same thing's going to happen. The American people are going to through political leaders or parties or the like get back down. Cause that's where it's been and that's how they want it. They need reform but they don't want it much higher than it is right now.

Question - Senator Domenici, do you expect a tax reform bill from the Administration to be introduced before the budget clears both houses? And when do you think the budget will clear both houses?

PD - David, I really don't know answer to the first one. I think last night, the President made it as clear as he could in his usual way of starting something that is very significant is to do it as he did same as Secretary of the Treasury hereby authorize to begin this process, get something going, but I really don't know of any time sequence as to when a bill will be introduced. I would assume that there'll be a lot of work done first before a bipartisan administration supported bill gets introduced. Will that happen before we finish the budget process? I don't know that either. I would hope that it would wait its turn for serious consideration

because I think it'll take a long time. It's a profound change and it ought to take a long time. But I would hope it would take its turn and follow in behind a budget package--I don't know that that'll be the case. I hope so. My hope is that we will beat the April 15th statutory date for a budget by a substantial amount of time. But I need to reserve my options there. I can't begin to work when we don't have a consensus; I'm no miracle man. I can only do what 12 to 14 Senators will let us do in that Committee so I hope it's ahead of April 15th, maybe sometime in March. But I would say that depends a lot on the attitudes and what we can get that out of a number of senators/we know we must have.

Several questions about David Stockman's performance the other day on the Hill, particularly in regard to the military pension question. Generally they ask "Is the Senate in your opinion really ready to come to grips with that question problem of the growth in military pension and will you push for some reform of that system to slow down the growth."

PD - I don't know how many of you were present at that David Stockman presentation but frankly I think not in terms of the nature of the pension program but in terms of some of his rhetoric--he was out of line and probably wrong, not with reference to the pension plan being a very hefty plan but with reference to equating the Joint Chiefs' attitudes about the defense of our country vs. the plan. Having said that if we are going to reform the civil service pension plan, we ought to reform the military. If we are going to freeze the cost of living index on the pension plans of our senior citizens and of civil servants, we ought to freeze the pension plan for veterans. If there is going to be major reform in the others, there ought to be major reform in theirs. Frankly, most pension reform ought to be as prospective as you can make it. After all, whether you like it or not, to some extent you made commitments. The problem you've got with all the plans is continuing a commitment that you can't afford and that is somewhat out of line with private and somewhat out of line with good policy in this day and age when we seek productivity, work and participation in the marketplace and the day to day work by American people. So our committee will do its share. It'll be very tough to write pension plans in the budget committee, but we'll do our share to get equity here in terms of all of the deferred obligations of the federal government and not hide from them.

David - Senator Domenici, on the question of foreign aid, do you see either a substantial cutback or termination of foreign aid as a result of

efforts to trim budget deficits?

PD - Well, David, let me give you my version of what the President has sent up. I think basically the Congress is going to follow the Administration's lead. I don't think there's going to be any dramatic departure. The President has frozen or reduced many of the foreign aid accounts with the exception of the Israeli aid and Egyptian aid. In the budget those are somewhat in line with last year's but there is a clear indication that they had not yet totally assessed the economic aid package and that they may come up with a supplementary request. I don't see any significant restraint or curtailment in the foreign aid expenditures of our government. Now I heard something last night in that State of the Union address that I hadn't heard before and it does sound good; I hope it's followed up on. I think the President made some statement that with reference to foreign aid in particular to underdeveloped countries that the United States ought to join together with their allies and trading partners and I assume that means countries like Japan, West Germany and the like, going to join together to see if we can have some coordinated aid program for a Third World and underdeveloped countries. I say "amen" to that. I think it's rather ridiculous that we haven't been doing that. I think we ought to and what that does to our commitments and obligations, I don't know. But I don't look for any enormous savings in the foreign aid area.

David - Again, on the tax issue, do you favor a flat tax approach as the best answer or as the best formulation for a new tax package?

PD - The American people clearly are clamoring with a huge kind of majority for fairness and simplification. I think we'll have to do that. I favor it. I'm not expert enough to know whether you can have one flat tax; I'm not expert enough to know what things you must include and what things you may not, but I am sufficiently informed to know that we

have to be careful as to the timing, we have to know what we are doing because the tax code has grown up over years and has all kinds of reliance upon it that does not mean that you want to continue favored treatment, it doesn't mean that you favor special interest, it's just that--well, you know the economy is booming, but it's also got some very fragile aspects. And you've got to be careful that you don't undo that and impose some real trauma. I think if worked carefully we can come up with one, it too must be prospective so you don't cause a stalemate in the investment community while you are waiting for or implementing the new law. But basically I think there will be a very serious bipartisan effort and I would like to be part of seeing that we do it right.

David - Several related questions on prospective defense cutbacks. Can substantial defense cutbacks be realized without the elimination or sharp reductions in some major weapons systems? What weapons are the most likely to be considered for cuts?

PD - Well, I'm sure that you're going to--some of you are not going to like the answer but frankly I'm going to tell you the truth, I don't know but I would assume that an awful lot of U.S. Senators from both sides of the aisle if they attempted to get the information would be in a position to say I don't know. But that isn't a very good answer unless I tell you why. We now have reached the point and it's taken me, personally, an awful long time to get where I am and maybe it's my fault, but I've had a difficult time getting this kind of information from the Budget Committee. We now have the information that indicates over the five years, what was asked for and what was given in the strategic weapons program of the country; we have the exact same facts now what was asked for and what was given and what it

costs for all of the conventional. We now have what was asked and what was given on O & N munitions and the like and what was given. And frankly, I'm perplexed. I think the defense department has a problem at this point with senators like Senator Domenici in fact. While it is alleged that over those years dramatic reductions in the requests made by the Defense Department took place. Today I tried to get how much so I'll give you the best rough estimate. The Secretary said he thought we had cut budget authority \$60B, reduced it from the request. Frankly, we'll run that through and I don't hold him to it, it was right off the cuff. I think it's much more. But in any event, you do that and then you ask how much of everything that you wanted, did you get? And the answer is 96%. Now that's on weapons system, procurement both large and small, strategic and conventional. Now, frankly, that's tremendous. If you can reduce that much and still get that huge proportion of what you want, it's great. So I would submit that I don't know what a budget freeze will do. I mean is that sort of proportional to what we've already reduced? If it is, I'll settle for 96% of what was expected next year vs. what we give them. But I don't yet know what it is. I would think ultimately it won't be a simply major systems. You asked the question, which one. I think there would have to be a stretch-out of a lot of the conventional weaponry less jeeps, less stingers and on and on, year over year, and some weapon systems may have to go. I would like to make one last point on this with reference to Geneva and the arms talks. There is much said about making sure we keep that momentum going. Since I already told you what I thought the people of this country voted on last election and that we wanted to continue to lead and to be the majority, you would have to conclude that I surely don't want to be part of making that effort

more difficult. I would just give you some round numbers. All of the strategic expenditures this year--B1, Triad, Cruise, B52 modified to get ready for cruises, slickum, glickum, whatever all the others, they are there. MX, the new strategic defense initiative, doubled in half, all of that equals 13% of this budget. And the request itself, the budget, asked by the President asks for almost no increase because B1 costs are coming down, the vacuum by it's coming down is filled with the strategic defense initiative and some of the others, so I would hope that other than the ongoing issue of MX which still has to be resolved aside from the budget issues, we're going to vote on that. I would think we could under every circumstance budget-wise keep that entire inventory and preparation intact so that the evidence relevant to the Soviets would be totally intact. But as I looked at the other development, I'm not terribly worried that the Soviets would get a wrong message on the rest of the defense. It is grown substantially; they all answered today that we're in a much better posture than we were before and frankly, I don't think we'd be sending any signals if we gave them less that we are cutting this base appreciably or cutting this build-up appreciably. I think if they're as smart as I think they are and know as much about what we do, they will already see a tremendous build-up and it will be substantially continued from what I can tell from almost any circumstance.

David - A follow-up to that, Senator, past defense cuts appear to have been concentrated on operations in maintenance and other readiness factors particularly among conventional forces rather than on weapons development. From what you've indicated that pattern then is likely to persist.

PD - Well, frankly, I don't know. I'd rather be honest on it. It does appear to me that at my level of involvement in the Budget Committee, I have a difficult time predicting the mix that will cause the least national security harm under a scenario of some restraint over the President's 5.8% real growth. I would hope it isn't all out of those accounts but I would also note that this year's budget has some really significant increases in the accounts you refer to, not little ones but really big ones. Maybe they're needed, maybe they take a little bit of the cut I can't pinpoint it that closely, I'm sorry.

David - We can't let you leave without a question of more parochial interest to your constituents in New Mexico and the questioner asks, Your copper constituents are in dire straits. Last fall the President denied them import relief. You couldn't persuade Congress to help them. Will you try again in 1985 and how is it all going to turn out?

PD - I wonder who asked that question? I had a very interesting opportunity the other day sitting in one of the rooms with about 15 senators when we talked about the farm program. And we were all trying to get some reading on how much we had to do to buttress the failing credit out there among our farmers. And I kept hearing ...that nobody wanted to talk about reforming the agricultural system of subsidies and loans which have cost us \$60 to \$65 billion dollars in four years and yet we have a faltering agricultural market, more surplus than ever and more loss than ever, difficulty with that. But yet let's put some loan program out there to bail out our farmers. I had occasion to say that there have been more men and women put out of work by the practical demise of the copper industry, the uranium mining industry, and the potash industry, which

my state was the leader in all three. More put out of work than will probably be put out of work if the alleged default in the farm community of 8 to 15% of the loans were to occur. And nobody bailed us out so that leads me to where I'm at. We're about to have no mining industry left. I think it's a drastic mistake. I don't think to say free market is the answer if you're not playing in a free market. 40% of copper is owned by socialistic countries who own it themselves and don't care about a market so I will continue I assure you to do everything I can. If I can't get a message across one way or another to begin negotiating for some restraint in world production, I will go with a bipartisan bill and try to build some new trade relationships about it. And if I fail, I can make only one commitment cause there's one area I think we ought to work on. That's all of the international funding bills from the INS to the World Bank and everything inbetween. This is one Senator who will become for the first time in his 13 years an obstructionist --in the good sense of the word. I'll make it very tough for any of those bills to get through because they are somewhat responsible and I have no other approach. Thank you.

David - That was just spoken by a man who still realizes he has to get reelected in New Mexico. Although some exports of industrial and farm goods are hurting as a result of the high value of the dollar, isn't this more than offset by the benefits of ^{increased} foreign investment in the United States and lower costs of imported goods. Secondly, won't lower interest rates greatly increase the competitive position of the U.S. in foreign commerce. Well, we are sure hopeful that it will; I'm not sure it will solve all of the disparity but let me tell you the reason for all this effort of trying to reduce the budget--that is, the budget deficit. It's

to try to get the interest rates down, that is, the real interest rate. We're hopeful if that occurs the value of the American dollar will come down some. That if the value of the American dollar comes down some, American activity will increase in the foreign markets. And if you can get those to happen in some kind of simultaneous manner or working at least in some kind of symmetry, it would seem that you move American goods and services and products into the world and that will accommodate to a lesser flow of capital in here to our country to pay this debt because we'll be getting it on trade instead of the other. So we're very hopeful that it will. Now I'm not going to suggest that we are already at a point where everything we do in this wonderful industrial country is totally competitive in the world market and but for interest, I don't think that's the case. But clearly we're getting there. We've made some enormous strides without very much civil strife in our country. We've changed industrial approaches dramatically in four years as to what we're doing best to modernize and the like, so I think there's a reasonable chance we'll be beneficial.

David - Senator, there are several questions about program abolition under the President's proposal and how you feel about it. You might want to write down some of these. Do you favor abolition of revenue sharing? Small business administration? The Legal Services Corporation? The Job Corps? The Economic Development Administration? (some laughter)

PD - Let me just suggest--I'm going to vote for a lot of things that I don't want to vote for if we're putting a package together so I will say conditionally, and if we put a package together, you have just given me a list and rather than going into detail I don't have any difficulty with any of them. If the package is being put together and if it includes substantial domestic as we hope and these are the ones and some more and

when you add them all up, you've got enough to make a real permanent deficit reduction. That isn't the case, I can make a justification of all of these. Probably the least for EDA, no question about that. Far as general revenue sharing, it'll be the most traumatic of the in terms of broad implications. The President has it in for 1986. Under no circumstances will I vote for that. The original plan that we've heard was that it'll start in '87. And I'll vote for that. '86 is too close to give cities and counties the lead time they need to accommodate. It was plugged in for another \$4B in order to get up to the \$50B in deficit reduction moved up a year in the President's budget. And I won't vote for it on that expeditiously.

David - Senator, the Reagan Administration is saying, or at least some in the Reagan Administration are saying that there's no direct tie between big deficits and high interest rates. Do you share that view?

PD - Who did you say has been saying that? (laughter)

David - Some officials of the Reagan Administration...

PD - I don't share that view so I guess I could just say, no...On the other hand I don't want to be misunderstood because I don't think it is the whole reason but it certainly is a substantial portion of it. It's also a substantial reason for the high interest rates in turn are a substantial reason for our foreign trade deficit. So I think it's very imperative that we reduce the deficits.

David - Senator, before turning to our last question, I'd like to present you with a certificate of appreciation from the Press Club for being here today. And a windbreaker to ward off the swings and arrows of outraged special interests.

Senator - Thank you.

David - And the final question. If the budget picture is as gloomy, as bleak as you explain, why is President Reagan so upbeat? Is he leading or cheerleading?

PD - I think he's doing both. And I think that's precisely his style and I wouldn't have expected less of him last night in the State of the Union Address. I think he always sets his sights very high; he's motivated; he moves the American people and makes them think about things that they wouldn't otherwise think they could do individually and collectively. But I think there's a lot to cheer about. I'm not one at all to say things, the economy isn't good. But there's also a lot to lead about, so... I think we need some of both and I'm very hopeful we'll have that as we proceed through the next two to 7 or 8 weeks, a very difficult and hard work. (applause)

David - Thank you, Senator Domenici, and that concludes today's National Press Club Luncheon.