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NEWS from U.S. Senator Bob Dole

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REMARKS OF SENATOR BOB DOLE
LINCOLN DAY DINNER
WORCESTER, MASSACHUSETTS
MONDAY, FEBRUARY 21, 1977

This is the traditional season for Republicans to come together and examine our roots as a nation and as a party.

As everyone in New England knows, this republic came into being because the people rose up against a government that had become too domineering -- that intruded too far into their lives.

And Republicans must always remind themselves of our common roots as a party. Our party was founded on Lincoln's timeless principles of human liberty.

We live in a far more complicated age. But the quest for liberty goes on. Our people strain against the bonds of an over-regulated society. The pressures of bureaucratic domination reach into every corner of our lives.

In this state and in this nation, the Republican Party has experienced adversity in the recent past. The number of registered Republicans is down below 20% of the voting-age population in Massachusetts. We lost some elections this year. We lost not because of the positions we took -- and certainly not because of the principles we share as Republicans -- but because we did not do a good enough job of getting our message across.

VOTING CONTRADICTIONS

Our problem nationally is illustrated quite vividly right here in your own state.

As you know, there were a number of public policy questions on the referendum ballot in November that involved the role of government. On these issues, the people of Massachusetts voted against more government.

Your neighbors voted against more government intrusion into their lives -- and most of them evidently also voted for Democratic candidates.

This has to mean that we're not doing a good enough selling jobs. One of the reasons was that our image to some was that of "aginnners".

It is not enough for Republicans to be against something -- even if it is more government that we're against. We've got to propose specific alternatives that the people can understand. And we've got to do a better job of blowing our own horns.

The General Revenue Sharing program that returned federal tax dollars directly and automatically to your community -- for expenditure as your local officials thought best -- was a Republican initiative. Every federal dollar that came back was one less that had to be raised in state and local taxes. That program was of monumental fiscal policy importance. But we didn't do a good enough job of selling the accomplishment to the voters.

ECONOMIC POLICY

This year, Congress and the President will be deciding what economic policy to pursue. We all agree that economic stimulus is needed. But there is substantial disagreement over the right approach.

This time the Republicans in Congress have an alternative that we hope can be presented to the American people -- and then to the Democratic members -- in convincing terms.

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The old ideas haven't worked. We must experiment with new ideas, and, at the same time, keep more money in the pockets of the consumers by enacting sizeable permanent tax cuts.

We all recognize the terrible burden unemployment imposes on the families of those who are unable to find work. But large-scale federal jobs programs are not the answer. They will only temporarily treat the unemployment problem while increasing inflation which ultimately leads to more unemployment.

I believe there is an acceptable solution to this dilemma. It's called the Employment Tax Credit, or Human Investment Credit. It's a relatively simple program under which the federal government permits private employers to claim a tax credit for hiring new workers. In essence, the government would pay a portion of the wages of the added employees.

On a day-to-day basis, many firms here in Worcester and across the nation are on the verge of critical decisions -- whether to hire a few more workers to increase production and sales, whether to raise prices to try to maintain or improve profit margins, whether to hold tight. The employment tax credit will provide the critical incentive for a decision to hire new workers now, not later.

Such a program would be relatively simple to administer. Say, for example, a business here in Worcester wanted to hire a few more workers to increase production. But, assume further, that the business could not afford to pay the \$2.30 an hour minimum wage. Under the Employment Tax Credit bill I have introduced, the employer could claim a credit of \$1.00 an hour for newly hired employees.

In this manner, the effective cost of hiring additional employees would be substantially reduced, down to \$1.30 an hour in the case of minimum wage workers. Of course, employers could claim the same \$1.00 an hour tax credit for workers earning higher than the minimum wage. In any case, the employee would receive full wages, the employer's taxes would be reduced, and the unemployment rate would go down. Moreover, since wage costs would be diminished, companies could more easily justify holding the line on price increases.

I have advocated such an approach since 1965. If it is such a simple policy and will yield more jobs and restrain inflation, why, you ask, is it still just an idea? The answer, it would seem, is that the country has not really been pressed to seek innovative economic policies before. But, as the past few years have demonstrated, many of the old economic rules of the game just don't hold true anymore. The Employment Tax Credit is an untried idea. But I think it is, in a very real sense, an idea whose time has come.

INFLATION -- THE OTHER PROBLEM

But unemployment is only one part of our nation's economic difficulties. Inflation is the other. And, in many ways, it is an even greater problem since wage and price instability diminishes consumer confidence, reduces consumer spending, and throws people out of work. So, we must institute policies which will restrain price increases.

The Employment Tax Credit will help. But we must do more.

But, before we try to solve the problem of inflation, we should pinpoint exactly what causes it. In recent years, most of the blame for the skyrocketing cost of living has been placed on businessmen, oil companies, and farmers, and --occasionally -- on inflated wage demands of labor unions. Undoubtedly, each of these sectors of the economy does have an impact on the cost of living.

But the sector which has the greatest impact on inflation -- the public sector -- often is left out when the blame is passed around. Politicians and the media tend to focus on readily identifiable price increases for food, clothing, and housing. But too often, the skyrocketing cost of government and federal regulation is overlooked.

Over the past decade, taxes -- the most visible portion of the cost of government -- have expanded their bite out of the family budget more rapidly than any other cost of living item. Since 1950, the tax burden has increased by nearly 600% for every man, woman, and child in America. By contrast, expenditures for food and shelter have grown only about one-third as fast. Property taxes have doubled in the past decade. Such phenomenal increases result not from increased tax rates -- which must be legislated -- but from inflated real estate values which lead to higher assessments and higher taxes.

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Likewise, cost-of-living salary adjustments made to keep up with inflation have served only to put American workers into higher and higher tax brackets, without any increase in the purchasing power of their income. As a result, only the government benefits. The taxpayer loses.

Other tax increases are indirect and hardly noticeable until their cumulative impact is felt. The Social Security payroll tax, for example, has risen from a maximum of \$30.00 a year at its creation, to over \$965.00 per worker today.

FEDERAL REGULATION AND INFLATION

Federal regulatory activities are also eating a larger and larger chunk out of the take-home pay of Americans. A recent government study estimated that compliance with federal regulatory requirements in 1976 cost Americans \$130 billion. Now, obviously, many of these regulations are needed and serve a useful purpose. But we must ask, did the public receive \$130 billion worth of benefits from these regulations? The answer should be obvious to anyone who has ever tried to cut through the regulatory bureaucracy to get a simple problem solved.

My point is that the cost of government is a major cause of the skyrocketing cost of living.

But what do we do about it? First, I think we should enact a sizeable permanent tax cut -- not just a meager one-shot rebate as the President has suggested. This cut should be accompanied by an "indexing" of our tax code, so that the tax brackets and rate levels are automatically adjusted downward with each increase in the cost of living. This relatively simple change in the law would insure that no tax increase is imposed on American workers unless there is an increase in real disposable income.

I have been in Washington long enough to know that if we have tax dollars lying around, someone is going to find a place to spend them. While Congress may be reluctant to give the American people a permanent tax cut, it is certainly not reluctant to spend your money -- even when we don't have it.

Nevertheless, a permanent tax cut will restrain the growth of government spending, contribute to a lessening of inflationary pressures, and give the sluggish economy a boost.

In conjunction with a permanent tax cut, I think we should initiate a program to restrain the growth of government spending. I do not suggest that we drastically cut needed programs, or ignore such problems as unemployment, poverty, or education. Americans can afford to take care of the needy. But we must also be more realistic about the ability of government to solve every perceived national problem.

GROWTH OF PROGRAMS

The natural growth of federal laws already on the books is astounding. It is projected that the cost of existing federal programs will expand by nearly \$50 billion within a year's time -- without any new programs being enacted. It's no wonder that enormous deficits are the rule rather than the exception.

We must change our attitude towards government. There is nothing magical about government spending. If it's not your tax dollar, it's your neighbor's. As a people, we must stop looking to government for a solution to each and every problem without thinking how much that solution will cost. And as politicians, we must stop trying to justify our existence by rushing into each and every problem area with grandiose federal spending solutions.

And finally, we must be willing to tighten our belts. Those of us in public life should set the example. Which leads to my final point -- the proposed pay raise for members of Congress and high executive officials. I was against the pay raise, not because no one deserves a raise, but because there are some who do not. The entire federal pay system should be reviewed.

WARNKE NOMINATION

In other fields, it's too early to say what the new President will try to do, and whether he will or should succeed. He campaigned for a national defense capability "second to none." He agreed that our arms limitation negotiations with the Russians should be from a position of strength. But now he's talking about major surgery on the defense budget.

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And some of the President's nominations -- including that of Paul Warnke to be our Chief Arms Control Negotiator -- raise serious doubts about President Carter's commitment to a U.S. defense capability "second to none." I am especially concerned about Mr. Warnke's advocacy of some unilateral cutbacks in weapons development and procurement. Because I don't think that is how we should negotiate, by throwing away the bargaining chips before sitting down at the table.

We all remember how the Soviet government chose to "test" the new Kennedy Administration in Berlin and Cuba back in the early 60's, and I think it would be a serious mistake to indicate any weakness on our part now when it comes to disarmament talks or defense appropriations.

NO ENTRANCE EXAMS

On all these issues, Republicans are comfortable with positions that are supported by a majority of the American people. So, there is no reason why we should resign ourselves to minority status in American politics.

Obviously, we cannot be picky about who we let in. It is no time for Republicans to insist on uniformity of thought or style. We cannot afford screening tests or entrance examinations. Your Republican State Committee in Massachusetts has been engaged in a commendable "Operation Precinct" program to maintain contact with independent voters.

Remember: Our roots as a party are strong. As long as we remember where we came from -- as a party -- and hold true to our principles as old as President Lincoln, we can appeal to all reasonable-thinking voters -- and we can and will win elections.

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