

The Economic Club of New York

304th Meeting
77th Year

The Honorable Elizabeth Hanford Dole
U.S. Secretary of Transportation

and

The Honorable Robert Dole
U.S. Senator
Chairman of the Senate Finance Committee

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Questioners: Robert Beck
Chairman and Chief Executive Officer
Prudential Insurance Company

James Barker
Chief Executive Officer
Moore McCormack Resources, Inc.

Introduction

Chairman Edmund T. Pratt, Jr.

Our chairman, Ross Johnson, who wasn't able to be with us this evening, if you've looked at your program, you know that this is the 77th year of the Economic Club of New York, and this is our 304th dinner meeting. It says also at the bottom of the first page of your program that this is the foremost nonpartisan forum in this country. And that was said by Wendell L. Willkie a few years ago, and I guess I have to admit that he was chairman of the club at that time. But nevertheless, it is a description that perhaps we can be pardoned for kind of going along with even today. Certainly our recent record in this season would tend to support that description, that it is certainly a foremost forum and a nonpartisan one.

Just in the last few weeks we have heard from Former-President Nixon, we have heard from President Mitterrand, so we can hardly say we are on the same wavelength as we hear from those different sides of the spectrum. We are hearing tonight from two outstanding Republican leaders. And also the reason for all this is to lead up to a little commercial to tell you all that on May, the 23rd we are going to the other side of the aisle and having two outstanding Democratic leaders speak to the club. May, the 23rd, our own Governor Cuomo and Governor James Hunt from the State of North Carolina. This will be a very interesting evening I'm sure and we hope that many of you can be with us.

I'm especially happy to have a chance to be back in the chair for this evening, because also if you looked at the back of your program where we always have a list from the Honor Roll of past speakers, we remind ourselves and all you members and guests of the club that those speakers have covered the spectrum of leaders from all walks of life and from all parts of the world. And yet, after 77 years and 304 dinners, it's my pleasure to be in the chair tonight for a first. We've never had a Family Night before.

Now, you know, this particular family has gotten a great deal of public recognition for many things in recent days. And one of the things they bring to our public life and to our interests is a great sense of humor. And so the chairman is tempted under circumstances like this to try to be funny. And I thought about that, but I decided that up against a couple like this, I didn't want to take the chance of starting something that they'd finish.

So anyway, I guess I would sum it up merely by saying I'm sure for all of us, that all of us in this country are very fortunate to have two outstanding leaders like this in the same family giving of themselves to us as public servants. And we in this club and in this city are especially fortunate that they could both be with us tonight. We give them a most warm welcome and it's my great pleasure to introduce to you the first speaker of the evening, The Honorable Elizabeth Hanford Dole, the Secretary of Transportation of the United States.

The Honorable Elizabeth Hanford Dole

U.S. Secretary of Transportation

Thank you very much. I'm delighted to be in New York tonight and I appreciate that kind introduction, Ed. Ed Pratt and I both serve on the Duke Board of Trustees so this is not the first time that we've collaborated. It's an additional pleasure being here this evening because it means I have the opportunity to have dinner with Bob and neither of us has to do the cooking. It's a good thing too. I've been through all his recipes for hamburger. In fact, on those rare occasions when we've both been home for dinner, it's usually Lean Cuisine and an exchange of travel schedules. He talks loopholes and I talk potholes. (Laughter)

This, of course, is a very significant day in Campaign 1984. As we await the final outcome in New York, it appears that Mondale is well ahead, but I can tell you that President Reagan doesn't worry about Gary Hart. He told me he's got saddles older than Gary and they've held better ideas. (Laughter) It's been fascinating following the Mondale campaign. It's the first time ever a Hart has threatened to replace a pacemaker. One thing, one thing about our candidate, he may be old but we know exactly how old. (Laughter)

Now I had the pleasure of seeing some of you at the Gridiron Dinner recently in Washington. And I understand that I was the first woman to speak for either political party, the Republicans or the Democrats, in the Gridiron's 99-year history. Why all those women have been turning them

down since 1885 I'll never know. (Laughter)

George Bush was there. He asked how I felt about the vice-presidency in 1988. I said, if you're interested in staying on, George, I'll sure be glad to keep you in mind. (Laughter) I explained that night that I knew a lot about air bags when I arrived at the Department of Transportation. After all, I've been driving around with one for years. (Laughter)

This week Bob is up on Capitol Hill explaining the president's budget to the Senate and I'm downtown explaining my husband to the president. You know in Washington, the people scan the newspapers each morning to see if their name appears. In New York, you buy a copy of the mayor's book and hope just as fervently that you're not mentioned.

Seriously, looking out of the plane window as we landed this afternoon, seeing the ever-changing skyline of Manhattan, I thought how much this city and this country have changed in less than a decade. Not many years ago, New York was supposedly teetering on the brink of financial disaster. The city's obituary was set in type. The largest, most successful metropolis in history was all but written off. Today the energy of the Financial District and the World Trade Center, the construction in Midtown, and the lights of Broadway all signal that New York is back, stronger than ever, and here to stay as the financial capital of the country and indeed the world.

The miracle that's occurred, the miracle that's occurred here is happening of course throughout

our land. The dynamism of a city that refused to die is reflective of the economic and political rebirth taking place all across America today. It's a rebirth not made in Washington or Albany, but one fashioned from a return to what made this city and this country great in the first place. It is the renewal generated by American free enterprise, challenged by risk, and spurred by competition. You in the business community are responsible for the success of our nation's economic recovery. You take the risks. You supply the imagination. You have the stamina. You keep the faith. And you deserve the credit bestowed by a grateful nation and an increasingly confident public.

The American dream of human progress through freedom and equality of opportunity and competitive enterprise, the president has said, is still the most revolutionary idea in the world today. And he correctly adds, it's also the most successful. I am privileged as Secretary of Transportation to help direct one part of America's economic and political rebirth through deregulation of the transportation sector of our economy.

After all, transportation is not just concrete and steel ribbons reaching to the horizons or the clattering of subways beneath the city streets, transportation is our economy in motion. From the horse-drawn carriages that ran along lower Broadway a century ago to the space shuttle of today, it has served and did serve the needs of people everywhere. It assures the flow of food from farm to market, raw materials from mine to factory, products from assembly line to market shelves. Transportation is a \$610 billion industry, a figure that should impress even the Chairman of the

Senate Finance Committee.

As a slice of our gross national product, it totals nearly 20%, a striking statistic. It is part of the cost of everything companies produce and every item consumers buy. In short, transportation is essential to our economy, but no one wants to pay more for it than is necessary nor should they. We expect carriers to operate as efficiently as possible and shippers to bargain for the best rates. These goals, we have found, are best accomplished in an economic climate of deregulation. As evidence of this administration's strong commitment, we have already taken most of the steps needed to untangle a 50-year accumulation of red tape that had been choking our transportation industries and zapping their initiative.

Creativity is once more the hallmark of our transportation industry – nowhere more so than in the air. For an industry both dynamic and evolutionary by nature, air transportation today is experiencing the most comprehensive period of change since its birth revolutionized our way of life. Institutions that regulate aviation are changing. Technologies are changing. And the manner in which our citizens put aviation to use is changing. For example, the number of scheduled carriers since deregulation has more than doubled. Some of the small carriers have greatly increased their fleets and expanded their routes. New entrants have come on the scene. But in the midst of all this change, one thing remains constant – our commitment to maintaining the safest skies in the world. Our national air system is first and foremost a safe system, and I will spare no effort to keep it that way.

A month ago we began a comprehensive effort to increase the FAA's inspection surveillance over the air carrier industry and to explore long-term safety needs and goals. We have found ways to carry out inspection procedures more efficiently, but at the same time there are more carriers to be inspected. We have moved to increase the inspector workforce by 25% bringing it back to the high level mark of past years.

For the past several weeks, our inspectors have been looking into every nook and cranny of airline operations and pilot performance to assure that all safety requirements are being met. We have carried out some 10,000 white glove inspections, in other words, very thorough inspections of airline operations and pilot performance involving more than 400 U.S. carriers ranging from large airlines to commuters and air taxis to ensure in a period of change that safety is not diminished.

Deregulation has changed an industry long shielded by the government from real price competition and new competitors. Today's air travelers have a far wider choice of carriers, fares, and services than ever before including bargain prices in many markets. Passengers favoring all the amenities of flight can still fly in the lap of luxury. Travelers looking for air transportation shorn of its frills that's safe and reliable can readily find that kind of service. And since some carriers including those born of deregulation have lower operation costs, they can offer low fares and still turn a profit.

Henry Ford, no stranger to innovation, used to compare American business to the chicken which is never healthier than when it has to scratch around a little for what it gets. Today the flock is more diverse than ever. There are more carriers in operation throughout America, and more airlines flying what we usually think of as big aircraft to more places.

It's no coincidence, nor is it any surprise to me that the airlines are beginning to share in the economic growth we're enjoying nationally. In the last half of 1983, the industry as a whole left behind the holding pattern of earlier months and emerged strongly from the recession. When figures for the first quarter of 1984 are reported, the airlines may show as much as \$100 million in profits compared to the \$640 million operating loss for the same period in 1983. Overall profits for the industry could reach a billion dollars for the calendar year 1984. Now obviously some carriers are struggling to adjust, but that too was anticipated when the 1978 de-regulatory law was passed.

Now let me return to earth. There too, old patterns are yielding to new possibilities. The Motor Carrier Act of 1980 partially deregulating the trucking industry has been in effect now for over three years. By and large industry response to its basic reforms has been positive. Deregulation of the industry is clearly beginning to produce dividends for carriers, shippers, and consumers. With the free entry permitted under regulatory reform, there are now more trucking firms in business than ever before. It's gone from 18,000 three years ago to 33,000 today. New price and

service options have been introduced. Established carriers have become more efficient and innovative. All of these changes are leading to shipper rates lower than they would have been otherwise and to savings for consumers.

With the economy now stronger than the most optimistic had expected even a year ago, I anticipate a continuing increase in demand for freight services. And I believe that this greater freedom to compete together with productivity improvements in the industry, much of which was obtained in the Surface Transportation Assistance Act of 1982, will mean higher earnings for many truckers.

As our truckers emerge from the transition period, those who adjust more effectively to the competitive way of life by trimming operating costs, offering new services, and developing new markets, will of course prosper the most. For shippers, the evidence we have indicates a wider and growing satisfaction with the results of motor carrier reform. And why not? Shippers today can play an active role in the distribution process, in negotiating rates, in selecting carriers. They can consolidate shipments, contract for particular services, and work with the carriers to design transportation services best meeting their overall need.

Moreover, in small communities and among small firms where some argued that service deterioration would inevitably follow deregulation, surveys show a generally high level of shipper satisfaction. Speaking of satisfaction, in the last year, there's been a marked

improvement in the financial performance of the nation's leading motor carriers. For one thing, 1983 represented the first upturn in total tonnage since 1979. Total profits of \$214 million, almost double the 1982 level. Fewer major carriers operated at a loss last year than in 1982. And the financial position of both profitable and recently unprofitable carriers improved significantly.

Rail deregulation tells a similar story. It doesn't seem so long since America's railroads were on the verge of becoming an economic basket case. High cost, deferred maintenance, low rates of return, and dwindling markets were devouring both their resources and their spirit. The Staggers Rail Act of 1980 bringing regulatory reform to the industry was largely responsible for their turnaround even in the middle of a recession. Today railroads are better able to buy new equipment and maintain what they have so service is more reliable and efficient, and it is much safer too, I might add.

Some 10,000 rate and service contracts between shippers and railroads have been signed. Such contracts didn't even exist before 1980. Now rail carriers have business they can count on and shippers are assured dependable rates. Rail piggyback business has grown to record levels, increasing nearly 20% between 1980 and mid-1983.

Then there are the buses, deregulation of the inner city bus industry just over a year ago has prompted 2,300 applications for new operating authority. By comparison, in the four or five years prior to deregulation, only about 190 route applications were filed annually. Carriers

offering service innovations or newly competitive fares structured to demand a competitive condition are in evidence from coast to coast. For example, a carrier recently opened a new route running north-south across western Kansas, near Bob's hometown. Using mini-buses and vans, this operation is serving 25 communities that had no bus service at all because full-size buses were unsuited to the light density market. Yet this new carrier plans to expand to neighboring states and will soon serve a route system of some 4,000 miles. And Wisconsin and in Western New England routes abandoned by former carriers now have more frequent bus service than before.

We've even taken our deregulation efforts to sea. Two weeks ago the president signed the Shipping Act of 1984 reducing government intervention in the ocean liner business. Essentially it assures ships hauling freight to and from our shores the ability to compete more equally with foreign-flag counterparts. This landmark legislation clarified anti-trust status. It also allows carriers in their conferences to offer more innovative services and shippers to bargain for service contracts.

The new law expedites regulatory actions by the Federal Maritime Commission and removes the source of discord between this country and our trading partners. Incredible as it may seem, this Act is the first complete revision of international ocean liner shipping statutes since 1916. It is a major, even a historic accomplishment for the administration and for the maritime community. But as the president said when he signed the bill, it's only a first step towards revitalizing the

U.S. Merchant Marine.

Today all of our transportation industries – air, rail, truck, bus, and water – are drawing new energy from competition. Those who would succeed must put aside the conventional wisdom suited to earlier times. The traveling public and shippers will now decide what is efficient and who is not. They are no longer merely along for the ride. They are in the driver's seat.

There's a touch of irony to all this. Deregulation, when we really stop to think about it, is a revolutionary idea, but it is not newborn. In fact, it was one of the first principles of our Founding Fathers who believed supply and demand, competition and creativity were the most efficient regulators of our society and the surest providers of both social justice and individual dignity.

For as long as we have called ourselves Americans, we have taken pride in our native ingenuity. We have displayed a willingness to take daring economic risks for great economic gains. We have placed our faith in a free market disciplined by competition and tempered by a social conscience. Today, drawing upon the best of those traditions, we have rekindled the fires of competition. Out of that contest, that age-old race to be first and best, there will come progress and a powerful antidote to economic stagnation. As nations rise to meet the challenge of change, so do individuals.

I think of a woman who knew great adversity, one's whose spirit and example inspired millions. Her name was Helen Keller. And she summed up her philosophy in a single sentence, "One can never consent to creep," she wrote, "when one feels an impulse to soar." We have an impulse in America to soar, to loosen the shackles of economic regulation, to go as far and rise as high as our competitive skills will take us.

As the landscape of New York has changed dramatically in a decade, so our economic landscape as a nation will be transformed. There's magic in the marketplace, our president has said, and it works. I know that is your ideal and I assure you it is mine. Thank you very, very much.

(Applause)

Chairman Edmund T. Pratt, Jr.: Thank you, Elizabeth, from all of us for a most thoughtful and thorough report to us in the area that you're responsible for which is one that is critical to everyone in this room. And it's indeed an exciting report. I can't imagine that there's been a time in the history of the Transportation Department that they've gone through the changes and the exciting things that are happening down there now. It must be quite a time to be sitting in that saddle you're talking about. You know that we'll see more of Elizabeth at the question period. And I'll, of course, remind all of you, I guess all of you know that our procedure is after our other speaker speaks to us, we will then have two questioners. And tonight we have Bob Beck, Head of the Prudential Insurance Company, and Jim Barker of Moore McCormick who will be the questioners. And they will alternate questions to the two speakers in the classic way.

And, of course, I'm sure to all of you good members of the club and guests, as we enjoy an exciting evening like this, you realize that getting all these people here and making all these arrangements and having the questions is not a simple thing. And we've run three or four big ones here in a few weeks. And it seems to me that these are so important to us as a city, to have this access that we should not forget that we have a very significant staff that makes all this happen for us. And it is made up of all of two people. And they're responsible, and they've been doing it so well for us for so many years. It seems to me now and then we ought to recognize them and make sure the club realizes how much we owe them. And of course, that's the president of our club, Eddie Lock. And Eddie, would you just take a bow. And his wonderful assistant, Jane Carroll, who really does all the work. Jane, where are you? Are you in the room or out doing something else? Anyway, Jane, we thank you. (Applause)

Now our next speaker, we're most lucky to be welcoming back to our podium for the second time. He spoke to us last year and needs, of course, no one to tell this group who he is and things about him. But as I was reading about him and thinking what you might say to introduce him, I came upon something I thought meant a lot to me and maybe puts it all very simply. One of the editors of one of the periodicals in Washington had written an article on the senator not too long ago. And his comment was that as he read through a lot of the material with his blue pencil and getting ready to try to put it into the final form, he found out a lot of things that he really didn't know about this man. And he summed it up by saying, "As I thought about it, I said to myself

that if things were really tough, this is one of the men I'd have at the top of the list, a man I'd like to be handling a critical role for this country." And I think we're certainly at that point now and we're fortunate to have that kind of man in the critical role he's in. It's a great privilege to introduce to this group, Senator Robert Dole, Chairman of the Senate Finance Committee.

(Applause)

The Honorable Robert Dole

Senate Finance Committee Chairman

Madam Secretary, distinguished guests, and others, I want to thank Dwayne Andreas for inviting me to come tonight. He said there would be a lot of press here – nothing else going on in New York on April 3 – and we worked that out fairly well. And I guess it is over. I haven't heard but I understand according to the exit polls, Mondale was winning, and the president was ahead too.

Before Elizabeth got up here, I asked Ed if he had heard Elizabeth's last speech, and he said I hope so. (Laughter) Well, I spoke here last May 23, and it was such a lousy speech I thought I'd try it again, because nothing's changed. I was up here with David Stockman. Some may remember, it was a fairly long evening for you, and we talked about the deficit. And nothing's happened since last May 23, so I didn't see any reason to change the text, particularly since I knew Elizabeth wouldn't say very much and it would fit right in to the pattern. (Laughter)

But there have been a few changes. And I have a very good written statement, but I won't read it all. But I'll send you a copy if you'll just leave your names with Ed Lock, we'll send you a copy. And I have the franking privilege, so it won't cost you a thing.

But tonight I want to bring some good news from Washington. What is it? (Laughter and Applause) Now it'll come to me during the course of the evening. I think finally after months of haggling and posturing and agonizing and moralizing, we're just about to get down to work on the federal deficit. Now we're not going to do very much. We don't want to shock anybody. But we're going to try to do a little bit. Not as much as Alan Greenspan would like and others I see in the audience, but I really believe that we've reached the point, almost, that we're going to start voting on deficit reduction. And I think after all the speeches, and I've made so many speeches on debt reduction I can hardly stand to say the words. And I'm not certain it had any impact. But it does seem to me that you deserve better than you've gotten from the Congress of the United States, and maybe a little better than you've gotten from the administration as far as deficit reduction is concerned. (Applause)

Now those of us who have been working on the package are certainly gratified the president is on board. A number of us met with the president this morning. And I must tell you, when some people say why didn't the president do it earlier, this morning he was meeting only with the Republicans and you should have heard all the different ideas the Republicans had. Everybody has their own plan. And so I can sympathize with the President of the United States who must

make a decision and must decide what to do about defense spending and non-defense spending, and revenues, and then put his prestige on the line for a certain package.

I think the stakes are very high. They're certainly higher now than they were last May 23rd when I was here with David Stockman. I think if we can eliminate this one remaining cloud of uncertainty about Congress and whether or not there's a paralysis in Washington, whether or not we have the will or the courage to do anything in 1984, it would come as a great shock and I think a good bit of news to the people in this part of the world, in this part of the country.

Now those of us who are concerned about deficits are sometimes referred to as Nervous Nellys. In fact, one of my colleagues – and I won't name any colleague here – at the meeting this morning, sort of looks down his nose at those of us who keep talking about the deficit. His solution is to cut taxes more. It's called supply side or something. I never fully understood it. I didn't understand it last May. I don't understand it any better now. It may be working, but I haven't noticed. But I would just say that there are some who say don't worry about the deficit. And others would say, as you all know, well, just cut spending. And I'll bet many in this audience wonder why we're horsing around and just not cutting spending.

But even in Washington there is some little reality. And the reality is that Tip O'Neill has firm control of the House and Ronald Reagan's in the White House and he has a Republican Senate with a much smaller margin. Tip O'Neill has a margin of 100. And these two superpowers have

different ideas on how we should go about deficit reduction. Tip O'Neill would cut defense more and raise taxes. Ronald Reagan would cut defense much less, cut non-defense some, and maybe do a little in taxes. Now neither the president nor the speaker have enough to get what they want, but they have enough to block what they don't want. The president has a veto and a Republican Senate. Tip O'Neill has a veto. He's got 100-vote margin. And if you like what you're doing in the House, you don't often cross the speaker. And those are the realities. And many of my constituents in Kansas can't understand why we just don't cut spending. That is, except for agriculture. You know there's always a little exception. And therein lies another problem.

But the alleged irrationalities in the marketplace, the market aside, there's real cause for concern. And I know we don't do big business in my state, but I see some people sometimes who do, and I guess there's a great deal of uncertainty. Maybe not about 1984 anymore, but about 1985. And as I view it, and I'm not encumbered with a lot of knowledge about all this, so I don't have the same hang-ups that some of the rest of you have in the audience, but I have a little common sense. And I believe that perception is just as important as reality in some cases, and there's a perception out there that there is a paralysis in Washington that nobody really understands the deficit. No one has courage enough to touch it. And we're not going to do anything. And something bad is going to happen in 1985. And if we would just do something, as small as it is, that there would be such, as I said, such a shock wave across the country, it might even do some good.

Now before anybody pins any medals on the Congress, if we do do anything, remember we're going to add to the deficit anywhere from \$600 billion to \$700 billion, \$800 billion according to some estimates in the next three years. And we're only talking about a deficit reduction of \$150 billion over the next three years. And the Republican plan and the one supported by the president is sort of a three-legged stool. It's one-third in defense spending restraints over three years, \$40-some billion. It's one-third in non-defense spending restraint over the next three years, \$40-some billion. And it's \$48 billion in revenue changes. And if you do all those things, I guess you save about \$18 billion in interest. So you would have a package somewhere in excess of \$150 billions of dollars over the next three years with most of it coming in the third year.

Now there's a contest going on now to see who can draw up the biggest package. That's not very difficult. You just add more taxes or cut defense more. And you get the House Democratic package or the Senate Democratic package. And they may be right, but I don't think so.

In our committee, in the Senate Finance Committee, we decided a few weeks ago, that while everybody else was talking about the deficit, we'd try to do something about it. And ten days ago in the Senate Finance Committee, there are 20 members on our committee, 11 Republicans and 9 Democrats, we voted by vote of 20 to 0 to report to the Senate a deficit reduction package just in our committee – and there are a lot of committees in Congress – of \$73 billion plus, \$48 billion in revenue changes and \$25 billion in spending restraint in one committee. And we're ready to go. And right now we're haggling over, well, should we have a budget resolution first before we

take up the real thing? And without getting into all that stuff because it's rather meaningless, the budget resolutions is where we play games for six months in the Congress. We're required by law to do certain things by May 15th and June. So everybody plays with numbers. How much revenues? How much in each function? And last year we passed a budget resolution and nothing else. So this year, well, let's just don't have a budget resolution. Let's try to do the real thing. Let's cut some spending and make some revenue changes and then pass the budget resolution saying this is what we did. But again there's a certain amount of politics involved.

Bob Byrd, who is the Minority Leader and an outstanding member of the Senate, he wants to pass the budget resolution first so everybody can offer their own package and put out a press release and say that we almost saved the country. The rest of us, and I think many Democrats and many Republicans, say why worry with all that foolishness, that'll take three or four more weeks. And it's well to recognize we're only going to be in session 45 more days this year because there are a couple of conventions coming up. And they're both going to meet. They're going to take some time. So we have about 45 days in the Senate to do something.

So this is what I suggested, even though \$150 billion is probably not a great deal of money in the long haul, it's certainly a start. It's the down payment the president talked about in his State of the Union message. It's the very thing the Democrats and Republicans have said we ought to do for the past several months. And it just seems to me that we ought to be moving on the actual legislation.

Now I was going to say, when I started, that the good news was we were going to start this week in the Senate. But I'm not certain about that because we're now discussing aid to El Salvador. And Senator Kennedy would like to keep talking on that until the next election. Not in Pennsylvania but in El Salvador which comes in late April. It's all kind of ridiculous but it gives him something to do. (Laughter)

So we kind of believe that we ought to maybe set that aside and take up the deficit reduction. So if we can do that, then we'll be on the deficit reduction this Friday, or if not, next Monday. So I just suggest, I think we're a little, we're better off maybe, as far as doing something, than we were 11 months when I was here. At that point, we were talking about numbers. We didn't have anything actually done.

Now many in this audience may not agree with certain things we did in the Finance Committee. We did a lot of things that may affect a lot of people. But I don't know how else we're going to have deficit reduction unless we do something. We can't cut the deficit by talking about it. If we did, we'd have a surplus, a big surplus. Because I haven't found a member of Congress in either party who is for the deficit and I've looked high and low to find somebody who would stand up and say, well, maybe one, I'm not certain about Jack Kemp...(Laughter). But for the most part, for the most part everyone's against the deficit. They don't like it. They think it keeps interest rates up, the dollar too high. And it causes a lot of problems and we all want to solve problems.

We say it every time we run. And now we're trying to prove it and that's part of the problem.

But that's the way the system works.

So let me conclude here so we can get into the questions that Elizabeth is going to answer.

(Laughter) Don't give me the questions on transportation. I don't have a chauffeur. (Laughter)

So I would just say in closing, it may be even more serious than I thought...(Laughter) You're going to hear a lot of talk about freezes. Oh, we just ought to freeze everything. And that's a great idea, but it's a little late for this year. Now the Democrats have a new plan. It's called Pay As You Go. That's going to come as a shock to many Democrats. I mean it is a shock to Democrats. And it even shocked some of us.

So you're getting all the Pay As You Go Plans, the Freeze Plans, and the CPI Minus Three Plans and all the different plans in the world, but they're not going to go anywhere. And I can give you 435 House members and 100 Senators that have great ideas but no votes. If you don't have any votes, your idea is not going anywhere. And so I'm just here to suggest that let's get on with what we think we can pass. We think we can pass \$150 billion deficit reduction package hopefully in the next 30 days or 45 days. And we believe if it's properly understood it will have the same support it had in my Finance Committee. Everyone will vote for it. That doesn't mean we like it all. That doesn't mean we probably wouldn't want to do more in some areas and less in other areas, but it means at least there's some feeling of responsibility.

So whether it's how much should we cut defense, I think the president very honestly, when he said he was willing to go \$43 billion in defense spending over three years, that was a large step for the President of the United States. Obviously we can take more from defense, but we do have certain obligations to the American people and other freedom-loving people.

Non-defense spending, some say, oh, you can't touch it anymore, but you can't touch much of it this year. But I agree with Pete Peterson and his group, we'd better be touching it one of these years or there won't be any entitlement programs. They're going to explode. In 1967 Medicare was \$4.7 billion. We were told if we didn't watch it, it would be \$9 billion by 1990. And we were wrong. It's in the budget this year for \$68 billion and the 1990 projection is \$115 billion. Now if you like Medicare, you'd better insist we save it instead of letting it self-destruct, because the deficits in '88 and '89 we're told, in that one fund, may reach \$400 billion.

So I just suggest that we're making some headway. We're not going to have any across-the-board tax increases. It is mostly so-called loophole closing. Next year may bring something else that we're talking about this year. So we're ready to go. I think the economy is at the crossroads in the sense that a lot of people are watching, looking, hoping, waiting for action. I think the job is at least started. I hope it will be completed. I think we can work together and we need the support of the business community, businessmen and businesswomen, even though you may be nicked a little in the process. The bigger goal of deficit reduction and the length and strength in recovery in my view are more important. Thank you very much. (Applause)

QUESTION AND ANSWER PERIOD

CHAIRMAN EDMUND T. PRATT, JR.: Well, thank you Bob. I'm sure you're right when you say there's nobody in the audience that hasn't been touched unfavorably one way or the other with what you're doing there. But I think it's also true that, and maybe you don't know this, that just about everybody in the audience supports in principle what you're trying to do and we're behind you in that. (Applause) Now we come to the question part of the evening and we will alternate between Mr. Beck and Mr. Barker. And we'll start with Bob Beck. And they will address their questions to one or the other of the speakers.

ROBERT BECK: I'll address my first question to Bob Dole. You have said that both the Republicans and the Democrats are putting together packages which will produce down payment results in terms of the deficit of anywhere from \$150 to \$170 to \$180 billion over the next three years. And each of the packages takes a somewhat different form. On a scale of 1 to 10, what do you think the chances are that the legislation will pass this year? And what would you predict is the most likely form? How much defense? How much non-defense? And how much taxes?

THE HONORABLE ROBERT DOLE: Well, I think on a scale of 1 to 10, I'd say there's about an 8 ½ or 9 that we're going to do something. Now there are always a lot of things that they say aren't, you just can't make it happen in Congress, but there's something about deadlines in the

Congress that get results. Our first deadline is a week from Friday which is supposed to be an Easter Recess. Senator Baker has indicated if we don't do something, there won't be any Easter Recess. Now that has a way of stirring, you know, the juices of members of Congress who already have their tickets bought and missions planned to foreign countries. (Laughter) So I think if that deadline doesn't work, there'll be another one coming along. You know, we always get a recess. There'll be one for Memorial Day. And what shape will it take? My own view, if you look at the House Ways and Means Committee action, let's just take the tax package, and I know Henry may not think it's enough, but they have \$48 billion, and the Senate Finance Committee has \$48 billion. There's no doubt about it. There's not much difference between Chairman Rostenkowski's package and our package in the Senate Finance Committee. So I think about a third of it, and it's going to be about \$150 billion if the Democrats can bring themselves to reduce non-defense spending a little bit more. Right now it's about (CHANGED AUDIO SIDES)..And the Senate bill and the House bill to get up as high as \$60 billion. We haven't planned that but it has occurred to us if there should be a shortfall somewhere else. But the president has made it very clear that he didn't like all the \$48 billion but that he will go along if there's symmetry. So I suggest, the odds are, think 8 ½ to 9 out of 10 we'll do something. And the odds are that it's going to be around \$140 - \$150 billion, pretty well a three-way split.

JAMES BARKER: For Secretary Dole, Madam Secretary, in line with your talk on deregulation, we understand that the administration would like to see Conrail return to the private sector. Do you think Conrail can survive as a private entity? What are your future plans for Conrail? And do

you have any buyers?

THE HONORABLE ELIZABETH DOLE: Well, I am very optimistic that we will be able to return Conrail to the private sector in the near future. We have an offer on the table from the employees. We have three railroads that have expressed a serious interest and are looking at the Conrail books. We have been out to vigorously market Conrail, both to key railroad corporations who interconnect with Conrail who have potential to purchase it as well as non-railroad corporations. And I think there is some very serious interest which has not yet been publicly announced. And I would expect that we will have one or more offers in addition to the one we have now within the next couple of months. We certainly are hopeful of returning Conrail to the private sector as an entity in a form which will mean that it never is dependent again on the federal government. It's turned a profit for the last two years. I think that Stanley Crane is doing a tremendous job as head of Conrail and I'm very optimistic that we will soon see it in the private sector. And, as you know, we are pursuing the goal of getting the federal government out of the railroad business.

ROBERT BECK: Bob, let me address this question to you. Let's assume you are right that there's an 8 ½ to 9 out of 10 chance of having legislation this year, somewhere in the \$150 billion range over a period of three years, I would think this audience, and I know you do feel very strongly about it too, that right after the election is going to come the time to fish or cut bait where a lot of very important issues are going to have to be resolved in terms of future deficit

reductions. Defense, the entitlements, interest on the debt together total the national revenue.

What do you think the chances are of a serious effort perhaps along the lines of the initiative that was supported by the five treasury securities, that Pete Peterson signed on, and by many people in the business community to have an across-the-board type of sacrifice program of taxes and expense reductions to the tune, to an extent that would add up to somewhere in the \$200 billion a year category?

THE HONORABLE ROBERT DOLE: Well, I think first of all, it should be clearly understood we're talking about a down payment this year. I mean that's the whole program. In other words, we know we're going to be called to do something next year. And if we're responsible, and if we act responsibly, it's going to be sizable. And it's going to go pretty much across the board. I think we're going to have to start, you know, I called Don Regan about ten days ago and I said, Don, we're \$8 billion short in our \$48 billion package, send us up some more loopholes. He said, we're out of loopholes. So, I don't think that's the case, but we're running out of loopholes I guess. But the point is we're going to have to look for a broad-based tax of some kind. Maybe an energy tax, maybe a value-added tax, some kind of consumption tax. And I think very honestly, it may come as early as next year. On the entitlement plans, it just seems to me we just have to be realistic. I mentioned Medicare and that's only one. And if, in fact, we do it in the proper way, and the problem is it's so politicized as we found out in the Social Security Commission. There are three of us here, Bob Beck, myself, and Alan Greenspan were on that commission. When you start indicating you're going to tamper with Medicare or Social Security, you know it's a very,

very sensitive area. And I can still see Claude Pepper getting off the plane in '82 saying if you vote Republican they're going to take your checks away. That's shorthand; he added a few other things. But that was the thrust of it. So it's a very, very sensitive issue. Now it may be that what we ought to be doing the rest of this year, and I'm not much for commissions, but it may be the only way to do this is to start, as soon as we finish this tax package in my committee and other committees, trying to take a look at long-range programs on entitlements and on revenues. And one thing about commissions, they offer some protection to members of Congress. My own view is that if we are a commission, we get elected to solve the problems. But if a commission has a solution, then we can always say back home, well, it really wasn't what I wanted, but it was a good commission and I ratified what they suggested. That gives you just a little insulation there from the voters, but not much. So, yes, it's going to be a big, big problem. Now obviously, there are the pluses. The pluses are the economy is good. As Elizabeth said, all these good things have happened as far as interest rates and inflation. And that's a good way to reduce the deficit. People are going back to work. In addition, we have the Grace Commission Report. And probably some in this audience served on the Grace Commission Report. We have \$3 billion of the Grace Commission Report in the Finance Committee package. So if nothing else happens in the Grace Commission Report, we hope at least we'll get \$3 billion out of it. So that's a little step in the right direction.

ROBERT BECK: Bob, may I just have a followup question on that. Not on the Grace Committee, but on your whole question about where we're going with this in 1985 after the

election. You've talked very articulately over the years about what must be done and what should be done in facing the question of the deficit. What kind of counsel do you want to offer to this assemblage about what we can do to truly be supportive? You and I have talked about this at some length through the years. I'm uncomfortable about the cocktail party discussions about what we might do. What can we really do tangibly to help?

THE HONORABLE ROBERT DOLE: Well, my own view is that there are probably more answers in this audience than probably any audience this size in the country. There's more constructive ideas floating around out there – I'm wondering why we don't touch on some of them – than we can count. Now we've got to figure out a way to tap that resource. And let's face it; we're not hostile to anyone. It's not that we like to raise taxes or close your favorite loophole. But, you know, we've got to reduce the deficit. And there may be better ways to do it. I'm not suggesting that with our staff and the Joint Committee and the Treasury that we always do it the right way. So I would guess what we need to do is to establish some way to coordinate and exchange information with the experts that are here and elsewhere in the country. Whether it's through the roundtable at the NAM or some other group, there ought to be a better working relationship between the tax writing committees in this case and the business community. But all we have now is you come down to testify, we give you five minutes and then tell you, well, I'm sorry, the bell rang, you know, summarize your statement in 30 seconds, and I'll see you the next time you're in town. That really doesn't do much for the witness. It doesn't do much for us either. So it's not a very good system. So I would guess that kind of cooperation would be very

helpful and I might add that Bob has indicated a willingness to help us coordinate that approach.

JAMES BARKER: Again for Secretary Dole, just before you became Secretary of Transportation, a gas tax was passed in the United States to repair the infrastructure of the United States. The question is what has been done? I am not aware that a lot has been done, but I may be in error in that. And more importantly, what are your plans? What are the dimensions of the problems? And will we be seeing more taxes in this area?

THE HONORABLE ELIZABETH DOLE: Well, the Service Transportation Assistance Act of 1982 was really a milestone piece of legislation. I came in just a month after that legislation was passed and my job was to implement the many regulations that were required by the act. One of the concerns of the Congress during December of 1982 when that legislation was being debated was whether or not the Transportation Department could efficiently and effectively allocate that much more money quickly and we did. We started in the day that it was signed into law, January 6th of '83 with allocations to the states. And indeed the states on average got 50% more in funding for repair and restoration of roads and bridges. So all of that money was allocated by the end of the fiscal year which was \$12.8 billion worth, and that is the highest amount ever from the Highway Trust Fund. Now that will continue over another four years. Just as an example, for rehabilitation of roads and bridges it was 109% increase during those months. For resurfacing it was a 78% increase. For new construction, because we're going to complete the interstate by the early 1990s and that is possible under this legislation as well, so we had a 37% increase in new

construction. And in reconstruction it was about a 52% increase I believe. We did hit a problem as far as this fiscal year is concerned because the Congress did not get the interstate cost estimates passed on time which is, that has to be done before you can go with your fiscal year allocations. And in this instance, because of some special interests that were being debated in the Congress, months went by and the ICE and the substitute ICE did not get passed. So a lot of our projects were held up. But finally in March the ICE was passed, not for two years as it's normally done but for six months which means we have the funding now for six months. But the Congress, both houses are again working on another interstate cost estimate, legislation which would provide for the rest of the fiscal year, the additional six months. So we've got to go back and fight that one again, and that's very, very important that it be done expeditiously. I hope you're listening, Bob, because this is important not only from a safety standpoint, the repair of roads and bridges, repairing the factory for our truckers, but it's also very important from the standpoint of jobs. There's about 150,000 jobs there as well. I do not anticipate at this point additional taxes. That's something which, let me just say, that this was the first time in 25 years that, that tax had been raised and as you mentioned it's a nickle a gallon increase in the gasoline tax. I think it would be premature at this point to talk about additional taxes. This does run for another four years. And one penny of that five cent a gallon increase does go for mass transit.

ROBERT BECK: Elizabeth, please don't sit down. Just to change the pace just a little bit and get to politics, there has, and I'm assuming that there have been no reference to politics up until now, there has been a great deal of discussion about the so-called gender gap. Do you believe that the

Republican Party has a major problem in terms of the gender gap this year?

THE HONORABLE ELIZABETH DOLE: I hope you don't mind a long answer. My husband criticizes me sometimes for long answers, but this one needs a bit of an explanation so I'm going to take a few minutes to do it, because, yes, there is a gender gap. When I finished law school back in 1965, I realize as I look back that I was on the cutting edge of a social revolution in this country. I did not realize it at the time, but I was one of about 25 women in a class of 550 at Harvard Law School. That same class today is about 40% female. This has been happening all across our society. And there literally has been a tidal wave of women entering the workforce over a very short period of years. In fact, in 1965 about 30% of women were working. Today it's about 53%. I want to discuss that a little more in a moment, but let me just say that I think that the real problems today are in the area of economic equity, and this is where the concerns are. This is where the real needs are of women in our modern society. And I believe that this administration is not getting its message out because indeed this president has focused in on those problems and has taken a number of steps to address them. But we have not done a good job of getting our message out. Now to go back to what those problems are, as this tidal wave of women have come into the workforce, the single heads of households have increased by about 51% over the last decade. So we have many women who are trying to raise a couple of children alone. The median income is \$11,000. And they're women who are truly in need. Those who are struggling in the manner that I've just illustrated, also older women who may have done what I think can be the most challenging of all careers, to be a homemaker, a mother, and who find later

in their lives that they're alone on a very meager income. The divorce rate, of course, has increased enormously also. And so these are real needs today in our modern society. And there's a phenomenon which has occurred which I think has not been fully realized, the ramifications of this revolution, this quiet revolution as I call it. This president asked me, the last six months that I served as assistant to the president at the White House, to chair a coordinating council on women to focus not only on concerns of women across the administration and to surface those concerns, but also to look at this phenomenon in long-range terms as to what we might do to address these problems. And indeed in his 1983 State of the Union message he reflected the results of that work by supporting in a very strong way enforcement of child support laws. There's \$4 billion in delinquent payments out there, and the president's proposal goes a long way. It shifts the incentive somewhat for the federal government to collect, or to provide the incentives for the states to collect so that it's not just the welfare mothers, but those also who are not welfare, but who are on low incomes. There are many other initiatives in the pension area, pension reform, for example. Also dependent care tax credits...

ROBERT BECK: Elizabeth, do you want to acknowledge that your husband was a primary force in recommending that legislation?

THE HONORABLE ELIZABETH DOLE: Yes, he has been very active in this area, as a matter of fact, that's right. You can speak to that in a moment if you want. I'm not quite finished yet.

(Laughter) Bob has been very supportive as we have worked on these initiatives. Also he's

introduced, and the president has fully supported, legislation that would change a number of laws that are sex-biased on their face to remove vestiges of discrimination from our laws. And also we're working now on regulations and hope to have that finished this spring. The change in estate taxes is another one. Because women do often outlive their spouses, until very recently it was necessary to sell a small farm or a family business in many instances to pay the estate taxes. So these are just a few of many initiatives which the president has undertaken on behalf of women, but which I think have not been understood. They are complex issues, that's granted, but nevertheless I think it's our fault we've not done a good enough job of getting that message out. And I do believe that any president in the Oval Office today would be faced with a set of problems because of the changes that have occurred in our society. And that women who are not in the target groups, but who are concerned about these real needs of people in our society today, as we address these as a responsible administration and as it's understood, these women will be watching to see what we've done, women who are not in the target groups necessarily. And that will impact on the fairness issue and it will very definitely help to close the gender gap.

CHAIRMAN EDMUND T. PRATT, JR.: Elizabeth, thank you. Jim, the floor is yours.

JAMES BARKER: Let us stay on politics. Senator Dole, there are at least three important election results that will take place next year. One is the presidential election, the second is who will control the Senate, and the third is who will be the Republican leader in the Senate. Could you handicap these races for us? (Laughter)

THE HONORABLE ROBERT DOLE: I only heard the third one...(Laughter) Well, I think it's going to be Mondale. You know you have to, for the Democrats, I mean I'm going to be realistic about this, I'm a Republican, I want Ronald Reagan re-elected. But you have to sort of look ahead and say, well, if there is going to be a Democrat, who would be the best qualified? In my view it's Walter Mondale. That's my view. Gary Hart, I've known for a number of years. I've never had a visit with him yet. (Laughter) That may not be his fault. But we've only served together for ten years. Maybe, you know, another ten, we may get together. (Laughter) So I would say it'll be Mondale for the Democrats and Ronald Reagan for the Republicans. And again if the economy is sustained, it's going to be very difficult to beat the president, and I think everybody concedes that. I mean I'm not here to criticize any of the candidates. They're all good people. But I think the big fact is going to be the economy. It's going to be the same in the Senate races. There are 55 Republicans and there are 45 Democrats in the Senate. There are 19 Republicans and 14 Democrats up for reelection. The Democrats have a class of solid incumbents with maybe one or two exceptions. On the other hand, we have probably four, five, or six that have difficult races, if you count the two seats being vacated by Howard Baker in Tennessee and John Tower in Texas. So it's going to be tough. But I think again it's based, you know, if the economy is good and the president is running well, it'll make a big difference. Senator Garn from Utah told me yesterday, he said the president had a sharp drop in his approval rating in Utah. It dropped from 82 to 79%. Well, that's pretty good. And Jesse Helms was saying in North Carolina, in a poll taken last week, the president's approval rating was 70.2%. Now if it

stays in that neighborhood it's going to be a big help for Jesse Helms. And the same in Iowa with Senator Jepsen, and the same in Texas for whoever the nominee is, and the same in Tennessee. In fact, Howard Baker tells us we shouldn't write off Tennessee. So I think the Republicans will control the Senate. On who is going to become the Majority Leader, again there are a number of outstanding men in this case who have indicated a willingness to serve. And with all these tax problems that we've been talking about coming up in '85, I've indicated a willingness to change, and to serve. But the important thing as I see it is to have a majority to lead. Whether it's Senator McClure or Senator Domenici or Senator Lugar or Senator Stevens or someone else we don't know of, I think they're all very capable. All I've done is to put, place phone calls to all my colleagues and tell them not to get committed. (Laughter) Fifty put me on hold and Charlie Wick put me on tape. (Laughter)

ROBERT BECK: Bob, would you please stand up again. I'll move it back from politics and go back to your reference to the Grace Committee. And there were, as you well know, some 36 task forces who worked on this activity, some 1,400 people who worked full-time for months on the Grace Committee. There were reviews made by JAO and CBO that were very, very light in terms of substance in the way they made their appraisals. And there were a lot of recommendations that have enormous potential for significant savings. How much will do you see in Congress to do something about recommendations, the largest portion of which require Congressional action?

THE HONORABLE ROBERT DOLE: Well, let me say very quickly, as I said briefly in my remarks, I think those who served on the Grace Commission deserve a great deal of credit. It's like any other thing that happens. Some panels may have done a better job than others. But it's important to remember there's not one dollar of federal money in that report, and all the money, and it was millions of dollars donated by corporate executives and others, \$78 million. So it was a massive undertaking. It took a long time and it shouldn't be dismissed lightly. And some of my colleagues sort of laughed at it and said, well, you know they took it out to the year 2000 and made gigantic savings and they're not holding up. Well, my view is that we ought to continue to review the Grace Commission Report, and let's say we did 10% of it, or 15% or 20%, we're not going to do it all. So we had hearings on the part that affects our jurisdiction. We put \$3 billion, and just to give you one example of what we put in our package, we say if you owe the federal government money, and you have a tax refund coming, you ought to be able to offset it. Now the IRS doesn't like that. They don't want to be collectors. But why shouldn't the government recover money if you've got a tax refund coming, if you haven't paid your student loan. It makes a great deal of sense to me. So that's part of the package. That little idea is going to pick up nearly a billion dollars over three years. Now the IRS says everybody's going to underestimate their taxes, there won't be any refunds, and we're going to, you know, do that. And I'll give you another example. It costs the federal government about \$4 to process a check. It costs the private sector about \$1. I mean there are just a lot of things where we're, you know, we're still back in sort of the dark ages as far as computerization is concerned and management initiatives are concerned, and management's concerned. So my answer is that those who spent a lot of time, a

lot of men and many women spent hours and days and weeks, and they deserve a lot of credit, whatever happens. Now there's going to be an effort on the House side by Congressman Dannemeyer from California to offer the Grace Commission as a budget alternative. I don't recommend that. It probably won't get many votes. But at least it's another indication that it's at least being addressed and being focused on.

JAMES BARKER: For Secretary Dole, we understand that as part of your responsibilities in the Department of Transportation that you have been given the responsibility for developing the commercialization of space. What do you see as the future of the commercialization of space as it relates to American industry?

THE HONORABLE ELIZABETH DOLE: Well, I'm very pleased to have this new responsibility. The president named the Department of Transportation as the lead agency for expendable launch vehicles for the companies that produce the rockets that take the payloads into space. And, of course, the potential is enormous, not only for communications but also for such things as crop forecasting and for producing drugs with far fewer impurities, things such as looking for oil slicks, mineral resources. It's a tremendous area. And right now it's a fledgling industry from the private sector aspect. The potential is a \$10 billion industry we're told over the next decade. So what we're trying to do is to organize in a way, I've set up an Office of Space Transportation within the Office of the Secretary to report directly to me. And the idea is to provide, first of all, for an efficient mechanism so that when a company wants to get

authorizations to send up a payload that they do not have to go all over the federal government to 15 or 20 different places to get those authorizations. In other words, we provide a one-stop service. They come to the Transportation Department, we would shepherd their applications through the federal government by way of a coordinating committee which I would chair. And we would quickly get those authorizations for that private sector company. Another aspect of this certainly is deregulation. As I've indicated in my remarks tonight, we are the voice of deregulation for the federal government and certainly this is a de-regulatory matter. We want to clear away excessive regulations for this fledgling industry and then streamline those such as safety regulations that we feel are necessary. Three of the areas that would have to provide authorizations are at the Transportation Department with the Materials Transportation Bureau as well as the Coast Guard which would have to protect our shipping lanes as well as FAA. So we are well on the way to getting this launched and I've had a chance to work with a number of the companies, to visit their facilities, and to work with them to determine what their problems are so that we can be as responsive as possible to help this industry really get off the ground, so to speak, and to compete effectively with the French, with their Ariane, as well as the Japanese and the Russians who are very much interested in this area.

CHAIRMAN EDMUND T. PRATT, JR.: Could we have one more question from each questioner please.

ROBERT BECK: In view of the fact that it is the last question, at least for me, I'd like to address

the question then to both of the speakers. There has been considerable speculation for some time about which party might be the first one to nominate a woman to be the vice-president. I wonder if you would each comment about which party you think will be the first one to do it, and who will be the candidates? (Laughter)

THE HONORABLE ELIZABETH DOLE: Well, as far as which party would be first, you know when you look at the party, the Republican Party, and the breakthroughs for women; I think we have really been out front in a number of instances. The two women who are serving in the Senate of the United States right now are Republicans and also the first woman to serve on the Supreme Court. This is the first time that three women have served as members of the President's Cabinet. We've never had three before. I'm happy to be the first woman to head a branch of the armed services since I have the Coast Guard. So I would predict that it may well be the Republicans. Back in 1978, 63 women were elected for the first time to state legislatures and 61 of the 63 were Republicans. Rhode Island, in 1982, elected nine women to the State Senate; eight of the nine were Republicans. So I predict it'll be the Republican Party. As to who it will be, I think there are a lot of women who are qualified right now to fill that position. But I say if a woman is qualified to be vice-president, she's qualified to be president, so why settle?

(Applause)

THE HONORABLE ROBERT DOLE: I'm not sure I disagree with that, but I think as a practical matter the Republican ticket is pretty well set for this year. Isn't it? Is that right? I mean, Penn,

you're the talent search man or what? Well, no, I think it's going to be Reagan and Bush. So I would say the odds might favor the Democrats. Just look at the year. It's '84, and I'm certain they're going to be looking at polls and other data to see what they need, you know, to put together a winning combination. And they too have a number of outstanding woman, some in this state. So I would guess that, you know, the odds are about even, but 1988 is something else. If we skip '84, then '88 is an open year. And there's a chance that, you know, Elizabeth, may pick a woman for vice-president. (Laughter and Applause)

JAMES BARKER: A final question to Senator Dole. There has been much discussion in the last several years about industrial policy, that's a code word for a Democratic idea but there are Republican versions of that. And I would ask you the broader question, what is the role you see of the federal government in developing the industrial base of America?

THE HONORABLE ROBERT DOLE: Well, I'm doing a little radio program with Ted Kennedy these days and that just happened to be one of the topics that we're discussing this week. And I don't know what industrial policy is. I mean it sounds good to say we're going to have an industrial policy. But if, in fact, you're talking about creating another bureaucracy, and that bureaucracy picking the winners and losers on the economic scale, then I think it's doomed before it ever starts. In my view the best industrial policy is to proceed as we're doing to reduce the deficits, to free up the tax code, give a little more incentive to business and others, and maybe take care of some of these so-called alien industries through some areas of the code. But I've

never fully understood, and I say it in all seriousness, what they mean by industrial policy. And I know many leading Democrats who disagree that there should be such a platform or such an idea. But let's face it, there's some who have an interest in it and it's going to be around, but I don't really see it going very far. I'm really convinced that a majority of members in the Senate, and I'm talking about members in both parties, are committed to deficit reduction maybe in different ways, but when push comes to shove, there's going to be a good majority voting for deficit reduction. And as far as I'm concerned, if it's big enough and if it's sustained and we do it next year, that's about the best industrial policy that we can come up with. (Applause)

CHAIRMAN EDMUND T. PRATT, JR.: It seems to me that an evening like this makes very clear the wisdom of our forbearers who 77 years ago started this club. Business people like us need this kind of interchange and it's important to us. I'd like to think it's also important to people like the Doles. We owe you a great deal for sharing an evening with us. You have our most sincere thanks and in addition a small token that we have traditionally given to those who grace our podium here in the Big Apple, a Steuben Apple, which in this case there can be room for two on the mantle. One goes to each of you with our most sincere thanks and we hope you'll come back soon. And goodnight.

End of Meeting