

America in the 1990s: A Vision for the Future

Remarks of
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Thank you very much. It is a great pleasure for me to be here today, debating the issues that will be important for America in the future. As law makers, Newt and I both feel acutely the need for a coherent framework; without it, we fall into a zero-sum legislative game, where special interests control the agenda and, more often than not, the purposes of one bill are undermined by the effects of the next one, contributing to an atmosphere of aimlessness and wandering. Strong leadership can overcome this syndrome, but that leadership must promote a vision of America, of shared goals and shared values, that quell the impulses of shortsightedness and selfish advantage that tug at every legislative body.

Moses was at the center of a similar negotiation centuries ago. He had the task of negotiating the rules for all mankind to live by when he climbed Mount Sinai to speak with God. What an enormous responsibility. For forty days and forty nights, Moses hung in there, trying to strike the best possible deal. When he finally came down off the mountaintop, he was tired, he was weary, he was beat. And the Children of Israel gathered around Moses to receive word of the rules which they would all have to obey for the rest of their lives. And Moses said, "I've got some good news and some bad news." "The good news is, I've got him down to ten...The bad news is, adultery is still in there".

Let's not dwell on adultery. The news media have that covered.

Let's talk about where this country is headed, and what needs to change, so that we can look back at today from the year 2000 and say "Yes, this country is a better place, and the world is a better place, than it was a decade ago."

There may be some who think that the eighties will be hard to improve upon. After all, the United States has not had to send its troops into battle (excepting the storming of Grenada), unemployment is now back to where it was at the end of the Carter presidency, the economy continues to grow and the stock market is booming.

These are all welcome results. There would be little argument if we had confidence that these achievements were solid and lasting. But, in fact, we know that the current facade of tranquility is false, that it has been achieved at the expense of lasting reform, and that in the next decade, the challenges we will face as a nation will be more difficult to meet because several fundamental, wrong choices were made during the eighties.

The bad choices boil down to three.

First, we let greed triumph over good. Ronald Reagan spent his career running against

government, and he still strikes a responsive chord in many Americans when he says "Government cannot solve our problems; government is the problem." But Ronald Reagan was never just talking about red tape; he was taking on the very idea of using democratic institutions to define and promote the public welfare. Such institutions, which set limits on the unbridled ambition of individuals, compromise the process of generating individual wealth. This is anathema to trickle-downers. Better to maximize wealth than to limit greed, they say. Somehow, without really meaning to, the country bought into this agenda and is already beginning to see its dark underbelly.

Second, we let the present triumph over the future. Farmers call this "eating the seed corn." Bankers call it "mortgaging the future." It places the immediate need to make short-term gains ahead of long-term prosperity. Inevitably, the future catches up with us, or our children, who face challenges that are infinitely more difficult to surmount because we failed to be foresighted when it would have made a difference.

Third, we let guns triumph over butter. Obviously, our self-defense must come before all other demands on our national resources. But in the nuclear age, it is madness to spend money on increasing the number and destructive power of nuclear weapons whose power to deter is already infinite. The failure of this nation's leaders to pursue effective arms control is turning out to be not only a military but an economic folly of the first order.

Let's examine these choices in more detail.

GREED v. GOOD

Last year, I joined M.L. Carr, a former basketball star with the World Champion Boston Celtics, at a rally against drugs held in the gymnasium of a high school in my district. I spoke first. I spoke from my own experience, as the son of a milkman from a working class community, of setting goals and working hard to achieve them, of rising from humble beginnings through Boston College, BC Law School, to the Massachusetts State House, and to the Congress of the United States. I said that as long as they did not let drugs kill their spirit and their dreams, each of them could be all that he or she could be. I received some light applause.

Then M.L. Carr got up, took a basketball, and slamdunked it several times to the roaring cheers of 800 kids. Having their attention, M.L. spoke about the evils of drugs for about half an hour and then asked the audience some questions. First he asked, how many of you want to grow up to be teachers? No more than five raised their hands. How many want to be high school principals? Ten raised their hands. How about a United States Congressman? Over 100. (That felt good!) Starting forward for the Boston Celtics? About 300 hands (including mine.) President of the Bank of Boston? Literally everyone, including the principal, raised their hands.

I think this is symptomatic of a very large problem. Today your average high school senior does not ask what he can do for his country, but rather "how much can I make in this country." When I was in college, people talked about joining the Peace Corps. Ask yourself when you last heard the words "Peace Corps" mentioned in a conversation or on the news. Today, the next generation of leadership struggles over which investment bank to join, not over how to make the world a better place.

But this erosion of public values does not begin with our youth. A value system is taught from the top down, not the bottom up. The insider trading scandals on Wall Street are not merely a small group of rogue Yuppies run amok. The heads of arbitrage, the heads of the merger departments are trading in violation of the law. These men are the leaders

of firms which represent the very heartbeat of the establishment, firms which in the past had instilled conservative, traditional values. Now their top employees are packing their bags for a two-to-five year stint in the federal penitentiary.

The current spasm of insider trading is, in my judgment, the inevitable result of the shift in values directed from the highest levels of our political leadership. For six years the Reagan Administration has waged a campaign to put the pursuit of private gain ahead of the public good. From James Watt to Anne Burford to Rita Lavelle to Michael Deaver to John Poindexter, we have witnessed a steady parade of policymakers devoted to getting government out of the way of the profitmakers. The message has filtered down. From Washington to the media to Wall Street to our colleges and our high schools and, inevitably, our homes. The message is "forget the New Deal; make your own deal."

Gone is any sense of government as a protector of the weak from the excesses of the strong.

Gone is any sense of community values as a check on the excesses of selfish individuals.

Instead of pointing to true north, our moral compass now points to Ollie North.

Instead of asking "Is it right", we ask "Can we get away with it?"

America in the 1990's must have leadership which can distinguish between government actions which stifle business and government actions which define the limits of greed. The next generation of leadership must work to restore public, community values to their rightful place in a system of representative democracy.

PRESENT v. FUTURE

The second bad decision, to let the immediate needs of today overwhelm our future, has been equally corrosive to our long term interests.

Debt

One measure of this problem is debt. We have taken on debt at all levels of the economy. Individuals fuel our economy with money they don't have by borrowing. Nationally, we spend money we don't have by running up the federal deficit. The annual federal deficit--\$200 billion-- is now greater each year than the sum of any four years under previous administrations. The trade deficit is now nearly as large as the federal deficit. Last year, the United States became a debtor nation for the first time in its history. And economists tell us that even if every unfair trade barrier were removed today, our trade deficit would only drop 15 percent. This is because our exports depend in large part on the health of foreign economies, and many of them have overborrowed and are in dire straits. Countries such as Brazil or Mexico cannot grow without foreign capital, but that capital is now being withheld because previous loans have gone sour. Banking institutions in our oil and farm states face bankruptcies, and the taxpayer faces the possibility of massive bailouts when depositors run to government insurance funds which are going broke.

The fact is that we are living on borrowed time. The Laffer curve turned out to be a bad joke. Cutting taxes did not increase federal revenue, as promised, but reduced it instead. In conjunction with the largest peacetime arms buildup since Vietnam, we produced a structural deficit that is the eighth wonder of the free world.

Meanwhile, we are witnessing a binge of mergers and takeovers of unprecedented size, supported by junk bonds, which is mortgaging our corporations and setting them up for a fall in the next economic downturn.

In 1986, there were 32 deals involving more than \$1 billion. Seventeen of them, involving \$41 billion, were the result of hostile bids, unwanted knights, or post-takeover divestiture to reduce debt.

That total, \$41 billion, was twice the amount of all 717 initial public offerings made in the United States in 1986.

That number, \$41 billion, was 1,300 percent higher than all of the venture capital commitments made throughout America in 1986.

In reaction to this situation, American corporations in 1986 sold \$263 billion worth of debt, double the 1985 figure and five times the 1982 total.

In 1986, \$60 billion left the equity markets as a result of mergers, leveraged buyouts, and stock buybacks, bringing the three year exit total from these deals to \$200 billion.

And the most telling fact about mergermania is that in 1986, for the first time in the history of the United States, corporate America spent more on mergers and acquisitions--\$177 billion-- than on new plant and equipment.

In other words, instead of using our capital markets to invest in new technology and management, we are churning existing assets, and accumulating debt in the process. That is not good for business and it is not good for America, and I am introducing legislation to curb greenmail and golden parachutes and put better controls on hostile takeovers.

Foreign Policy

But it is not only in our approach to economic matters that short-term concerns are pushing aside longterm goals. We also witness it in our approach to major foreign policy decisions.

The Iran-Contra fiasco occurred because our executive ignored American law, violated our principles and sacrificed our long-term foreign policy for the sake of short-term expediency.

We traded arms for hostages. As a result, American credibility has been undermined, American antiterrorism policy has been compromised, and today there are more American hostages being held in Lebanon than when the Reagan Administration began sending weapons to Khomeini.

Someone once wrote that ideals are like stars -- we cannot reach them, but we profit by their presence.

The world is a complex and difficult place. Confusion and temptation are everywhere, and steering the ship of state through the fog and maelstrom of events is not easy. American decisionmakers often find themselves facing difficult choices. But there are pole stars to navigate by -- human rights, democracy, solidarity with the principles that have always guided our nation. These principles often point out a course that is difficult

in the short run, but will prove successful in the end. Too frequently, however, the long-term principle is sacrificed for short-term expedience, and the end result is disaster.

Take the case of Iran. From one year to the next in the seventies, it was too easy to acquiesce in the Shah's human rights abuses and increasingly autocratic rule -- until it was too late, and now the Ayatollah Khomeini rules in Iran.

In Nicaragua, we gave in to short-term expediency by supporting another dictator, General Somoza, until finally the Nicaraguan people themselves threw him out. The cost to Nicaragua was fifty thousand lives. The cost to America was enduring suspicion of our motives by a generation of Nicaraguans who felt that we had supported a dictator while Cuba had supported the people. Now, the Reagan Administration is set on a similar star-crossed path with the Contras. Instead of mending our relationship with Nicaragua, President Reagan created a constant source of anger and bloodshed: a well-armed but poorly disciplined band of 15,000 homeless, jobless men. The Contras cannot defeat the Sandinista government, but they will prolong and exacerbate the crisis in Central America. Congress and the next President will now have to face the fact that the Contras are not the solution in Central America, they are the problem. And there is a lesson in the way the Contra policy has visited corruption upon our own government.

But I want to highlight an even more dangerous problem, where short-term compromise is inexorably leading to long-term catastrophe -- the proliferation of nuclear weapons to third-world dictators.

Today, Pakistan is building a nuclear explosive device. Pakistan is due to get some \$4 billion dollars in U.S. military and economic assistance, and nonetheless is building what Pakistani Prime Minister Bhutto -- not I -- called the Moslem bomb.

The world has not yet seen an Islamic nuclear bomb. But that is not because America has confronted dictators with nuclear ambitions with a strong nonproliferation policy. The Shah of Iran had a massive nuclear program, even though his country was swimming in oil. If he had lasted a little longer, the Ayatollah Khomeini might have inherited a nuclear weapon.

In the seventies, the government of Iraq pursued an aggressive nuclear weapon program. They came very close, and in 1980 it was the government of Israel, not the government of the United States, that took the decision to act. Thank God they did.

But the Islamic bomb, as Pakistani leaders have called it, is now being built in the Kahuta plant in Pakistan. Normally, American law would prohibit aid to Pakistan for this reason. But instead of standing for our real interest in nonproliferation, we have succumbed to short-term objectives. We have granted Pakistan an exemption to our nonproliferation law, a specific exception given to no other country.

The rationale was that this would slow the bomb. It has not. On the contrary, it is starting a nuclear arms race between India and Pakistan. India is much larger than Pakistan. They have a much greater nuclear capacity. But I do not think the Pakistani leaders will show restraint because of this. They are a militaristic and proud group, and they have been having an Islamic revival. It is all too likely that they will seek even greater assistance from the Islamic world for their nuclear program. Some may call that paranoia. I say, look at the facts. Saudi Arabia is already funding the Pakistani nuclear program. Libya may be as well.

And let me quote General Zia, the present ruler of Pakistan, on the issue of nuclear

technology. "It is our right to obtain the technology. And when we acquire this technology, the entire Islamic world will possess it with us."

Some say we must not anger General Zia, because he is helping the Afghan freedom fighters -- the mujahideen -- against the Soviets. But Zia's support of the Afghan jihad is not a favor to us. It is a requirement of Islamic solidarity. I shudder to think what other jihad Zia might support, with what means, when he has a nuclear bomb. I support the Afghan freedom fighters. But not at any price.

It is bad enough that our government is doing nothing to stop General Zia. But we are giving him F-16s. Now the Administration wants to give him AWACS. I say enough is enough. It's time to look after our real interests in world peace, in our long-term safety and that of our allies, not after the short-term convenience of friendly relations with military dictators. I am introducing legislation that says Pakistan cannot get American military aid while building a nuclear bomb.

GUNS v. BUTTER

The final, and possibly the most important bad choice made in the eighties, is the massive diversion of resources from our civilian economy into the military. I certainly do not want to say that we shouldn't spend what is necessary to defend our country, our allies, and our values. Nor do I think all money spent by the government is lost to our economy. The important question is how we spend money to make America strong.

A quarter of a century ago, John F. Kennedy announced that this country was going to put a man on the moon before the decade was out. He knew he wouldn't be President when that happened. But he had a vision of a direction for America -- the peaceful exploration of space -- and he started out on the project. The Apollo project didn't just get an American to the moon. It got America's economy into the space age. That project has paid unprecedented dividends to our economy for every tax dollar invested in it. It gave us the semiconductor microcomputer, new frontiers in biomedicine, and numberless advances in civilian technology.

John Kennedy also had to confront the dark side of the space age -- the danger as well as the opportunity of the modern era. In the Cuban missile crisis, he stared into the maw of nuclear annihilation. And he started down another long path -- the quest for a comprehensive nuclear test ban. That was not easy. Narrow interests and short-sighted people fought him all the way, and John Kennedy found it would be harder to stop nuclear explosions than to put a man on the moon. He said, however, that a journey of a thousand miles must begin with one step. And he began the long road of arms control with the Limited Test Ban Treaty.

How do we measure up to those visions today?

On the one hand, our civilian space program has been elbowed aside by the Pentagon. While peaceful programs traditionally got the lion's share of our space budget, now two-thirds goes to the military. On the other, Ronald Reagan and his advisors continue to spurn all serious attempts at genuine arms control, and to take action which threatens to undo those limited treaties which his predecessors so painstakingly negotiated.

What we are left with is Star Wars.

Star Wars

In a moment I will address the utter folly of Star Wars from the perspective of nuclear deterrent strategy. But it is very important not to miss the economic dimensions of this extraordinary proposal. Star Wars is an economic wrecking ball of such magnitude that it should dominate any discussion of this country's future competitiveness.

As you know, this country faces economic challenges from its trading partners which have only recently been taken seriously by our political leadership. We are waking up to the fact that our educational system, our corporate management, and our traditional rules of free trade all seem weak and insufficient to maintain American leadership in a global economy. As a way of boosting this nation's competitiveness, we are considering trade bills which will address this problem, including a title to promote open markets in telecommunications trade which was reported out of my subcommittee.

But our ability to compete in a global economy is not simply a matter of prying open foreign markets. Why are we lagging behind the Japanese in research and development? Where are America's best and brightest spending their time and resources?

The reason we are lagging behind the Japanese is that our best engineers, our best scientists, our best companies are spending a disproportionate amount of their time and talent developing new weapons systems instead of new communications systems. Instead of coming up with the next generation of the semiconductor, many of our greatest corporations are gearing up their industrial might to meet the demands of Star Wars.

You may be familiar with the statistic that Japan graduates more engineers from college and graduate schools than the United States. Even more troubling, however, is the number of American engineers and scientists which this country takes out of the private sector and puts into the defense industry. Over 40 percent of America's best engineering and technical minds are not competing with Japan or South Korea or Taiwan. They are competing with other defense contractors for the right to build the Pentagon's next goldplated weapons system.

The Pentagon controls 70 percent of all federal research and development spending, 80 percent of our electronic R&D and almost 60 percent of computer science R&D. Government-sponsored military research now swallows 50 percent of our PhDs in engineering and applied physics.

Six years ago, just one-third of the Department of Energy's \$8 billion budget went to nuclear weapons. Now, DOE's budget has swollen to \$12 billion and two-thirds of it is for nuclear weapons.

Since 1981, U.S. military expenditures have totaled over \$1 trillion, siphoning capital away from investment in new industrial technology and leaving the nation with an obsolete industrial base.

This has contributed to a decline in the output of basic industries, worsening the trade deficit. And between 1981 and 1984, a period of moderate economic expansion in the United States and worldwide, 2 million Americans lost jobs in such basic industries as steel, automobiles and machine tools.

In other words, we already know how damaging a defense spending binge can be. In the face of this evidence, the President has proposed to spend more. Star Wars is a fiscal nightmare like none we have ever faced before. The estimated cost of a fully-deployed Star Wars system ranges between \$700 billion and \$3 trillion. This is an astounding sum.

The President calls Star Wars an insurance policy for the American people. But he fails to mention that this insurance policy has a \$5 billion annual premium and a \$1 trillion deductible, all paid for by the American taxpayer. Moreover, like most insurance policies, if you read the fine print you will discover that this policy doesn't even cover you in the event of nuclear war.

There is no free lunch. Star Wars is not some beneficent comic book rainbow arching over Peoria. It is, quite literally, the largest government public works project ever pushed by any administration, Republican or Democrat.

As an industrial policy, it is a deadend. While Japan has MITI, we have the Pentagon. Military priorities, not civilian economic opportunities, will guide us for the next two decades, and the result will be disastrous. The Pentagon is not worried about marketing products, or global competitiveness, or efficiency. And we cannot afford to spend an additional trillion dollars without regard to competitiveness, marketing, or efficiency. We cannot afford to rely on our second best and our second brightest to meet our economic needs while our best and brightest are meeting Pentagon demands for kinetic kill weapons in space.

I represent Route 128 outside of Boston. It is sometimes called the "Hightech Highway." It is a greenhouse for some of the most innovative geniuses in the country, lured initially to MIT and Harvard and convinced to stay by so many likeminded inventors and entrepreneurs who call Boston "home." My district has one of the lowest unemployment rates in the country. But if you are running a computer firm in Boston, and you lose all your best people to exotic weapons work in aerospace firms, how are you going to compete with Japan? The answer is, you won't.

But even if Star Wars were not an economic wrecking ball, it would still merit designation as one of the worst policy decisions of the 80's. This is because it is a nuclear nightmare. It involves putting dozens of nuclear reactors in space, junking the ABM treaty, and threatening first strike capabilities that completely de-stabilize our current strategic balance with the Soviet Union.

If the nuclear reactor accident at Chernobyl gave the world pause, what should we think of dozens of Chernobyls in the sky?

Some of you may remember that when the whole debate over Star Wars began some four years ago, the Administration gave us three assurances.

First, they said don't worry about Star Wars because it's only a harmless little research program.

Second, they said that Star Wars would be a safe, nonnuclear program that would destroy nuclear missiles with nonnuclear defenses.

Third, they said that Star Wars was going to be the bargaining chip that forced the Soviets back to the negotiating table and got them to agree to deep arms reductions.

Well, four years have passed, and what has happened to those assurances?

The Administration now presses for early deployment of weapons in space, even though the Chairman of the Joint Chiefs of Staff says there's nothing to deploy, and the scientists say that we still won't know whether effective defenses are feasible until well into the 21st century.

The Administration is requesting hundreds of millions of dollars for nuclear weapons for Star Wars, such as the hydrogen bomb-pumped X-ray laser, and we are now finding that even the so-called "nonnuclear" lasers and battle stations will be powered by orbiting multi-megawatt nuclear reactors.

Star Wars may have brought the Soviets back to the negotiating table, but it has now become the ultimate oxymoron: a "non-negotiable bargaining chip." On the one hand, Congress is told not to cut Star Wars funding because of the negotiations; on the other hand, the negotiators are not allowed to trade Star Wars for anything.

So much for the assurances. After four years, the real agenda is exposed for all of us to see and understand.

Supporters of Star Wars don't want arms control. They don't want a treaty. They think arms control shows weakness and appeasement, and that the arms race in space will demonstrate strength and staying power.

But arms control is not a bone that we toss to the Soviets for good behavior. We don't sign arms control treaties because we are trembling before Soviet military might. We want arms control because we know that both sides have more than enough weapons to destroy one another, and we want to reduce the chances that those weapons will ever be used.

Escalating the arms race into space is not going to make Gorbachev raise a white flag. It will only make the Soviet leaders tighten their belts, dig in their heels, and try to build so many missiles and warheads that they can overwhelm our new defenses. We will, of course, respond by building more defenses and deploying more nuclear weapons. Each side's action will prompt a reaction, and the cycle will go on and on and on as both sides pile new weapons upon those which already exist.

Arms control, not Star Wars, is the best defense this country could erect against Soviet missiles. You can talk all you want about putting invisible astrodomes over the Soviet Union that keep Soviet missiles from getting out, but an arms control agreement would make the Soviets tear those same missiles apart for scrap.

There is only one way to inject common sense into a White House that still talks in terms of nonnegotiable bargaining chips. Congress must stop funding Star Wars.

That's the only way that Star Wars is ever going to become a bargaining chip, and that's the only way we are ever going to get an arms control agreement that reduces the Soviet threat to our national security.

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If we are going to leave our children a world worthy of the one our parents gave us, we must make the right choices.

We must be a nation united by a commitment to the common good, not divided by the unbridled pursuit of individual gain.

We must stand strongly by our long term values and interests, not compromise our principles for short-term payoffs.

We must channel our national resources into the civilian investments that make us a stronger country, not siphon them off into wasteful military boondoggles that weaken our security.

The nineties are ours to define. What we decide today will decide the kind of America our children will have tomorrow. We can give them a more prosperous America. We can give them a safer world. But most important of all, we can give them an example to grow up with. If we in the nineties choose the the greater good over the narrow interest, we as a nation and we as people will reap benefits not only in material goods, not only in security, but in spirit.

Thank you.

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