



NEWS from U.S. Senator Bob Dole

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REMARKS OF SENATOR BOB DOLE

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It is a pleasure to be here at the annual convention of SMACNA. And I am honored to have been asked to join your membership this morning and offer some observations on the national scene and on the efforts of the Federal government to solve some of our problems.

To start with, we have been getting some rather stark forecasts in recent days. On the economy, the President freely acknowledges not only that things are bad, but that in the short term at least, they are likely to get worse. And you don't have to look far to find expert economic opinion to back him up.

On energy, which I am sure is of equally direct interest to all of you in your industry, the prospects are practically certain for a lengthy period of conservation and inconvenience, if not austerity.

URGENT PROBLEMS

It seems the news on all fronts, not just the generalized areas of energy and the economy, is full of descriptions of problems, each of which is enormous and has enormous implications. In the international field, the question of further aid to Southeast Asia pricks at our conscience. The festering problems in the Middle East don't appear ready to go away. Back here at home, attention is focusing as never before on the fiscal problems inherent in the Social Security program as it is now financed and administered.

We learn from a recent Congressional staff study that in the midst of the current inflationary binge, the one institution that raised the price it charges American citizens the most last year was government. It seems that everything cost more last year than the year before, but nothing increased in cost more than taxes.

The problems are there. They are numerous. And if left unattended, unsolved, they are all of the sort that will get worse, not better, on their own.

GOVERNMENT CONTROL?

I don't think the American people -- and we in Congress as their representatives -- have yet made the conscious decision that preserving our system, our traditional free enterprise way of doing things, is unimportant. I don't think we have decided that if the federal government grows so big that its present capacity for intervention in private economic affairs undergoes a radical change to a capacity for control, that it will be alright with us.

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If we had made those decisions, then we wouldn't have to act on our problems. Many of the conditions we now see as problems would become virtues. The fact, for example, that the transfer payments portion of the Federal budget is growing at such a rapid rate wouldn't pose a threat to our future fiscal integrity. It would instead, be evidence of progress.

ENERGY PROGRAM CONSIDERED

But we haven't decided to throw out the system and let the government run everything. So we have to find solutions to our problems. And two Senate committees on which I serve will have jurisdiction over a large part of that effort.

The Senate Finance Committee is one of those. The new Budget Committee is another. In the Finance Committee, as you may have seen in the news, we recently considered the President's proposal to cut oil imports by raising the import fee. We voted out a bill to prohibit him from doing this. I did not support that essentially negative approach, but the full Senate sided with the majority of the committee and passed the bill. As a result, we face a confrontation over the expected veto of that action.

We don't know yet when the veto message will be sent up to the Hill, but it will likely be several days. The rationale for the Congressional action in the first place, remember, was to give Congress time to draft a program of its own. Not only have we gone over 500 days since the oil embargo without drafting a program, but instead of spending the last thirty days or so since the President proposed his plan, putting a program of our own together, the Congress has spent much of the time since then in negative efforts only to stop the President.

DELAY ON ENERGY

Delay runs exactly counter to the interests of this country. We need a program and we need one quickly. That is why I have supported the President's proposal, not as a perfect solution but as a workable one, that can begin serious oil conservation efforts immediately. Unless the necessity for compromise forces the President to significantly dilute his proposal, I intend to support him on the veto vote when it comes to the Senate.

While the Congress has done nothing but impose delay on the energy front, there has been somewhat better performance on some of the economic legislation. The Ways and Means Committee has just this past week finalized its work on tax-cut proposals, and I am sure that once the full House disposes of the bill, the Finance Committee will turn quickly to the matter.

INCENTIVES TO BUSINESS

The Ways and Means bill, by the way, contains some important provisions to stimulate business and while the Finance Committee may recommend some structural changes, I am sure we will agree with the general approach.

One provision of the proposed bill, for which I expect widespread support, would raise the investment tax credit for business to ten percent, up from the present seven percent for most businesses. On a related matter, rather than lowering the corporate tax rate, as has been suggested, the Committee would raise the amount of corporate earnings on which the 22 percent rate applies. It proposes to double this figure from \$25,000 to \$50,000, but for income above the \$50,000 level, the 48 percent rate will continue to apply. This is of obvious importance to smaller businesses, but will offer some relief to all, no matter their size. The estimated savings to corporations from this change is about \$1.2 billion.

CORPORATE PROFITS IMPORTANT TO JOBS

Whether the Finance Committee adopts the House version in every detail or not, it is essential that we get action along these lines -- and quickly. Too few people recognize yet that over the last 25 years, corporate profits have declined from 15.6 percent of national income to 9.2 percent. That is not a trend we can allow to continue if we really want to do something lasting about joblessness in this country.

If we are to have the new jobs and the standard of living necessary to meet the expectations of our population over the remainder of this decade and beyond, we are simply going to have to make some basic changes to permit greater after tax profitability so that investments necessary to expand productivity to support these goals will be made.

ACTION EXPECTED SOON

Tens of millions of Americans have suffered a drop in real income this past year. By the latest count, about 7.5 million Americans are out of work. Unless we had made that decision to let the government do it all in this country, then it would be counterproductive -- worse, it would be insane -- to adopt new policies which would further restrict corporate sector efforts to meet the expanded needs of our people.

To the contrary, I expect you will see relatively soon, action to expand the flexibility of business along the lines of the Ways and Means proposal I have outlined.

OTHER URGENT PROBLEMS

But no matter how urgent, this is only one area of need. We must act on several other fronts if we intend to hold on to the kind of system we have and to continue to enjoy its fruits. It has been estimated that the President's economic and energy programs taken together with the operation of current, ongoing federal programs will run the federal government into an 80 billion dollar plus deficit for the next two years. The tax cut Congress is likely to pass will exceed the President's recommendation, making it almost inevitable that the deficit will be substantially bigger even than that horrendous forecast.

FEDERAL SPENDING AND INFLATION

In my judgment, one of the significant causes of our current economic woes has been our history of excessive federal spending, which has contributed a great deal to an intolerable level of inflation during the past year. In the fourth quarter of 1974, that inflation rate ran at about 14 percent, and at the same time, in real terms, our gross national product declined by about 5 percent.

Although public attention has shifted from inflation to recession -- and quite properly, in my view, because it is our most immediate economic problem -- in the long run we must bring inflation under control if we are to see economic stability again.

I am well aware of the various proposals that have been put forth designed to make it possible to live with inflation. Indexing it is called, and it has its strong proponents. Others shy away from this approach and prefer controls. With respect to many segments of the economy -- certainly with respect to home mortgaging procedures -- variants of both approaches have been offered. We have bills in the Congress to control interest rates. We have proposals to index interest rates through the variable mortgage rate concept.

PROPER EMPHASIS

Each of these approaches deserves study. Far from rejecting them out of hand, I would welcome serious consideration of them in the Banking and Housing committees of the Senate and the House. But our emphasis ought not to be on learning how to live with inflation. Our emphasis ought to be on learning how to live without it.

And that is inevitably going to mean not just less direct federal spending, but it means perhaps diminishing the government's tendency to worsen inflation by adding, sometimes arbitrarily, to your cost of doing business.

Cleaning up the environment, ensuring safe working conditions, fulfilling the promise of equal opportunity, coordinating nationwide transportation are all legitimate functions of the national government.

But, to cite a current example, is it really necessary -- was it really even the intent of Congress -- to require American industry to spend 31 billion dollars for equipment modifications needed to lower the industrial noise level? It may be, as the Environmental Protection Agency says it is. It may be necessary only to require a 13 billion dollar modification effort, as the Occupational Safety and Health Administration says it is.

What concerns me, in the interest of fighting inflation, however, is that it may not be necessary to spend anywhere near this amount in order to achieve the noise reduction result that few would dispute as a worthy goal.

DECISION MAKING PROCESS

My concern goes to the point of how such decisions are made. Regardless of whether it ends up costing 31 or 13 billion dollars or more, or less, does the decision on the part of government to require that expenditures adequately reflect the inflationary impact of such a major step?

It is not enough for Congress to take seriously the new Budget Reform Act and bring federal spending more closely in line with federal revenues. We are dealing with a 350 billion dollar a year institution, and even its smallest actions are likely to have an impact on the cost of some product or some service, somewhere.

If we have made the decision in this country to give the primary responsibility for every facet of our economic life to the government, then we needn't really hold government agencies accountable for their decisions, to anyone but the government.

But we haven't made that decision. And so we must hold government agencies accountable to the public. The Social Security Administration as much as OSHA, the Department of Health, Education and Welfare as much as EPA, the Department of Defense as much as any regulatory agency must be required to take such mundane considerations as economic impact into account before they act.

GOVERNMENT-CAUSED INFLATION?

And that is going to require a somewhat different orientation by Congress. We have made a promising step in the direction of controlling how much government spends with the establishment of Budget Committees and a Congressional Budget Office, which together should bring a new element of coordination to the appropriations process.

We must take the same kinds of action across the board, thinking twice, in other words, before we make decisions that determine how much the private sector must spend, and how much it must raise its prices as a result.

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SHOULDN'T HAVE COME AS A SURPRISE

The burgeoning growth of the transfer payments portion of the federal budget may be a good thing. It means that through social security, through food stamps, through many similar programs we are seeing to it that those in need are taken care of. But, at the present time the most notable thing about the size of that portion of that budget is that it has come as a surprise.

We innaugurated medicare, the food stamps program in the last decade, and they feel an urgent need. But we never adverted to the fact that the cost of these programs inevitably is going to expand, and we made no provision for that expansion.

The example of Social Security illustrates the point. A recent Finance Committee report demonstrates that the system is not long expected to remain on a sound actuarial basis, and by the end of this century, without significant changes, the income from the social security tax will be woefully inadequate to supply the benefit payments. As you know, the Social Security Advisory Council has rejected its earlier recommendation for nearly doubling the incomes level subject to the FICA tax. But clearly, something must be done, and soon, to substantially reform the system and that report of the Finance Committee represents a solid first step.

SOCIAL SECURITY TRUST FUND -- NO NEW BURDENS

I don't pretend to have the solution. But one thing we definitely don't need is the addition of another burden to the Social Security Trust Fund. For that reason, when we take up National Health Insurance, I hope later this year, I will oppose any plan that would finance the NHI through Social Security.

Unless we have made the decision already in this country to turn everything, including the provision of medical services, over to the government, we will simply have to find another way. And it is my belief that we can.

I don't believe we have made that decision to let government control us, our economy, our business and our lives. And that belief is the source of my optimism about the future.

I believe you share that belief. As one of your SMACNA brochures puts it, "Sheet metal contractors are pretty independent people . . . who would rather assume the responsibilities that go with independence than work for someone else."

It is that independence that accounts for your success. The minimal demand you should make on your government -- and SMACNA is ideally suited to work in your behalf on this in Washington -- is that every decision which government makes should take into account the impact it has on your independence, and that of others, your freedom to operate, your freedom and ability to meet those "responsibilities that go with independence."

I urge you to continue being advocates, individually and through SMACNA, for that objective.

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