

ON TRADE, TAXES, AND LABOR REFORM

Address by Robert Morgan
United States Senator
Catawba Valley Hosiery Association
Hickory
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Issues of the greatest concern to North Carolina's textile industry are now under discussion in Washington, and I would like to take the time today to go over these with you. As I am sure you know, the Labor Reform bill has come to the floor of the Senate, and it may be on the back burner there for a long time. As of right now, it has made way for the Panama Canal treaty debate, which appears to be going to take a while.

The multilateral talks on trade agreements are presently under way in Geneva, and the outcome of those talks could very well mean real trouble for the textile industry.

In addition, with the substantial increases in Social Security payroll taxes we will be facing next year, there is a great deal of concern in business about President Carter's proposed offsetting tax cuts.

To begin with, let me talk about the Labor Reform Bill, and my approach to it.

I do not oppose responsible labor laws, if they are balanced and equitable. In my opinion, the proper role for government is that of a neutral and judicious arbiter.

An economic balance of power exists between labor and management, and it would be terribly bad for the economy

~~for~~ ^{if} the government ^{will} to take one side or the other. The law must always maintain this spirit of neutrality.

For this reason, I cannot support the proposed Labor Reform Bill. It would tip the balance too far toward union organizing efforts, and some of its provisions could well backfire so badly as to endanger ^{workers'} ~~existing~~ jobs.

Proponents of the bill say it is needed to speed up the work of the NLRB, and to end unreasonable stalling by industry. But the statistics simply do not justify such a sweeping change in the law. The fact of the matter is that the Labor Reform Bill is a reaction to a small number of cases -- about half a dozen -- in which there may have been excessive delay.

It is true that the NLRB has a backlog. It is also true that the backlog has been substantially reduced since 1975, and that the NLRB is handling cases much faster

than it did 20 years ago, according to Chairman Fanning.

Sponsors of the bill agree that the Senate Labor Subcommittee has been calling on the NLRB to cut down on delays for the last seven years. That is exactly what the NLRB has done. Under its informal guidelines and voluntary compliance doctrine, 82 percent of NLRB-ordered elections take place within 12 to 44 days. Only 47 elections took over 200 days, and it is undeniable that these were very complex. In all, they amounted to less than one percent of the elections.

And it should be pointed out that fully 95 percent of all unfair labor practice cases were settled within 55 days.

The bill ^{attempts} ~~attempts~~ to create reforms where no real problems exist, which leads one to suspect, as has been claimed,

that it is aimed at promoting labor activity in the South,
and to stem the movement of industry from the North.

One of the worst things about the bill is that it would
remove too much discretion from the NLRB. Take the matter
of union elections, for an example. The bill would require
an election to be held within 21 days from the filing
of a petition.

Now clearly, no petition is going to be filed until
the union is ready to go to a vote. In the case of a smaller
company, a businessman could very well be caught flat-footed.
It might well be impossible for that company to find a
labor lawyer to tell them what they can and cannot do in
an election, and under other provisions of the bill
even a technical, inadvertent mistake could be fatal.

For example, a company would be debarred from holding any federal contract for three years, for any wilfull violation of labor law. No discretion on the part of the NLRB would be allowed. This means that a company whose sole business is a contract with the Department of Defense could be literally put out of business for errors made in complying with a complicated set of statutes, and its workers *could be* put out on the street.

The bill is clearly unreasonable and unneeded. The question is, what do you do about it? What you do depends on who's got the votes, and it would appear that at this point the supporters of the bill have the votes to pass it and to defeat a filibuster in the long run. To me, this means a more flexible strategy is in order. For that reason, I

am preparing a series of amendments which would moderate the effect of the bill at almost every point. About six other Senators are joining me in the effort.

There are two good reasons for doing this. In the first place, if they are going to pass the bill anyway, it behooves us to make it as palatable as possible. I assure you it would be a lot easier to declare I am unalterably opposed to the bill in advance. Then, the pressure would be off me, the mail would be easier to answer, and I could just make a fine speech when I get beat. But I could not be as effective, and it is certain I could not get an amendment accepted on the floor of the Senate.

As for the filibuster, I have been repeatedly asked whether I will vote the way some of the industry groups want me to on each and every procedural motion. And I

have to ask, which vote? On what motion? Under what
circumstances? It would be plainly irresponsible for me
to commit myself on votes, when I don't even know what they
will be. I have long supported the tactic of the filibuster,
and I have been on both sides of them. ^{Unlimited debate is} ~~They are~~ necessary.

Even when ^{it does not} ~~they don't~~ defeat a bill outright, which is almost
always the case, ^(it forces) ~~they force~~ compromise and moderation.

I know how it works and I am reasonably capable of waging
a procedural battle. But how I vote on an individual item
is a matter of strategy, which can change from moment to
moment. The best strategy to take will have to remain
my judgement, on the floor. The people sent me to Washington
to use my best judgement, and I will. But they did not send
me up there to vote ^{anyone's} ~~the~~ party line and declare I will

do so in advance. I have seen those carrying on a filibuster do a lot of damage to their own cause, and my approach will always be to do what promises to be most effective.

The second reason I think my present approach to the Labor Reform Bill is the best is this: it appears the sponsors of the bill are a lot more worried about substantive amendments than they are about a filibuster. They may well have the votes to pass the bill. But they don't have the votes to defeat moderating amendments. So, in the last few days, Senator Williams, the floor manager, has said he may have to withdraw the bill for now, and reintroduce it later on, because there will be too many amendments. It is too early to say whether he will withdraw the bill, but if he does

take it off the floor, it could put an entirely new complexion on things.

The battle over the Labor Reform Bill therefore remains very fluid. Its progress through the Senate is very unpredictable at this time. Personally, I believe this bill should be defeated. If it turns out that this is impossible, then we must try to make it as palatable as possible.

Let me pass on to the subject of the proposal that we reduce tariffs for textile imports. As you know, this is one^{of} the possible outcomes of the present Geneva talks on the General Agreement on Tariffs and Trade, and the Tokyo Round of Multilateral Trade Negotiations later this year.

There was talk of reducing tariffs on apparel and other textile products by 40 to 60 percent. Clearly, this would be a disaster, especially on top of the six percent growth rate in imports now part of the Multifiber Arrangement. We can expect the total market to grow by somewhere between two and three percent a year, depending on whose figures you use, and that is just not enough to absorb an import growth rate of six percent.'

I have always been an advocate of free international trade, and I am acutely aware that many of our competitors in textiles are also nations which are a prime market for North Carolina agriculture products. But I must say we have bent over backwards to permit other nations access

to our markets. To cut our tariffs when we have already lost hundreds of thousands of jobs to imports is simply unwise.

I was looking at some figures developed by Burlington Industries the other day, and they paint a rather bleak picture. Even if there were to be no tariff reductions, we still can expect to lose almost 400,000 textile and apparel jobs, and tax revenues of \$34 billion, ¹⁹⁸⁵ ~~in 1985~~ just to the growth of imports.

But if you include a fifty percent tariff reduction, we could well lose 600,000 jobs and \$50 billion in revenues.

When the tariff cut was proposed, I joined with Senator Fritz Hollings of South Carolina in introducing

a "sense of Congress" resolution opposing it. We got 28 co-sponsors in the Senate, and an identical bill in the House attracted 274 co-sponsors. In this way, we were able to send a pretty strong message to the Administration.

We are still awaiting the results of our efforts. It is difficult to know exactly what the United States has proposed in Geneva, because the information is classified "secret." From press reports, if they are accurate, I would judge that we have had some success. It appears the U.S. proposal did exclude the possibility of tariff cuts on many apparel items, and included minor reductions on others. It may be, however, that our government's proposal did not adequately exclude manufactured textile goods.

The Administration has been under pressure to increase tariffs or reduce quotas for imported steel from the Far East. In return for restraint in this area, of course, our trading partners may well demand a quid pro quo, including increased textile market penetration. As long as the issue remains in the Administration's hands, it is essential that those of us who represent textile states, and those of you who guide the industry, make it clear to our negotiators that textiles have stood all they can stand to take. The jobs lost to steel imports have been a matter of frequent attention in the national media. The plight of the unemployed textile worker deserves equal attention.

I want to close by talking a little bit about taxes.

As you know, the President has proposed about \$25 billion in individual and corporate taxes. Part of the reason is that American taxpayers will have to stand dramatically increased Social Security taxes beginning in 1979.

I have never voted for one of these tax cuts, and I believe the plight of Social Security is instructive of my reasoning. We got into trouble with Social Security because we did not see to it that revenues were equal to outlays. Earlier in this decade, Social Security benefits were substantially increased, in response to runaway inflation. But Congress did not, at the same time, increase the payroll taxes to pay for it.

Experts warned, at the time, that the obvious result would be to undermine the Social Security Trust Fund, and that is exactly what happened. Now, we are facing the biggest single tax increase in peacetime history, to make up for lost time.

In my opinion, a tax cut in a time of record budget deficits can only have the same eventual result, and I am not at all convinced of the argument that additional deficit spending now will produce a bonanza of increased revenues in the future. Even if this theory of economic stimulation were true -- and I do not think it has ever been proven -- the economic forecasts accompanying the President's budget do not indicate that eventual revenues

will offset our present losses.

What we are really talking about, with regard to the tax cut, is simply writing ourselves another loan.

And I submit that what we are creating, by such means, is not prosperity, but self-defeating debt. It has long been said that government spending generates economic growth. But spending on what? Every time we add to our deficit, we increase the percentage of our tax dollar which must go for interest on the national debt.

The national debt now stands at three quarters of a trillion dollars. This year, we will pay 40 billion dollars in interest. That is eight cents out of every tax dollar, and it is also 40 billion we cannot spend on worthwhile projects. One way to look at it is this: we are talking

about having another \$60 billion deficit next year.

Two-thirds of that deficit will go for interest, leaving

a real spending deficit of only \$20 billion. No

wonder, then, that economic stimulation never quite seems

to be forthcoming.

Opposing tax cuts is not a popular thing to do. But

I remain committed to the principle of a balanced federal

budget, and I do not see its attainment as a dream. It seems

to me irresponsible and unjust to mortgage our children's

futures to pay for our own needs and our excesses. Increased

federal spending is the ultimate issue, of course, but it is

also necessary to act responsibly when it is proposed that

we decrease tax revenues. The effect on the deficit is

the same.

It was an illusion to think, in the first place, that we could raise Social Security benefits without asking the people for the additional taxes that would take. I fear we merely continue to have the same illusory vision of economic fact, when we believe we can offset those same higher benefit levels with a tax cut.

In industry, you ^{CAN} ~~may~~ carry what ^{MAY} ~~can~~ be called productive

debt. You finance new operations in the expectation that

the revenues ~~these operations generate~~ will pay the debt and

^{yield} ~~make~~ a profit. But government has no such expectations.

It makes no profit, and the sole source of revenues to

retire debt is the taxpayer's pocketbook.

I think we must remember that fact now, as we are asked to finance a tax cut with more borrowed money. Difficult as

it is to swallow this bitter pill, I think it is far better to do it now, instead of later, as the national debt rises to a trillion, or even two trillion dollars, and our interest payments begin to rival what we are now ~~spending~~^{spending} on defense.

Every time I have voted against a tax cut, I have gotten letters accusing me of begrudging the little man a break. But it has gotten so I receive an increasing number of letters from people who understand and appreciate my concern for the future. Last fall, North Carolinians voted to see the requirement for a balanced state budget written into our Constitution. In a recent poll I conducted, an overwhelming number of people said they wanted a balanced federal budget, even if this meant less spending and higher taxes. I think the people

well-being. I wholeheartedly believe we must stop it.