

REMARKS OF SENATOR BOB DOLE
SALINA ROTARY CLUB
SALINA, KANSAS
MONDAY, FEBRUARY 14, 1977

PEOPLE EVERYWHERE ARE CONCERNED ABOUT THE ECONOMY. EACH MONTH, WE ARE BOMBARDED WITH STATISTICS AND INDEXES ON INFLATION, ON UNEMPLOYMENT, ON ECONOMIC GROWTH, ON CONSUMER CONFIDENCE, ON FARM PRICES, AND AN ENDLESS VARIETY OF OTHER ECONOMIC INDICATORS. WITH ALL THESE UPTURNS, DOWNTURNS, AND DIMINISHED RATES OF THIS AND THAT, IT'S HARD TO TELL PRECISELY WHAT STATE THE ECONOMY IS IN, MUCH LESS WHERE IT WILL BE A WEEK, A MONTH OR A YEAR FROM NOW.

NEED FOR ECONOMIC STIMULUS

BUT THERE DOES SEEM TO BE AN EMERGING CONSENSUS THAT OUR ECONOMY IS NOT GROWING AS FAST AS WE WOULD LIKE, THAT TOO MANY PEOPLE WHO WANT TO WORK STILL CANNOT FIND WORK, THAT INFLATION IS STILL EATING AWAY AT THE POCKETBOOKS OF AMERICAN FAMILIES, AND THAT FARM PRICES ARE TOO LOW. ALMOST EVERYONE THINKS SOMETHING MUST BE DONE TO STIMULATE DOMESTIC ECONOMIC GROWTH. AND I AGREE.

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BUT WHAT POLICY, WHAT MIX OF ECONOMIC STIMULANTS, IS CALLED FOR? ON THAT, THERE IS SUBSTANTIAL DISAGREEMENT.

WITHIN THE NEXT COUPLE OF MONTHS, THE CONGRESS AND PRESIDENT WILL PASS AN ECONOMIC STIMULUS PROGRAM. IN MY VIEW, IT SHOULD BE INNOVATIVE, BOTH EXPANSIONARY AND ANTI-INFLATIONARY. TO THIS END, I BELIEVE WE MUST EXPERIMENT WITH AS YET UNTRIED JOBS CREATION PROGRAMS, AND, AT THE SAME TIME, ENCOURAGE CONSUMER SPENDING BY ENACTING SIZEABLE PERMANENT TAX CUTS FOR AMERICAN FAMILIES.

BURDEN OF UNEMPLOYMENT

WE ALL RECOGNIZE 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 MANY OF US FEAR THAT LARGE-SCALE FEDERAL JOBS PROGRAMS ARE NOT THE ANSWER, THAT THEY WILL ONLY TEMPORARILY TREAT THE UNEMPLOYMENT PROBLEM WHILE INCREASING INFLATION WHICH ULTIMATELY LEADS TO HIGHER UNEMPLOYMENT.

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EMPLOYMENT TAX CREDIT

BUT, I BELIEVE THERE IS AN ACCEPTABLE SOLUTION TO THIS DILEMNA. 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 ADDED EMPLOYEES.

ON A DAY-TO-DAY BASIS, MANY FIRMS HERE IN SALINA 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.

EASY TO ADMINISTER

SUCH A PROGRAM WOULD BE RELATIVELY SIMPLE TO ADMINISTER. SAY, FOR EXAMPLE, A BUSINESS HERE IN SALINA 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 ANY MORE. 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.

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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 FARMERS, BUSINESSMEN, AND OIL COMPANIES, 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.

GOVERNMENT AND INFLATION

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.

TAXES AND INFLATION

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 IN BOTH URBAN AND RURAL AREAS 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.

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.

NEED TAX CUT

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 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,

RESTRAIN GOVERNMENT SPENDING

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.

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 YEARS 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, ITS 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.

SETTING AN EXAMPLE

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 AM AGAINST THE PAY RAISE, NOT BECAUSE NO ONE DESERVES A RAISE, BUT BECAUSE THERE ARE SOME WHO DO NOT.

AS IT NOW STANDS, THE PAY RAISE WILL BECOME EFFECTIVE IN A WEEK. THE SENATE FAILED IN ITS EFFORTS TO VOTE DOWN THE PAY INCREASE. THE HOUSE, IN SPITE OF THE PROTESTATIONS OF KEITH SEBELIUS AND OTHERS, WAS NOT EVEN ABLE TO GET THE MEASURE TO THE FLOOR FOR A VOTE. AND PRESIDENT CARTER, ALTHOUGH HE COULD RESCIND THE PROPOSAL AT ANY TIME IS STANDING BY IT.

BUSINESSMEN HAVE A STAKE

THE STRUGGLE FOR A SCALED-DOWN FEDERAL GOVERNMENT, FOR LESS FEDERAL REGULATIONS, FOR A STABLE AMERICAN ECONOMY WILL BE LONG AND HARD FOUGHT. AND YOU HERE TODAY HAVE A LOT AT STAKE, NOT ONLY AS TAXPAYERS AND BUSINESSMEN BUT AS CONSUMERS AND BUYERS.

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I URGE YOU TO GET INVOLVED, TO FIGHT FOR FISCAL
RESPONSIBILITY AT ALL LEVELS OF GOVERNMENT. AS
BUSINESSMEN WHO HAVE TO BALANCE THE BOOKS EVERYDAY,
YOU OBVIOUSLY HAVE A LOT TO CONTRIBUTE.

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