



NEWS from U.S. Senator Bob Dole

(R.—Kans.)

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CONGRESS MUST MOVE TO CREATE BUSINESS INCENTIVES, DOLE SAYS

HARRISBURG, Pa. -- Sen. Bob Dole (R-Kan.) said today that Congress must move now to reverse longstanding government over-regulation and create a favorable economic climate in which the American business community can flourish.

"For over 40 years," Dole said, "the thrust of American economic policy under administrations of both political parties has been towards more government regulation, tax laws that produce higher revenues each year for government, economic policies that discourage investment and job creation, and excessive reliance on the public sector to prime the American economic pump."

Dole cited recent government figures indicating that part of the recent decline in productivity is due to increased regulations, and that productivity lost because of these regulations costs industry \$2 billion a year.

But Dole said he was encouraged by recent trends in and outside of the Senate that urge businesses and individuals to invest their resources, rather than pay higher taxes.

"Nothing so vividly demonstrates the renewed support for pro-investment economic policies as the capital gains tax reduction legislation now working its way through Congress," he said. "Just yesterday, the Senate Finance Committee voted to slash the maximum capital gains tax rate by an even greater amount than that already approved by the House. If it becomes law, American homeowners and investors will save over \$4 billion in capital gains taxes."

Dole said that Congress also has an obligation to individual taxpayers to put an end to inflation-induced tax increases, which provide no incentive for government to hold the line on spending.

"That's why I've proposed tax 'indexing,' a system that adjusts tax rates and brackets to compensate for inflation. As it is now, if a man's salary goes up to accommodate for inflation, he usually ends up paying more taxes than he was before the increase. Under my proposal, increased income due to inflation would not be taxed. If the government needed more money, Congress would have to enact a tax increase, not permit inflation to do the dirty work."

Dole added that he preferred using the tax system to encourage capital expenditures and control inflation, than resorting to wage and price controls.



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REMARKS OF SENATOR BOB DOLE

PENNSYLVANIA ASSOCIATED BUILDERS AND CONTRACTORS

Harrisburg, Pennsylvania

September 26, 1978

I'm delighted to be in Harrisburg this evening at the annual convention of the Associated Builders and Contractors of Pennsylvania.

Today, when the pressures on American business, both by weight of regulation and burden of taxes are most intense, I appreciate the opportunity to speak to such a distinguished group about the challenges confronting American business, the federal, state, and local policies which will shape our economic destiny, and the ever-so-slight reaffirmation of faith in free enterprise economics which seems to be emerging in our land.

All of us--labor leaders and business persons, Republicans and Democrats, conservatives and liberal--are searching for the proper mix of public and private plans of action which will usher in an era of economic prosperity for our people. We share common hopes and dreams--for restrained inflation, for high employment, for the elimination of poverty, for ever-increasing productivity, and for labor/management harmony.

NEED FOR REVERSAL OF TREND

But we don't always agree on the proper means to achieve these ends. For over forty years, the thrust of American economic policy under administrations of both political parties has been towards more government regulation, tax laws which produce higher revenues each year for government, economic principles which discourage investment and job creation, and excessive reliance on the public sector to prime the American economic pump.

I, for one, think the time has come to reverse this trend, to initiate fiscal and monetary policies which enable the private economy to function at its best--to provide the jobs, to reward high productivity, and to increase the standard of living for all Americans.

PRIVATE INVESTMENT

Today, there's a growing recognition in Washington--and around the nation--that private investment is the key to continued economic recovery, that scaled-down federal regulation can protect the American people from business abuse without thwarting business development, that restrained government spending and increased reliance on the market forces which built this great nation is the key to prosperity for all the people of this land--the underprivileged, the middle class, the well-to-do.

In this regard, I ally myself with the great Conservative statesman, Sir Winston Churchill, whose exchange with a Socialist member of Parliament characterizes my attitude about government and business. The Labourite member was extolling the benefits of Socialism: "Under Socialism", he said, "we have built more housing units. We have provided more milk to British babies. Indeed," he continued, "we have witnessed under Socialism the greatest increase in population this island has ever seen".

With that, Churchill rose on the floor of Parliament and said, "Would the honorable gentleman concede that his last statistic about population is due to--private enterprise?"

There was wisdom in Churchill's wit. He knew then--and we know now--that the power that has forged our great nation, built its homes, laid its railroads, erected factories, provided jobs, and exported goods--was individual enterprise, enterprise not unduly restrained by government, not overly taxed by government, and not overly reliant on government.

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Frankly, that's an economic maxim we've lost sight of in the middle part of the twentieth century. For too long, taxes on investors and wage-earners alike have soared higher and higher, the incentive for investment has subsided, the profit motive criticized, and the free market distrusted. As government has grown and grown, as taxes have gone up and up, confidence in our economy has waned. Investors have hesitated to invest. Consumers have cut down on consumption. And producers haven't produced.

Certainly, we cannot blame every recession, every bit of inflation, every evil in our economy on government. In fact, government has done much good, making life more bearable for the unemployed, feeding those without food, taking care of the less fortunate in our society who cannot take care of themselves. This is a noble undertaking of government, a generous and necessary component of twentieth century statecraft.

But all too often, government has thrust itself into market decisions which ought properly be left to private parties. It has unfairly injected itself into private labor and management decisions. And, perhaps most unfortunately, through imprudent fiscal and monetary policies, government has diminished the incentive for investment, for job creation, for increasing the productivity of the American worker.

We cannot and should not expect any overnight change in federal taxation and regulatory policies. But I do think things are beginning to change. Needless government regulation and spending is being questioned by people who once enthusiastically endorsed nearly every federal intrusion into the market economy.

There's a growing realization in Washington, in the public media, and in academic circles that policies which encourage businesses and individuals to invest their resources, rather than pay higher taxes, are good for everyone, not just for stockholders and fat cats.

CAPITAL GAINS TAX RELIEF

Nothing so vividly demonstrates the renewed support for pro-investment economic principles as the capital gains tax reduction legislation now working its way through Congress. Congressmen and Senators of both parties--and all political philosophies--have embraced capital gains tax cuts as a realistic and equitable prescription to combat two of the worst toxins in our body politic--unemployment and inflation.

Just yesterday, the Senate Finance Committee voted to slash the maximum capital gains tax rate by an even greater amount than that already approved by the House. If it becomes law, American homeowners and investors will save over \$4 billion in capital gains taxes.

The enactment of a substantial capital gains tax cut, which would have been impossible only a couple of years ago, will ease the burden of high taxation, curtail some of the harshest effects of inflation, and lead to the creation of hundreds of thousands of new jobs in the next few years. And, coupled with the reduction in the top corporate rate from 48% to 46%, capital gains tax relief will boldly reaffirm a forgotten American economic principle by offering investors the possibility of meaningful profit in return for assuming the risks of a new endeavor. No economic philosophy has ever out-performed this one. And none is likely to in the years and decades ahead.

But capital gains tax relief--the creation of a more rewarding investment climate in this nation--is only a start. The American people--the consumers who buy the products and homes and services of business--deserve direct tax relief, too.

I, for one, think we have an obligation to the American people, to individual taxpayers, to put an end to inflation-induced tax increases which have permitted government to insulate itself from the evil effects of inflation. Under our present tax laws, every time the cost of living goes up by 10%, government revenues go up by 16%. There's simply no incentive for government to hold the line on spending, to stem inflation, because government doesn't suffer from inflation. In a sense, government is inflation's most satisfied constituent.

TAX EQUALIZATION AMENDMENT (TEA)

That's why I've proposed the "Tax Equalization Amendment"--T.E.A.--a system which adjusts tax rates and brackets to compensate for inflation. As it is now, if a man's salary goes up to accommodate for inflation, he usually ends up paying more than he was before the increase. Under my proposal, increased income due to inflation would not be taxed. If the government needed more money, Congress would have to enact a tax increase, not permit inflation to do the dirty work.

I think this is only fair. It forces government to act, tax, and spend responsibly.

SOME GOVERNMENT REGULATION IS NECESSARY

Of course, tax cuts are politically attractive. And few will contest the need for government spending restraint. But we cannot and must not advocate unrealistic tax reduction policies which would force government to abandon its commendable efforts to help the needy, to turn a deaf ear to the unquestioned needs of our cities, or to dismantle the defense establishment. Government can be a positive force in American society. It can provide a wide range of important public services without incurring huge budget deficits, without extracting unnecessary billions of dollars in taxes each year from the American people, without discouraging job-creating investment, and without double digit inflation.

While prospects for meaningful tax relief are fairly bright, the outlook for similar relief from the burden of unnecessary government regulation is more guarded. The projected estimate of the cost of federal regulation of business industry for the next fiscal year is nearly \$135 billion, a 10% increase from the 1978 figures.

The federal government's fiscal 1979 regulatory budget is up 6% from the current fiscal year and has risen by more than 115% in the last five years, a rate of growth which far surpasses the growth in the federal budget, the population of the country, the Gross National Product, or any of the other yardsticks normally used for comparison.

A great deal of this regulation is necessary. Most of the laws which authorized the regulation with which we must now comply were conceived in good faith for the protection of the American people, the safety of the American workers, the well-being of our economy. But no reasonable man or woman could possibly conclude that all this regulation is necessary.

I'm not going to bother to recite the horror stories, the worst examples of almost laughable, self-contradictory government rules and regulations. You've probably all heard about them--or experienced them first-hand--before. Besides, in and of themselves even the worst individual regulations--though painful to the business or individual regulated--don't amount to much. I'm more concerned about the overall cost of government regulations as it is reflected in higher prices for consumers, lower efficiency for workers, and overall economic stagnation.

DECLINE IN PRODUCTIVITY

A recent government study attributed part of the recent decline in productivity to increased regulations and estimated that productivity lost because of government regulations costs industry \$2 billion a year.

And the decline in productivity costs us all--business, consumers, and government.

We have built-in disincentives--through government regulation, too much red tape, and oppressive tax rules--for increasing American productivity. In recent years, the productivity of the American work force has been less than a quarter of that of Japan. Even the troubled economy of Great Britain has greater productivity than does the United States.

During discussion of this year's tax bill, Congress has made permanent the investment tax credit for machinery. A number of other tax incentives have been considered to stimulate the American economy. We all seem to be agreed that giving a person or business a tax credit for investing in the productivity of the American worker. We have, as a matter of national policy, said that tax credits for machines are in the national interest. Yet we deny assistance to our most valuable resource--the American working man and woman.

PRODUCTIVITY TAX CREDIT

Perhaps we should consider accepting a productivity tax credit--tax credit which goes directly to the worker, based on his wages, if the worker is employed by a company that does not raise its prices over a modest level from the preceding year.

This would provide both the employee and the employer incentives to increase productivity and hold the line on price increases.

We've used the tax system to encourage capital expenditures, to promote home ownership, to encourage energy exploration and conservation. Why not use it to control inflation? In my opinion, that's far preferable to wage and price controls, or controls thinly disguised as wage and price "guidelines".

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I have asked the Congressional Tax Committee and the Treasury Department to examine this idea. And I will welcome your comments on this or other proposals you might have to stem the inflationary tide in our land.

As a matter of fact, I'd like to see innovative proposals from the construction industry, from business generally on a wide range of economic issues. All too often, businesses and the politicians who have been allies of businessmen and women in Congress have criticized high taxes, government spending, and regulation without offering alternatives. The fact of the matter is that we have severe economic problems in this country, that there are people without enough food, that there are people who can't find work, that our cities are decaying.

NEED FOR ALTERNATIVES

If we don't like the social programs enacted in Washington or here in Harrisburg, I think it is incumbent upon us to put forth constructive alternatives which address important local, state, and national problems. In particular, I would welcome suggestions from the construction industry on how we can make it easier for our young people to buy homes, how we can rebuild our cities, maintain our environment, and expand economic opportunity.

Certainly, the united efforts of the construction industry and other business leaders in defeating the Common Situs Picketing Bill and the Labor Law Reform Bill are to be applauded. Without strong, organized support from the business community, these bills would have passed Congress and been signed by the President. I know that many members of the Pennsylvania ABC spent long hours in Washington, lobbying against these labor-backed bills. There have been strong indications in Washington within the past few days that a stripped-down Labor "Reform" bill may re-surface in the Senate in the next few days. So I hope your organization will stay active in the political process, supporting candidates of your choice, and working for the economic policies you think best for your members, your state, your nation.

BUSINESS CAN HAVE AN EFFECT

As you well know, the construction unions have been very active and effective over the years. They've organized, they've worked hard, and they deserve great credit for the successes they've achieved. The remarkable success of business in defeating legislation it considered unacceptable demonstrated that business, too, can have an impact.

For too long, businessmen and women have been silent or only active far behind the scenes in politics. The business community has a good story to tell. It's one which needs to be heard--over and over again--here in Harrisburg, in Washington, and around the nation.

Labor, management, government, consumers, farmers--we're all in this together. The American economic ship will either sink or sail with all of us aboard.

We owe it to ourselves, to our children, and to our children's children to work for the best government policy, to fight for the economic freedom our fathers and forefathers left us.

It's a challenge, an opportunity, for the Pennsylvania A.B.C. I look forward to hearing from you often in the days, months, and years ahead.