

REMARKS OF SENATOR JOHN HEINZ

DELAWARE COUNTY CHAMBER OF COMMERCE

APRIL 9, 1981

(as given according to JH handwritten notes)

DELAWARE COUNTY CHAMBER OF COMMERCE SPEECH

Mr. Toastmaster, Mr. President, Mr. Chairmen and Mr. Chairman-elect,
Rabbi, Ladies and Gentlemen:

(Joke about Reassuring the Pope and the Senator at Heaven's gate)

Now you can see why I was so delighted to accept your invitation
to your annual dinner ... and I particularly want to thank St. Peter
for his advance blessing ...

It's a privilege to be here to honor outstanding people like
Dr. Moll and Dan Curran, and an outstanding organization like the
Philadelphia Electric Company.

Thomas Jefferson, reflecting on his own public service, once
said, "My great wish is to go on in a strict but silent performance
of my duty; to avoid attracting notice and to keep my name out of the
newspapers," ... It's hard to believe any politician -- even Thomas
Jefferson -- really wanted to keep his name out of the newspapers! ...
But that's the spirit of service embodied by tonight's honorees.

You are interested in economic development and so am I. Thanks to Bud Habstaad, Jack Peters and Frank Payne, you have kept me up to date on your outstanding efforts. Let me take this opportunity, in turn, to report to you on my economic development priorities and strategies as your senator. To date, the growth of the Philadelphia Navy Yard and development of the Port of Philadelphia have been the first priority of my activities. The two are linked. The Port, as you know, already accounts--directly or indirectly--for almost one-fourth of all the jobs in metropolitan Philadelphia.

For the past three years I have been working with businesses, shippers and the banks in Philadelphia to develop the full trade potential of what is already one of the great port cities of the United States. And last night our three years of effort paid off in the passage of our bill to create export trading companies. As the author and manager, I was proud our work resulted in a vote of 93-0! But I will only be satisfied when its enactment helps small and medium sized business firms to get international marketing and export financing that will create thousands of new jobs to southeastern Pennsylvania.

Regarding the Navy Yard, let me say how gratifying it has been to work with many from Delaware County to ensure the health of the Philadelphia Navy Yard. It's contracts and subcontracts mean more than 2,000 jobs.

Thanks to a real team effort we persuaded the Navy to refit the carriers FORRESTAL and SARATOGA in Philadelphia, which will

bring nearly one billion dollars into the regional economy.

Working with the Thornburgh Administration and others we are promoting the building of coal piers in the harbor in order to provide a Pennsylvania outlet for Pennsylvania coal. This helps my constituents in southwestern Pennsylvania just as it helps here.

And speaking of help, just last week, I met with Secretary of the Navy Lehman and asked him to make a personal visit to Sun Ships. I have to believe that the Navy's recently announced 5-year plan to increase U.S. seapower by an average of 30 ships per year is a plan necessary to counteract the largest Navy the world has ever known-- the Soviet Navy -- that this plan means that virtually every shipyard in the country will have to do its part. And I'm happy to say Secretary Lehman feels exactly the same way, and we will soon announce a date when Secretary Lehman, together with Senator Specter and myself, will visit the Sun shipyard personally.

When you consider that Sun Ships has been building ships in Chester for 63 years and when you consider Sun Oil's substantial financial resources .. its \$785 million profit last year and its \$700 million profit the year before .. the company's pronouncements notwithstanding .. there is certainly potential to do something. Delaware County simply can't afford the economic loss of the jobs and the skills of the Sun Ships workforce, the City of Chester can't afford to have its tax base eroded, and -- most importantly -- neither can afford the human loss to its people. None of us can afford to treat the layoffs at Sun Ships as an inevitability as long as we have any reasonable prospect of keeping those jobs ...

You know, we've been talking about specific solutions to the area's special economic problems. But I think we would be making a big mistake not to look at the big picture. I mean the nation's economy, which, as of today is in very sad shape.

The danger signs have been there for all to see for far too long ... intolerably high inflation, high interest rates, and high unemployment... a major fall-off in the productivity growth rate since 1973 ... and, in the last few years, virtually no real growth.

What has been growing, by whatever measurement you choose, is the size and cost of government .. beyond the willingness of people to pay that cost.

As a result, the federal government is borrowing vast amounts of money ... so much, and with such success, that the private sector has had trouble getting the money it needs to invest and be competitive and create jobs.

Over the last decade, I'm sorry to say that most people have come to accept federal government deficits as a way of life. The fact that our national debt will break \$1 trillion dollars this year doesn't mean much to most people. But the problem takes on meaning when you realize that in 1981 the interest on the national debt alone will be over \$90 billion -- the third largest single expenditure in our whole budget!

You may remember that just a year ago in March, President Carter promised us a balanced budget for 1981. But even with all the restraint that could be mustered, including an unprecedented

effort by the Congress to rescind previously made spending commitments by a procedure called "reconciliation," this year's budget will still produce an estimated \$75 billion deficit.

We simply must do something to rein in federal spending that's galloping out of control.

People differ over what should be cut, but the answer, with relatively few exceptions, is that virtually every budget item will have to experience some shrinkage. Indeed, every time we spare a category, it means that deeper cuts will have to be made somewhere else.

What will be difficult -- but critical -- is assuring that no region or single group of people is unfairly hurt. I have some concerns in that regard about our northern industrial states -- or the "snowbelt," as some call us.

Those of us from northern industrial states have much in common, and much that sets us apart from other regions. We are more deeply hurt by recession and foreign imports. We have large distressed cities and more poor people. We are energy short and our energy costs are staggeringly high.

But make no mistake. We are an invaluable resource to this country and one which this nation can ill-afford to ignore.

Many of us in Congress will work and seek changes to address these problems. In doing so, we will try equally hard to be responsible and propose offsetting actions to reduce costs and maintain the integrity of what needs to be done.

If we are going to restore our national economy to health, coming to grips with runaway federal spending must be our number one priority ... but in tandem with it, we have to reduce taxes so as to stimulate growth in the private sector. While most of the headlines have been on the budget cuts, the really difficult battle is going to be over tax cuts.

As a member of the Finance Committee, and more particularly as the Chairman of the subcommittee on Economic and Growth and Employment, I want a tax cut that meets two tests. First, its size and timing must allow us to significantly reduce the existing deficit. Second, any tax-cut bill must be as strong as possible a stimulus to investment, modernization, and job creation.

The Reagan proposal to reduce marginal tax rates across the board will probably do more to stimulate personal savings and investment than any other kind of general individual tax cut. However, some in Congress are going to seek a redistributive tax cut which would stimulate consumption, not savings and investment.

The shape of the Administration's proposed tax cut concerns me in this one respect: over a five-year period, 73 percent of the tax relief will go to individuals and only 27 percent to businesses. You know, Japanese companies invest four times as much of their profits in research and development as we do. Without a strong pro-investment policy, we will never recapture our position of commercial leadership. In one economist's words, "America is becoming an industrial museum, and we haven't yet recognized it."

The centerpiece of any program to help business and to create jobs must be the Capital Cost Recovery Act accelerated, simplified depreciation, also known as 10-5-3. It addresses the basic but often ignored fact that our factories and the tools inside them are wearing out faster than owners can recover their original purchase price. Therefore, our industrial base is eroding -- and with it such essential industries as steel -- in part because our tax laws penalize replacement and modernization in our capital-intensive industries. Accelerated depreciation, as proposed in the Capital Cost Recovery Act, would generate productivity growth and jobs -- according to respected economist Otto Eckstein, one million jobs in the next five years.

We also need another tax change to help investment -- this one to ensure that expenditures for compliance with pollution control laws do not jeopardize the ability of American industries to make job-creating investments, otherwise we will simply buy environmental controls at the price of lost economic growth. In addition to specific proposals for regulatory relief, that's why we've proposed legislation to reduce the current five-year amortization of pollution control facilities to one year.

Another component of any tax bill should be direct tax relief for businesses. Over eighty percent of the new jobs in America are created by businesses with fewer than 100 employees. By reducing corporate tax rates, particularly at the lower end of the graduated corporate scale, we can give small businesses a potent stimulus. In fact, such a rate reduction caused half of this nation's 10,000,000 small businesses to create just one additional new job each sometime

in the next 3 years, we would eliminate all real unemployment in the entire United States!

A word of caution. There can be too much of a good thing. If our tax cut is the wrong size or shape, ^{or pushed ahead too soon} it could swell the deficit, fuel inflation, and nullify the positive effect of our spending cuts ... the very opposite of what we want to achieve! Assuming the 1981 deficit will be about \$75 billion, a failure to cut the annual deficit at least in half next year would have very serious implications for our fight against inflation, and another deficit in the \$50-80 billion range like this year's would be absolutely catastrophic.

Last week, after 41 roll call votes, and after many attempts by the Democrats to promote their favorite programs, the Senate passed a budget cutting the federal budget by \$2 billion more than President Reagan requested. When 41 special interest groups get violently upset, it takes a good deal of courage to face the test. As someone who worked very hard these last two years to elect a Republican majority in the Senate, as someone who saw our 16 new freshmen stand together with us time after time, it made me proud of our country. We have grown up. The senate as a whole ^{now} realizes that conditions have been getting worse BECAUSE our ECONOMIC conditions have been getting worse and now we are attacking the causes not the symptoms.

Expansion in the private sector can mean real and lasting jobs for the unemployed, minorities, and youth, who need them most ... but only if we make our great free-enterprise system work FOR them by designing incentives to attract the jobs TO them.