NEWS from
U.S. Senator
Bob Dole
(R.—Kans.)

New Senate Office Building, Washington, D.C. 20510 (202) 224-6521

FOR RELEASE 5:00 P.M. E.S.T.
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DOLE CALLS FOR TAX CUT AND FEDERAL EMPLOYMENT INCENTIVES

LOUISVILLE, KENTUCKY -- Senator Bob Dole today called for a "sizeable tax cut for every taxpayer in America" and a new employment tax incentive to lower the unemployment rate.

In an economic speech at the Recreational Vehicle Industry Convention in Louisville, Dole said he favored "President Ford's idea of increasing the personal exemption from $750 to $1000 -- a plan which would decrease federal tax liabilities by over $200 a year for a median income American family."

Dole also called for enactment of "innovative new government programs" to reduce unemployment, which he called "a terrible burden on the families of those who are unable to find work." He proposed a plan which would provide a tax credit to employers who accelerate their employment plans.

"In essence," Dole said, "the federal government would pay a part of the wages of extra employees. By so doing, the government can directly cause more jobs to be created more quickly in the private sector, and it can do so by paying only a fraction of the wages associated with a meaningful and productive job."

Dole, a member of the Senate Finance and Budget Committees, said that the private sector jobs created by the tax credit device would cost more than a billion dollars in the short run, but less in the longer run, and considerably less than massive federal public works jobs programs.

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NEWS from
U.S. Senator Bob Dole
(R.–Kans.) New Senate Office Building, Washington, D.C. 20510 (202) 224-652

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REMARKS BY
SENATOR BOB DOLE
RECREATIONAL VEHICLE INDUSTRY ASSOCIATION CONVENTION
LOUISVILLE, KENTUCKY

I would like to share with you some of my thoughts on an issue of vital interest to American business -- The economy: What shape is it in? Where is it headed? And what policies will be pursued by the new Administration and the Congress in the months and years ahead?

Sluggish Economy

Frankly, the economy is not growing as fast as we would like. Although recovery had been proceeding at a brisk pace in the early months of 1976, it has slowed significantly in recent months. This sluggish trend is attributable to several factors -- diminished government spending which has not been offset by other spending factors, a somewhat disappointing rate of growth in business purchases of plant and equipment, and an equilibrium between business inventories and sales.

The relative sluggishness of the economy's forward pace since last spring is also reflected in the recent data for real personal income: increases in personal income have diminished. Farm income declined in September. And despite the extension of the 1975 tax reductions, rising tax liabilities have retarded personal income growth.

Adding to the bad economic news is diminished balance of trade strength. Our net export position has decreased from adding about $20 billion to GNP in 1975 down to adding only about $7 billion in the third quarter of this year. At the same time, our spending for imports over the past year increased by 19%, while our exports increased only 7%.

Underlying Economic Strength

That's the bad news. But all is not gloomy. As a matter of fact, the underlying strength of the American economy has not deteriorated. And recently a few bright economic statistics have emerged.

New manufacturing orders, which had declined for three months, increased substantially in October. Hopefully, this signals the start of a new trend of increased industrial production -- a factor which had been lagging for two consecutive months.

Corporate profits rose $4 billion in the third quarter of 1976 and show every sign of topping last year by well over 25%. Even more important, the recently announced cut in the prime interest rate and reduction in the discount rate at the Federal Reserve suggest relative stability in interest rates in the months ahead. And perhaps most important of all, the ever-present menace of inflation continues to look less menacing. Over the past year inflation, which hit the double digit range last year, has run at about 5-6%. The October Consumer Price Index was running at an annual rate of slightly over 3½%.

The Economic Future

What do all these upturns, downturns, diminished rates of this and that mean for your industry and the American consumer? Well, I'm not an economist and don't pretend to have the definitive answers. But I can make an educated guess as to the types of economic policies which will be floated by the incoming Administration and the Congress in the months ahead.

More Stimulus Needed

Barring signs of substantial economic improvement in the last three months of the year, I think that the sluggishness in the economy will justify more stimulative monetary and fiscal policies next year. In the absence of additional stimulus, most economists seem to think that the economy will grow at about a 5% rate in 1977. But in order to edge the economic growth rate nearer 6% -- more acceptable in a period of economic recovery -- and, at the same time, make meaningful progress in reducing unemployment, more stimulative federal policies will probably be required. I have a couple of ideas which, I think, might help.

Tax Cuts

First, I favor a sizeable tax cut for every taxpayer in America. Specifically, I like President Ford's idea of increasing the personal exemption from $750 to $1000 -- a plan which would decrease federal tax liabilities by over $200 a year for a median income American family. I sponsored this reform earlier this year -- without success -- and President Ford fully intends to send it to the Congress again in January prior to Governor Carter's inauguration. And I, as a member of the tax-writing Senate Finance Committee, intend to push strongly for its enactment.

It may well be that by January or February, some additional economic stimulus -- in the form of a somewhat higher tax cut -- may be advisable. The pace of economic recovery over the next two or three months should give us an indication as to the precise stimulus called for.

Inflationary Menace

I should add one cautionary note. While there is a strong chance for a tax cut early next year to stimulate the economy and a reasonable possibility that federal outlays will speed up also, we must not forget inflation. Because we will not have that 6% economic growth next year if inflation skyrockets once again. I am told by economists that if inflation increases to above 6%, consumer confidence -- which has recently been on the rise -- dips. And consumer spending falters also. And that affects economic growth.

So we must be mindful of inflation. And while a speed-up in government outlays will have a beneficial effect on economic growth, we must not embark on a wave of costly new federal spending commitments in a frenzied attempt to lower the unemployment rate. I strongly believe that enactment of vast new government make-work jobs programs -- costing billions of dollars each year -- would, in the end, lead to increased inflation and more unemployment.

Unemployment

But that doesn't mean we should sit idly by while 7½ million Americans are jobless. We need innovative new government programs to encourage employment -- permanent, meaningful, and rewarding employment -- in the private sector.

For nearly two years now, the Congress and the Administration have attempted to find a solution to the critical unemployment problem which confronts our nation. We are all aware of the terrible burden unemployment imposes on the families of those who are unable to find work, and the huge sacrifice of lost production and declines in real living standards imposed on society as a whole by mass joblessness. But the fact is that general tax reductions -- while effective as general stimulants -- will not, in themselves, reduce the unemployment rate substantially over the next year. I think we need an additional direct employment incentive.

Employment Tax Credit

To this end, I propose a plan which would provide a tax credit to employers who accelerate their employment plans. In essence, the federal government would pay a part of the wages of extra employees. By so doing, the government can directly cause more jobs to be created more quickly in the private sector, and it can do so by paying only a fraction of the wages associated with a meaningful and productive job. I believe such a tax credit should be temporary with the amount of the credit decreasing each year as the national rate of unemployment declines.

Unlike temporary make-work federal jobs, the jobs created by this tax credit mechanism would not be temporary. As the pace of economic recovery quickens, the demand for goods will increase and the sales and revenue of firms will be sufficient for the firms to bear the full market wages.

To my liberal friends, I would hasten to add that this is not an attempt to create jobs indirectly through "trickle down" effects on businesses and the economy. The tax credit would be allowed, the tax expenditure made, only if a firm actually hires more workers.

Cost of Reducing Unemployment

Let me be clear on one point: There is no free lunch here. This tax credit proposal would cost the federal government more than a billion dollars in the short run, but less in the longer run, and considerably less than massive federal public works jobs programs.

I am confident that this tax credit, coupled with a general tax reduction, would provide the extra stimulus our economy will need to reduce unemployment and achieve a 6% rate of economic growth.

Economic Optimism

Because I believe the economy is on essentially sound footing and because it appears that there is an emerging consensus on short-term economic policy, I am optimistic about economic prospects for the coming year. And I think your industry should be particularly optimistic.

Undoubtedly, the amount of leisure time available to American families will be increasing. The old threat of oil embargoes -- which can spell disaster for the recreational vehicle industry -- is largely gone, due in no small part to our even-handed peace-keeping efforts in the Middle East. To be sure, we can probably expect an increase in the cost of imported fuels. It will be an unjustified increase, and we won't like it. But, until this nation embarks on a comprehensive national energy policy, we're going to have to learn to live with it.

I am told that your industry has made substantial sales gains since the oil embargo and recession of 1973 and 1974. And, even with steel price increases, prospects are for continuing sales gains in the years ahead.

Family Togetherness

I think this is a healthy trend. I say this not because I am addressing a group of people whose economic well-being depends on sales of recreational vehicles. Frankly, I like your industry because of the family togetherness it encourages. The five million-odd recreational vehicles now owned by consumers provide enjoyment to nearly twenty million family members every year. And, to the extent the projected 50% increase in RV ownership over the next four years contributes to this family togetherness, it is altogether desirable that your industry succeed.

With proper government spending restraint and innovative new policies to strengthen the economy and increase employment, I am confident that the future for your industry, and for the American economy generally, will be bright.

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