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Remarks prepared for delivery by
U.S. Secretary of Transportation Drew Lewis
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Last year your chairman, Fred Hartley, said: "No longer does our nation have a choice. We cannot continue down the careless path of past years."

This year our President, Ronald Reagan, said much the same thing. "We can no longer do business as usual. It is time to chart a new course."

Mr. Hartley was talking about America's energy policy; President Reagan was talking about our nation's economic policy.

Yet, in many respects, both policies have suffered in recent years from similar flaws: our failure to live within our means -- to control Federal spending or to produce energy at the rate we consume it. The cost of oil and the cost of credit have been major causes of the inflation that has assaulted our economy.

Together we are attacking those problems. Our oil imports declined 19 percent in 1980, and dropped another 20 percent in the first half of 1981. President Reagan's action in accelerating the decontrol of oil prices has provided the incentive for increased domestic exploration and the development of new energy sources. His tax program is encouraging increased capital investment. And

he recognizes that Federal land use policies must strike an acceptable compromise between our environmental and energy security goals.

On the economic front, President Reagan has set a new course because it was painfully clear that after 20 years of overspending, the time had come for a change.

A few days ago the Treasury Department closed the books on fiscal 1981, ending the year with a \$58 billion deficit -- nearly \$80 billion when you count the off-budget items. The national debt now exceeds one trillion dollars.

We have learned the hard way the price of an energy deficit. That's why it is this Administration's policy to encourage exploration, development and production by the private sector and to remove any unreasonable obstacles to those efforts.

But we will have failed your industry and the whole private enterprise system if we do not get the national economy back on track. Because we have also paid, to our distress, the price of repeated and deepening budget deficits. And that price has been steep indeed.

Interest on the Federal debt has become the third biggest item in the budget. In the first six months of this fiscal year, interest payments will cost us more than we will spend all year on the nation's space, environment, housing, energy and transportation programs combined.

We have come to this position because for years the sophisticates in this country taught that the Federal budget couldn't be cut, that inflation was a fact of life, and that the traditional values of thrift and saving were no longer possible.

President Reagan is proving those people wrong.

We are in the position we're in today because somehow or other we became unwilling to support those ideals and principles that require some sacrifice for the good of the country.

President Reagan is proving that we can go back to the principles that made our country great and our economy strong.

In the 20 years between 1946 and 1966 we had a generally low inflation rate and modest deficits. Yet in the 15 years since 1966 we have run up \$350 billion in deficits while suffering from double-digit inflation.

The problem is that we have become the victims of our own appetites. Government doesn't tax to get the money it needs; government always finds a need for the money it gets. And President Reagan is determined to change that -- to restore fiscal sanity, economic accountability and financial responsibility to the expenditure of public funds.

The Federal budget today has become the engine driving the national economy instead of the other way around. To put it another way, as the budget goes, so goes inflation, interest rates and the investment markets.

According to Fortune magazine, Wall Street blames today's long-term high interest rates on "fears about the Federal budget." Most investors are persuaded that President Reagan's policies are right; they just worry that he won't stick to them.

Let me assure you: we have a President who sticks to his word -- a President who says what he means and means what he says. Getting government spending under control is central to President Reagan's program for economic recovery, and he intends to move steadily and firmly in that direction.

Recently I was on a program with Congressman Dan Rostenkowski, Democratic chairman of the House Ways and Means Committee. In his remarks Dan said "it's refreshing for a change to have a man in the White House who does in office what he said he was going to do when running for that office."

But the President can fulfill his promises only if we all work together to put an end to big deficits -- to reduce government borrowing.

What concerns, and to a large extent influences, the money markets is that Federal deficits must be financed -- and funds spent on Treasury securities are not going to go into financing capital expansion in the private economy.

This is a real concern. In 1981 the Federal government will absorb 50 percent -- a full half -- of the capital credit market in this country. That means Uncle Sam is lined up at the credit window along with everybody else in the United States in search of capital -- states and municipalities, corporations, builders, people looking for mortgages, and new car buyers. And, make no mistake about it, the Federal government is a "powerful competitor" for the credit funds available.

This is the kind of problem President Reagan came to office to change, not for the sake of change, but for the good of our economy and our country. We have, for the first time in recent memory, a President who is not looking to the next election. He is willing to put it all on the line for what he believes in and for what the American people elected him to do. As a result, we have seen more changes in Washington in a very few months than at any time since the early days of the New Deal.

I want to assure you that the President is not alone in this commitment. The Cabinet system of government is alive and well in Washington. When President Reagan asked for additional budget cuts -- 12 percent across the board -- he said he realized that making the cuts would be difficult but that he considered further budget economies essential. He had the unanimous support of the Cabinet then and he has it today.

"The answer to a government that's too big," President Reagan has said, "is to stop feeding its growth."

So the growth in spending, under this Administration, has been cut in half.

The way to encourage economic growth and development, the President believes, is to provide American business the incentives they need to invest and expand.

That's happening. The Commerce Department estimates that U.S. industries will spend over \$320 billion on expansion and improvement this year. Your own industry reports capital expenditures of more than \$10 billion for domestic exploration and production the first half of this year, up 60 percent over the same period last year.

The President also believes that the burden of government regulation has been too heavy and the price too high. The cutback in regulations already achieved represents savings to the industries involved of \$4 to \$6 billion in initial costs and more than \$500 million in annual costs.

These reforms comprise the essence of the President's program -- a program already in motion; a program that must be given a chance to work. But it is, of course, a two-way street, requiring the active support of American business and industry. The President has unleashed American business so that it can again do what it does so well -- provide jobs, generate new ideas that produce products and stimulate the economy, and compete in research and development. We must not fail the American people. American industry, I am confident, will not fail us.

- * We must return to the tradition of living within our means.

- * We can no longer spend the buck, or pass the buck, as though there were no tomorrow.

- * We can no longer take the easy way, paying for today's excesses at the expense of future generations.

- * We can no longer put our special interests ahead of the national interest. In our list of priorities, economic recovery is far ahead of whatever is in second place.

The handwriting is on the wall. It is for us to heed its message, not criticize the penmanship. We may not be in perfect agreement on the best means to our goal, but we must agree on the objective President Reagan is seeking. We must restore, renew and revitalize the American economy.

Just a few years ago the outlook for the domestic oil industry was gloomy. Exploration was declining, production was down and proved reserves were dropping. Yet the changes today in your industry are startling:

- Seismic activity up 33 percent
 - Drilling up 34 percent
 - Wells drilled up 22 percent
 - Production up 0.5 percent
 - And the decline in reserves halted.

These gains are the result of market forces, not government edicts, at work. We have learned that bureaucracy cannot increase oil production one drop. But you

have demonstrated in your industry what incentive and determination can do to stimulate new effort and produce results. The task is not easy or cheap. I understand that the first 500 exploratory wells drilled in the Overthrust Belt were dry holes. Yet today that is one of our most productive and promising oil fields.

We must hang tough and fight hard in our efforts to reclaim the great promise that is still ours in America. We may strike a few "dry holes" along the way -- and we may have to make some corrections -- but there can be no mistaking our objective and no deviation from our purpose.

A little over a century ago someone suggested that the patent office be closed, because "there was nothing left to be invented."

That's just about the time that a man named Drake drilled a hole just outside of Titusville, Pennsylvania, and discovered oil.

We are not ready today to padlock the patent office, to close the door on energy exploration and development, or give up on America's future.

To the contrary, we are on the threshold of the greatest era in our nation's history. President Reagan believes in the future of our country. He believes in the American dream --not only for what it represents and for what it has produced, but for what we can yet achieve. He believes that, together, we can turn this new beginning into a new prosperity for our nation and its people. I hope that you, too, share this belief and have this conference.

As the President said to the Cabinet, and later to the nation, I say to you now:

"If not us, who?"

"If not now, when?"

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