

United States Senate

WASHINGTON, D.C. 20510

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June 3, 1992

Mr. John E. Flynn
Deputy City Clerk
City Hall
Cambridge, Massachusetts 02139

Dear Mr. Flynn:

Thank you for writing to me concerning S. 2075, the Industrial Diversification and Economic Adjustment Act of 1991. This bill addresses the broad issue of reduced defense spending, and the resulting impact on our economy.

The collapse of the Warsaw Pact, the democratization of Eastern Europe and the break-up of the Soviet Union have substantially reduced the threat to our national security. We now have an unprecedented opportunity to substantially decrease our level of spending on military capabilities. Such reductions, however, will create dislocations in those segments of the economy that rely on defense spending. We need to recognize and address the impact of lower defense spending in any post-Cold War defense build-down.

In 1990, Senator Pell and I requested that the Office of Technology Assessment conduct a study on the impact of lower defense spending. That study was released in February of this year. As it makes clear, the challenge of moving to a post-Cold War economy is complex. Reductions in military spending commensurate with the end of the Cold War are manageable, however, if we develop a comprehensive program to rechannel our human and material resources toward economic growth in the civilian sector.

In 1990, at the time Senator Pell and I requested the study, we also sponsored the Defense Economic Conversion Act as part of that year's defense bill. That law provided \$200 million as a down-payment for the kind of programs we felt were needed. \$150 million went to the Labor Department to help displaced defense workers obtain retraining, job placement, and relocation assistance. \$50 million went to the Economic Development Administration (EDA) at the Department of Commerce, for community planning and adjustment grants.

Although the funds were appropriated in 1990, it was not until a year later that the Bush Administration released them to the Labor Department. And it was not until early 1992 that the Administration finally released the first EDA grant. Even today,

however, the Administrations support remains uncertain. In his recent budget submission to Congress, the President again proposed eliminating EDA altogether.

In addition, I am currently serving as a member of a Senate Democratic Task Force on Economic Conversion, charged with making contemporary recommendations on the issues. On May 21, the Task Force released its report. Our key proposals include:

-Aid for defense workers: Increase rapid response, for displaced workers, including job placement and retraining. Increased funding should be provided for Department of Labor programs to meet the special needs of displaced defense workers.

-Aid for communities affected by defense cuts: Increased assistance should be made available for community planning grants and community development initiatives. Tax incentives should be given to encourage private investment. Additional assistance should also be made available to school districts affected by base closings and for environmental restoration of bases.

-Aid for defense businesses: Promote economic activity through tax incentives and loans. Specialized programs will assist defense firms in the transition to civilian production and help them to revise their manufacturing processes and retrain their employees for commercial products.

-Aid the creation of new technologies: Invest in regional and state cooperative programs, particularly initiatives which foster industry partnerships in critical or dual-use technologies. Measures should be taken to assist in the development of export markets, and tax credits should be provided for research and development.

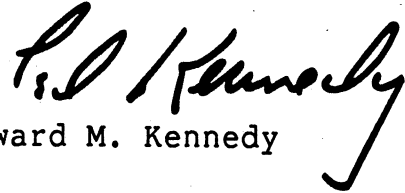
The Democratic plan addresses critical needs in Massachusetts. It calls for additional school aid to communities such as Fort Devens, affected by base closings. It emphasizes the role of federal laboratories such as Lincoln and Mitre. It provides aid to state programs that assist manufacturing firms, such as the Industrial Services Program. And it emphasizes the need to invest in research and development and critical new technologies -- areas where Massachusetts excels.

The most realistic way to pay for the initiatives essential to this task is through reductions in defense spending substantially larger than the Administration has so far been willing to accept. As a member of the Senate Armed Services Committee and Chairman of the Senate Labor and Human Resources Committee, I intend to do all I can to ensure that this plan receives the funding it deserves. It is a significant milestone

in our thinking about Americas role in the new world order and our ability to compete effectively in that world.

Again, thank you for writing to me on this crucial matter.

Sincerely,

A handwritten signature in black ink, appearing to read "E. M. Kennedy". The signature is fluid and cursive, with a large, sweeping "K" at the end.

Edward M. Kennedy

EMK/jps

Consent Comm. # 10

S-503

Comm. from Senator Edward M. Kennedy
in response to a resolution adopted
by the City Council regarding S. 2075 the
Industrial Diversification and Economic
Adjustment Act of 1991.

In City Council,

June 15, 1992

Placed on file