

Chronological: Laffer Associates 48th Washington Conference

Senator Daniel K. Inouye Papers
Speeches, Chronological, Box SP14, Folder 91
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MEMORANDUM

TO: Senator
FROM: Marie
DATE: April 21, 2008
RE: Remarks before Laffer Associates 48th Washington Conference

You agreed to address a group of investment management professionals on Thursday, April 24, in Senate Russell 188. Attached for your review and approval are draft remarks for the event. The group is in Washington, D.C., attending the 48th Washington Conference of Laffer Associates. I understand Members have approximately 20 minutes to a half an hour to speak. Also, depending on your preference, there may or may not be a Q&A period after your remarks.

*Per Marie -
DKI did not use
speech
8-19-08*

Remarks by Senator Daniel K. Inouye
Laffer Associates 48th Washington Conference
April 24, 2008

OK - Inouye
Print

Thank you for your invitation to come and spend some time with you to share some of my thoughts regarding the legislative agenda of the United States Senate.

I have been in the United States Congress for 49 years, 46 of them in the United States Senate, and 3 in the United States House of Representatives. During this period, I have served with numerous Presidents beginning with our 33rd President, Dwight D. Eisenhower, to our current 42nd President, George W. Bush. I am privileged to have known and served with many distinguished leaders both in the House and Senate and from different party affiliations – House Speakers Sam Rayburn and John W. McCormack; Majority Leaders Mike Mansfield; Robert C. Byrd; Howard Baker; George Mitchell; Bob Dole; Trent Lott; Tom Daschle; Bill Frist; and Harry Reid.

I have been blessed and favored by working on many enticing Committee assignments such as being a Member of the Watergate Committee; Chairman of the Iran-Contra Committee; First Chairman of the Select Committee on Intelligence; currently Chairman of the Commerce, Science, and Transportation; and Chairman of the Appropriations Subcommittee on Defense. In other words, I have seen and witnessed much in the U.S. Congress.

However, I believe that what is happening today, what is expected to happen in the very near future, and how we, in the Congress, respond to such occurrences will potentially have a major impact on the next 50 years to come, perhaps more so than any one thing that has happened in the past.

For example, we have never had presidential candidates who have spent \$30 million a month. As of February 29, 2008, the two Democratic candidates have spent a combined total of \$295,418,646. Some of my colleagues believe that this rate of presidential campaign expenditures is unsustainable. I have no idea but this is just a prelude to what the general election will be costing.

We have the Middle East conflicts, and the on-going wars in Afghanistan and Iraq. The war in Iraq is an unpopular war, and is a major problem with the people of United States. We have been in Iraq for over five years and have seen more than 4,000 brave American men and women in uniform die, and thousands of others seriously injured. At this moment, it would appear that the next President of the United States will be a Democrat. Both Democratic candidates support a troop withdrawal from Iraq. The question is how long and when. I believe it would be difficult to tell the American people what they would like to know and hear. Do we announce to the world that on May 1st, a troop withdrawal is imminent even if the host country is not prepared for a withdrawal?

While I recognize the dangers of a precipitous withdrawal, continuing on our current path will force the men and women of our armed services to weather near daily attacks with no discernible end in sight, which is why, as Chairman of the

Defense Appropriations Subcommittee, I have asked the Administration to construct a clear and cohesive strategy that allows us to leave the battlefield with honor.

The fiscal condition of our country is in a state of deterioration. In 2001, we enjoyed a surplus, yet under this current Administration, we now have had five of the biggest deficits in our history. The Congressional Budget Office estimates that our current deficit for Fiscal Year 2008 is at \$396 billion. Private forecasters project even a much higher deficit of about \$500 billion.

As a result of our deficits, our federal debt has grown significantly from \$5.8 trillion at the end of 2001 to \$9 trillion at the end of last year. By the end of 2009, it has been projected that our federal debt will have risen to over \$10 trillion. To help finance our debt, we have borrowed from other nations – nearly \$600 billion from Japan; nearly \$500 billion from China; over \$150 billion from the United Kingdom; and over \$130 billion to the oil exporters, to name a few.

Economic indicators suggest that economic growth is slowing, and that we are either headed for or are already in a recession. As a result of our sluggish economy, the Congress responded by enacting a stimulus package that provides, among other things, tax rebates to individuals. There are some in Congress who do not think that the first stimulus package is sufficient enough to address our sluggish economy and there are now discussions to enact a second stimulus bill.

Just a few years ago, when the housing bubble in the United States grew, and the economy with it, no one would have predicted the extent to which the subprime

mortgage market would collapse and have such far reaching effects on the world's economy. The excess of housing has brought new construction to a standstill, driving up unemployment and dimming the prospects for our hardworking citizens to earn a decent living, owning a home, and sending their children to college. Who are the culprits? It's hard to say. Some say that a large part of the responsibility fails on predatory lending and insufficiently informed buyers. Some say that this retrenchment is without bad actors, but rather, it's simply the market following a basic law of gravity: What goes up must come down, and fate is dealt out as it was meant to be dealt out in the process of the market correcting itself.

My colleagues in the Senate and I have deliberated on this immense issue, and on April 10, 2008, we passed a package called the Foreclosure Prevention Act, designed to help businesses and homeowners weather the housing crisis. But I still ask myself, does this bill live up to its name? Does it do enough in helping borrowers at risk of losing the homes that they are currently living in, or does this bill simply help people with cash on hand to buy foreclosed properties? And more importantly, what can we do prevent such a thing from happening again?

Everyone is aware that we are now paying well over \$100 a barrel for crude oil, which is affecting what we pay for everything else. For example, gas prices in some states, such as Hawaii, are now over \$4.00 per gallon; jet fuel is up and is impacting, among other things, commercial aviation and the commercial movement of goods and services.

Two weeks ago today, as Chairman of the Committee on Commerce, Science, and Transportation, I held a hearing on the challenges facing Hawaii's air service market. The aviation industry, and, in particular, Hawaii's air carriers, are facing substantial financial challenges. Hawaii's own Aloha Airlines, which had been an important institution in Hawaii for more than 60 years, recently declared bankruptcy and ended its commercial passenger service. The rising oil prices and ruthless competition in Hawaii's air service market took its toll on Aloha.

In my Committee, we have been working to ensure that the modernization of the nation's air traffic control system results in efficiencies that will increase its safety and effectiveness to benefit both the industry and the citizens who depend upon that system. However, this is clearly a long term solution to some of the problems that impact not only Hawaii's, but also the nation's air carriers.

In the near term, the Congress must determine what we can do at the federal level to help the airline industry make it through what has become an increasingly difficult period. Unfortunately, some solutions that have been put forward may provide only temporary relief, as our weakening national economy and high fuel prices threaten to overwhelm any federal initiatives.

Adding to all of this, we find ourselves with a new term in our legislative vocabulary – "earmarks." Any funding initiative or program that is left out of the Administration's budget request is considered an earmark. Some of my colleagues in the Senate have proposed an earmark moratorium for Fiscal Year 2009. On March 13, 2008, I was among the seventy-one Senators who voted against the

earmark moratorium. There are some in the Congress who also feel that decisions of whether or not to approve or disapprove new programs or projects should be within the purview of the Administration.

I am not of that school. Budgeting has always been a duty of the legislative branch of the government, and as a United States Senator, this is a responsibility that I take with great seriousness. The separation of powers of the three branches of government was specifically crafted to create a system of checks and balances, and thus, the Congress has the responsibility to carefully scrutinize, and not be a rubberstamp for the Administration, regardless of what party is in the White House.

Programs vital to the State of Hawaii, such as the Native Hawaiian Health and Education, crystal meth prevention, and protection from invasive species are frequently funded through earmark requests. I strongly believe that it is my duty as a Senator, to not only ensure that the fiscal needs of the Nation are met, but that the unique needs of our State are met as well. Therefore, during my career in the United States Senate, I have made it a point to support programs and legislation that are important to the well-being of Hawaii.

I am aware that some people maintain negative association with earmarks, but I have always believed that Hawaii is a very unique state, with special needs. Without earmarks, many of Hawaii's crucial programs would go unfunded. I feel that it is my responsibility to represent the interests of the people of Hawaii in

Congress, and to my best abilities, ensure that those needs are addressed to that the residents of Hawaii may enjoy a better life.

I don't mean to sound like doom and gloom but we are in interesting yet troubled times. What I have cited here are just some of the issues that we in Congress have to contend with. As I stated earlier, how we respond to these happenings, will have a major impact on the next 50 years to come. I do not have the answers but maybe you do. What is the role of our government, and how should we work together with the various industries to formulate better solutions? The responsibility of good governance is one that rests on all our shoulders.

LAFFER ASSOCIATES

SR-188

February 15, 2008

The Honorable Daniel Inouye
United States Senate
SH-722 Hart Senate Office Building
Washington, DC 20510-1102

Dear Senator Inouye,

Laffer Associates will be hosting our 48th Washington Conference on Thursday, April 24th, and Friday, April 25th, 2008. For more than 25 years we have held our conference in Washington, D.C. for the sole purpose of providing members of the financial community unparalleled access to the nation's premier lawmakers and administrators. We would be honored if you would spend some time with us to share your thoughts and ideas about current projects and legislative agendas on one of the two days of the conference.

The attendees are top professionals at the most prestigious and influential investment management firms around the world. They know full well how critical the political process is and the impact it can have on asset valuations. As such, your insight would not only be met with enthusiasm by our politically astute clientele, it would be of serious value to their investment outlook.

We would be delighted if you could meet with us for about 30 minutes during this conference at the Senate Dirksen Building on April 24th or at the Mandarin Oriental Hotel on April 25th. Please contact Ford Scudder at (615) 320-3989 or by e-mail at fscudder@laffer.com for further information.

We look forward to your acceptance.

615-974-5115 cell

Warmest Personal Regards,

OK



Arthur B. Laffer

FYI - DKI is scheduled
to address this group
on April 24th at 3pm.
Location will be in
a Senate office Bldg.
Not sure if he needs a
speech prepared.
-Jessiza

Dear Jessica,

We really appreciate the Senator's offer to speak with our group. Our Washington Conference generally has about 60 attendees, most of whom are investment management professionals. We have Senators, Congressmen and other officials come speak for about half an hour on any topic of their choosing. It typically ends up being 20 minutes talking to our group followed by 10 minutes of Q&A, but it could be all Q&A or no Q&A just depending upon what the Senator would like to do.

Please let me know if you have any questions. Otherwise, I'll continue to be in touch as we finalize our room assignment, but we look forward to seeing the Senator at 3 pm on April 24th.

Best,

Ford Scudder
Laffer Associates

2909 Poston Avenue, Second Floor
Nashville • Tennessee • 37203
Phone (615) 320-3989 • Fax (615) 320-3806

ABOUT LAFFER ASSOCIATES

Laffer Associates is the culmination of a lifetime's worth of rigorous institutional and academic economic research by the firm's founder and chairman, Dr. Arthur B. Laffer. For more than 35 years, Dr. Laffer has dedicated his distinguished career in economics to developing original works and proprietary models that analyze and forecast how economics affects capital markets and asset values.

Not only is the firm built on Dr. Laffer's time-tested disciplines, but Laffer Associates has inherited the methodical precision by which his expertise was cultivated. ***By fusing the power of Dr. Laffer's time proven processes and procedures with the energy of our experienced team of management professionals, Laffer Associates ensures clients the highest caliber of one-of-a-kind insightful research.***

OUR PHILOSOPHY

The firm's philosophy is rooted in the belief that political events are the epicenters of global as well as local change, reverberating through every layer of the economy. While the magnitude of change in each layer is dictated by its relation to the macro event, the shock impacts the valuation of every asset class as it moves from the upper strata of asset classes to economic sectors, to industry groupings, all the way down to the individual companies and securities that make up the world's investable assets. ***All of our research analysis follows this global top-down process of cause and effect, from the epicenter of change to the ends of the asset universe.***

Through the application of decades of economic research on business, public and academic levels, the firm is able to provide proprietary analysis, investment models, and a unique supply-side perspective of the macroeconomic workings of the world. Using time-tested quantitative techniques combined with decades of cumulative qualitative experience, we are able to offer unique insights into the world of economics and finance.

OUR PROCESS

We initiate our research processes by evaluating the four areas of macroeconomics: fiscal policy, monetary policy, trade policy and incomes policy. We then evaluate each sub-layer of the economy for the impact of changes in these government/macro economic policies. A significant portion of our economic focus is driven by legislative/fiscal developments from around the world and their specific impacts on asset valuations. The long standing involvement of our staff with legislative and political

Remarks by Senator Daniel K. Inouye

Laffer Associates

48th Washington Conference

April 24, 2008

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5-5-08

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● **During this period, I have served with numerous Presidents beginning with our 33rd President, Dwight D. Eisenhower, to our current 42nd President, George W. Bush.**

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● **House and Senate and from different party affiliations – House Speakers Sam Rayburn and John W. McCormack;**

- **Majority Leaders Mike Mansfield; Robert C. Byrd; Howard Baker; George Mitchell; Bob Dole; Trent Lott; Tom Daschle; Bill Frist; and Harry Reid.**

I have been blessed and favored by working on many enticing Committee assignments such as being a Member of the Watergate Committee;

- **Chairman of the Iran-Contra Committee;
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● **However, I believe that what is happening today, what is expected to happen in the very near future, and how we, in the Congress, respond to such occurrences will potentially have a major impact on the next 50 years to come, perhaps more so than any one thing that has happened in the past.**

● **For example, we have never had presidential candidates who have spent \$30 million a month. As of February 29, 2008, the two Democratic candidates have spent a combined total of \$295,418,646. Some of my colleagues believe that this rate of**

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● **At this moment, it would appear that the next President of the United States will be a Democrat. Both Democratic candidates support a troop withdrawal from Iraq. The question is how long and when. I believe it would be difficult to tell the American people what they would like to know and hear. Do we announce to the world that on May 1st, a troop withdrawal is imminent even if the host country is not prepared for a withdrawal?**

● **While I recognize the dangers of a precipitous withdrawal, continuing on our current path will force the men and women of our armed services to weather near daily attacks with no discernible end in sight, which is why, as Chairman of the Defense**

● **Appropriations Subcommittee, I have asked the Administration to construct a clear and cohesive strategy that allows us to leave the battlefield with honor.**

● **The fiscal condition of our country is in a state of deterioration. In 2001, we enjoyed a surplus, yet under this current Administration, we now have had five of the biggest deficits in our history. The Congressional Budget Office estimates that**

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● **As a result of our deficits, our federal debt has grown significantly from \$5.8 trillion at the end of 2001 to \$9 trillion at the end of last year. By the end of 2009, it has been projected that our federal debt will have risen to over \$10 trillion.**

- **To help finance our debt, we have borrowed from other nations – nearly \$600 billion from Japan; nearly \$500 billion from China; over \$150 billion from the United Kingdom; and over \$130 billion to the oil exporters, to name a few.**

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