

News from Senator

# BOB DOLE



(R - Kansas)

SH 141 Hart Building, Washington, D.C. 20510

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CONTACT: WALT RIKER  
(202) 224-6521

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REMARKS OF SENATOR BOB DOLE

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## "THE CONSERVATIVE INNOVATORS"

Thank you very much for those kind words. I've often thought that your profession and mine had a good deal in common. Adlai Stevenson used to define an editor as one who separates the wheat from the chaff--and then prints the chaff. Come to think of it, congressional committees perform a somewhat similar function. Remember the historic rivalry between the old New York world and the morning journal. After a nasty skirmish during the Spanish-American war, the editor of the world dispatched a telegram to his on-the-spot reporter. "Send all the details," it read. "Never mind the facts." And Washington, D.C. is a town often caught up in details at the expense of facts. But perhaps the ultimate assessment of the relationship between politics and journalism came from a hero who practiced both. The problem with America, said Winston Churchill, could be easily diagnosed: the toilet paper was too thin and the newspapers too fat.

Churchill said that--not me. Actually, the press has been pretty good to me lately. I don't always believe what I read about myself in the papers these days--but I don't take the trouble to deny it either. Of course, even in this age of personality journalism, I have no illusions about my role. I'm a little like a colonel in a revolutionary army. I pledge loyalty to the goals of the revolution, without hesitating to follow my own strategy for bringing them about. For, make no mistake about it, the Reagan revolution is for real. The 1980 election was the most significant in this country since 1932. And Washington's status quo may never be quite the same again.

## THE CONSERVATIVE REVOLUTION

Ronald Reagan's election prompted talk of a historic shift in national priorities and a startling redefinition of the individual's relationship with his government. It wasn't the first time in this century that Americans embraced such a philosophical u-turn. Fifty years ago, Franklin Roosevelt told the American people that they deserved a government vigorous enough to umpire the economic order, and clear sighted enough to recognize that private economic power had become a public trust.

"Every man has a right to life and this means that he also has a right to make a comfortable living." So Roosevelt put his case in September of 1932. And the whirlwind of reforms that followed upheld those rights, even while kindling a psychology of renewal during the blackest depths of a great national crisis.

But time passes, and nations evolve. The standards of an emergency can become the shackles of later generations. The pump

can be primed just so often. Government itself can become a problem instead of a solution. Instead of an umpire's call, regulation can turn into a straightjacket. Good intentions can be confused with bad administration. And the public sector can thrive while private employment, investment, and competition wither on the vine.

#### WASTED LABORS, MOUNTING DEBTS

At the birth of the republic, Thomas Jefferson laid down a warning, wrapped inside an ideal. "I place economy among the first and most important virtues," he said, "and public debt as the greatest of dangers . . . we must make our choice between economy and liberty, or profusion and servitude. If we can prevent government from wasting the labors of the people under the pretense of caring for them, they will be happy."

For much of this century, we Americans have ignored Jefferson's warning. In the last ten years alone, we have piled \$800 billion in debt upon the shoulders of succeeding generations. It's almost as if we had singlehandedly authored a new beatitude: "Blessed are the young, for they shall inherit the national debt."

We have taxed our economy the way medicine men in Jefferson's time bled their patient . . . and with similar results. We have wasted the labor of our people under the pretense of caring for them, and the ironic, tragic result can be seen in hundreds of neighborhoods and thousands of streetcorners where hope is all but extinct. Ultimately, we brought on a recession, only now ending--and there were those who echoed the doubts of 1932 regarding America's economic frontiers.

The link between an overstuffed Federal establishment and a private sector suffering a kind of fiscal anorexia is unmistakable. Back in 1964, the Federal Government spent less than \$35 billion on all social welfare programs. Today, we spend more than ten times as much.

In 1960, the same year I was first elected to Congress, Federal spending consumed 18.5 percent of the GNP. By 1981, the figure was up to 23 percent. Eleven years ago, we were warned that if we weren't careful, the Medicare program might cost \$9 billion by 1990. It is in this year's budget for \$57 billion--the latest 1990 estimate is \$110 billion. And if the President's program of tax and spending cuts had not been adopted two years ago, it would have reached 25 percent by 1985.

Usually, promises of tax reduction made on the campaign trail have a way of turning into tax increases once election day is safely past. FDR himself lived to regret his 1932 pledge to reduce all Federal expenditures by 25 percent. But Ronald Reagan had no intention of following Washington's conventional wisdom. From the very start of his Presidency, this Chief Executive signaled his desire to make conservatism a vehicle of reform.

This in itself represented a radical departure from tradition. For much of the time since FDR seized the political and economic initiative, conservatives in America have been responding to what he created. Often our response was cast in purely negative terms, nickel and diming a multi-billion dollar budget, or voting against social programs that were popular and perhaps necessary, whatever their administrative weaknesses. We failed to win elections because we failed to articulate a positive alternative to the liberal orthodoxy. We failed to convey the message that only a healthy economy could sustain a generous social conscience--or better yet, eliminate the need for benefit programs altogether by replacing them with paychecks earned in a job not dependent upon the whim of a congressional committee or the size of a budget deficit.

Only after generations of steadily increased taxes, a runaway budget, rampant inflation and mounting joblessness did the message penetrate: that somehow our good intentions were not being translated into genuine opportunity. Perhaps this President's greatest historical contribution has been his ability to draw the crucial line between excessive government and depleted economy. Significant in their own right as his tax and budgetary policies may be, their enduring importance lies in a political debate reshaped to address the Reagan priorities. Come 1984, Ronald Reagan may be as much the issue before the voters as Franklin Roosevelt was in 1936. And in case memory deserts you, my good friend and fellow Kansan Alf Landon can refresh you on the hazards of opposing such a dominant trend-setter.

#### ECONOMIC RECOVERY AND 1984

In the last few weeks, we've seen conclusive evidence that the economy has not only stopped its contraction, but has once more begun to expand. Housing starts and auto sales are up. So is factory utilization, industrial output, and orders for durable goods. Unemployment has peaked and seems headed lower, perhaps to nine percent or so by year's end, and below 8 percent by election day, 1984. Far too many of our neighbors are still without work which is why the Congress has agreed with the President on a stepped-up program of highway and bridge construction and repair--why we've moved to advance several billion dollars worth of Federal building projects and extend unemployment compensation an additional 8 to 14 weeks. Beyond these steps, we've changed the whole nature of Washington's job training programs. Instead of merely subsidizing hardship through administratively wasteful efforts, we're targeting \$2.1 billion to assist the long-term unemployed in adjusting to an economy in the throes of fundamental change. Again, we've broken with past policies, while still sharing common objectives. Like any political innovator, the President combines a taste for experimentation with a sense of the limits imposed by habit and special interests. The point is that it is his agenda now before us, and likely to dominate for years to come. A case in point is bipartisan social security reform. There isn't a better example of how a government program put the benefit cart before the horse of a strong economy. Now that a compromise has been struck and the system has been rescued, the President can go before the electorate as its savior, rather than its opponent pictured by some.

Ultimately, 1984 and the years beyond will be most influenced by the state of the economy, and here, ironically, is where innovation consists of a little old-fashioned self-discipline. I know the concept strikes terror in the bleeding hearts of some of America's biggest spenders. For years, they shed crocodile tears for the disadvantaged, while fueling double digit inflation that struck hardest at the very constituency they professed to help. They regarded the American public, not as a diverse range of individuals but as sacred cows eager for their time at a public trough. Needless to say, they were not pleased by the results of 1980. And in their nostalgia for what was, they have yet to understand Ronald Reagan's mandate for change.

They talk of fairness--but what is fair about a budget allocating more money for debt interest than all the housing and medical programs combined? Interest rates, I would remind them, don't prevent the purchase of mink coats or lavish yachts--but they do keep cars from leaving the salesroom, and homes from changing hands. There'll always be a tax lawyer around to shelter paper incomes--but what about the working class family that pays its taxes and struggles to make both ends meet--while Congress surrenders to the bankers and other special interest groups?

Let me be more specific on the costs of compassion, pre-1980 style. By 1980, the percentage of U.S. families living in poverty was actually greater than in 1968--despite, or perhaps

because of Congress' willingness to throw money at a problem and then claim a clear conscience. During the 1970's, families on AFDC received regular increases in their benefits--but still wound up losing 30 percent of their purchasing power, thanks to inflation. For black Americans, too many of whom were already consigned to what President Johnson once called "The Outskirts of Hope," the result of more government and less private investment was predictable, black unemployment rose to nearly double its level during the prosperous sixties. Black median income declined about 3 percent during the same decade.

So let's have no more cries of "unfair" directed at those of us who want government to do the decent thing, without equating decency and a flood of red ink. Already, we've managed to put in place the elements of sustained economic recovery. Now the time is at hand to move beyond recovery, to economic renewal. Taxes have been lowered by a net \$344 billion under the 1981 and 1982 tax bills. They've been reformed as well as reduced--another example of conservatives accomplishing what liberals have advocated. And with individuals paying less to Uncle Sam, they will have more to dispose of as they wish.

#### THE THREAT TO INDEXING

Of course, much of that windfall would vanish overnight if the Democratic budget proposed in the House of Representatives is adopted. Not only would the Speaker and his cohorts cancel the third year of the tax cut; they would scuttle indexing as well. In a single stroke, they would turn back the clock to those golden days of yesteryear when inflation was Congress' secret ally in raising money for every pet project and pork barrel imaginable. For Congress, the whole process was painless. It didn't have to be recorded on a rollcall vote for new taxes; it just let inflation do its dirty work, pushing millions of working people into higher brackets, brackets until recently reserved for the affluent. The burden of responsibility passed from Congress, and rested on the shoulders of an already overtaxed people.

INDEXING DESERVES A TRIAL. Those who earn less than \$50,000 a year deserve the 78 percent of its benefits that they'll receive starting in 1985. To do away with the idea now would not only deprive them of what is rightfully theirs--it would also send precisely the wrong signal at the wrong time. It would suggest that Congress has learned nothing, that is prepared to reinflate the economy in order to support its own spendthrift habits. Well, I have news for my colleagues; 1980 was not a figment of their imaginations. It really happened. And the sooner we all accept that fact, the sooner we can get on with fulfilling the mandate delivered by the electorate.

A lot of people have done a lot of sacrificing the last few years. Can we legitimately tell them now it was all in vain? Can we deceive ourselves as well as those without jobs, by pretending that Washington alone can give them work and provide for their futures? Can we excuse any segment of society from a share in sacrifice? I suggest that we cannot--not if we intend to live up to our heritage as the most creative, most generous, most fairminded people who ever embraced self-government.

#### REDUCING DEFICITS IN 1983

The greatest single priority facing Congress and my Committee this year will be how to reduce the looming deficits that threaten all our hopes. An economic recovery stronger than originally forecast promises to slice them from intolerable to merely enormous. And that's where we come in. No easy answers exist. But then, we were supposedly elected to deal with difficult problems. Thanks to the swift drop in inflation, the extended recession, and some of the more costly ornaments hung on the 1981 Christmas tree tax bill, the government's revenues fell off sharply last year. When combined with automatic spending

triggered by recession assistance, the deficit ballooned to more than double its original estimate.

Now we confront the prospect of even larger deficits over the next few years, an ocean of red ink that threatens to capsize recovery unless we drain some of it off. The administration has proposed contingency taxes beginning in fiscal year 1986, should the deficit fail to shrink substantially enough. But the country is looking for reassurance, not hypotheses. And Congress ought to face up to the reality, estimate the size of the shortfall, calculate the tolerable deficit, and then bite the bullet on both taxes and spending. For instance, additional closing of loopholes within the tax code, including lucrative preferences given to thousands of industries and individuals, should be reviewed. In the longer run, perhaps, some kind of flat tax, or at least a simplification and reduction of current rates, deserves careful consideration. The same thing applies to the idea of taxing consumption in some form, so long as the system created remains progressive and exempts the basic necessities of life, such as food, shelter and medical expenses.

But first and foremost, Congress and the President together need to find ways to curtail the growth of Federal spending. That doesn't mean wielding a hatchet on social programs, many of which have already been pared to the bone. It does mean selective cuts in domestic spending, along with a greater willingness on the part of the military to accept its share of the action. The Pentagon should not become a scapegoat for our economic ailments, but neither should it be a hog.

#### AN ALTERNATIVE TO CONVENTIONAL WISDOM

Conventional wisdom has it that none of this is possible, especially with 1984 looming in the foreground. But conventional wisdom said we could never rise above partisanship to rescue the social security system from bankruptcy. Conventional wisdom held that President Reagan could not reverse the fifty year tendency of government to tax and spend more. In both cases, the prophets of doom were disproved. Social security will be secured, without any loss of benefits to current recipients. And the portion of the national income taxed by Washington has diminished to the levels of the 1960's. Unfortunately, the rate of spending growth, while slowed, has stubbornly resisted any similar retrenchment. Like the perpetual motion machine of fable, government's appetite for spending is seemingly immune to outside forces.

And that is exactly what we must change, in a final break with the old ways. We have come a long way already. It has not been a smooth road. Much of it has been uphill. Much of it has been rocky. But how much better that we make the journey now, rather than leave it to our children to traverse a still steeper, more perilous path.

"Any dangerous spot is tenable if brave men will make it so." So President Kennedy summoned us twenty years ago to a testing of the national will. Today, we inhabit another dangerous spot. But we can see the light of dawn ahead, and the danger will pass if brave men and women will once more accept their responsibility to renew our claim to economic leadership. Or, to paraphrase JFK, let us never innovate from fear--but let us never fear to innovate.

Thank you very much.