

CHAMBER OF COMMERCE LUNCHEON
RAMADA INN
NORTH FAIRFAX STREET
ALEXANDRIA, VIRGINIA
FRIDAY, NOVEMBER 18, 1977

IT'S ALWAYS GOOD TO BE IN GEORGE WASHINGTON'S "HOME TOWN."
THE HISTORY OF ALEXANDRIA, OF COURSE, IS INTIMATELY INTERTWINED
WITH THE HISTORY OF THE NATION. THE FOUNDERS OF ALEXANDRIA
WERE RESOLUTE IN THEIR DEDICATION TO FREEDOM, AND, AS MERCHANTS
AND TRADERS, THEY WERE EQUALLY-RESOLUTE IN THEIR DEDICATION TO
THE FREE ENTERPRISE WAY OF ECONOMIC LIFE. SO, TOO, WAS THE
TEEN-AGE GEORGE WASHINGTON WHO HELPED SURVEY AND LAY OUT THE
STREETS OF OLD TOWN.

WITH THE REVOLUTION WON, AND THE CONFEDERATION FORMED, FREE
ENTERPRISE CONCERNS CONTINUED VITAL. CONCERNS FOR SUCH PROBLEMS
BETWEEN VIRGINIA AND MARYLAND, LED TO THE ALEXANDRIA CONFERENCE
OF 1785, WITH GEORGE WASHINGTON PARTICIPATING.

THE ACHIEVEMENT OF AGREEMENTS, IN THAT CONFERENCE INSPIRED THE
ANNAPOLIS CONVENTION BETWEEN VIRGINIA AND FIVE OTHER STATES IN
1786.

AND, THERE IT WAS RESOLVED TO CONVENE REPRESENTATIVES OF ALL 13 STATES IN PHILADELPHIA, THE FOLLOWING YEAR. THERE, WITH MR. WASHINGTON PRESIDING, EMERGED THE CONSTITUTION AND, IN TURN, THE GOVERNMENT OF THE UNITED STATES.

THE DELEGATES TO THE CONSTITUTIONAL CONVENTION WERE, IN GREATEST PART, FARMERS AND BUSINESSMEN. THEY WERE WELL AWARE THAT THE FREE ENTERPRISE ECONOMIC SYSTEM FLOWED FROM ONE OF THE OLDEST OF HUMAN EXPERIENCES: THE EXPERIENCE OF A MAN, OR A NATION SUPPLYING ANOTHER'S DEMAND FOR GOODS OR SERVICES.

THEY WERE AWARE THAT, BEYOND THE BASIC ELEMENT OF COMMERCIAL QUID PRO QUO, THERE LAY THE ADDITIONAL ELEMENT OF THE NEED FOR SALE, OR PERFORMANCE, FOR PROFIT.

FREE ENTERPRISE COMPONENTS

THEY KNEW THAT IF FREE ENTERPRISE WERE TO SUCCEED, ITS THREE MAIN ELEMENTS HAD TO BE FOSTERED AND PROTECTED. THOSE ELEMENTS, OF COURSE, ARE: INCENTIVE, COMPETITION AND REWARD.

THEY KNEW THAT, TO HINDER, HAMPER, OR DESTROY ONE OF THESE ELEMENTS WAS TO DO THE SAME TO THE OTHERS AND, THEREFORE, TO THE SYSTEM ITSELF.

THEY KNEW, THEREFORE, THAT THIS PERFECTLY NATURAL ECONOMIC SYSTEM COULD BE SHORT-CIRCUITED -- EVEN DESTROYED -- BY POLITICAL THINKING.

AND THIS WAS ONE OF THE REASONS WHY, IN DRAFTING THE CONSTITUTION, THEY SOUGHT AS LITTLE GOVERNMENT AS POSSIBLE, WITHOUT RISK OF NATIONAL SECURITY AND INTEGRITY.

THEY HAD SUFFERED TYRANNY. THEY HAD BROKEN ITS SHACKLES. THEY KNOW, FROM BITTER EXPERIENCE, THAT THE GREATER THE SCOPE OF GOVERNMENT, THE GREATER ITS GROWTH: AND THE GREATER ITS GROWTH, THE GREATER ITS COSTS -- IN DOLLARS, FREEDOM AND HUMAN DIGNITY.

IT WAS THIS KNOWLEDGE THAT IN RETIRING FROM THE PRESIDENCY, MR. WASHINGTON ADMONISHED THE NATION TO "CHERISH PUBLIC CREDIT."

SOME OF THE ISSUES

RATIFICATION OF THE PANAMA CANAL TREATIES WILL BE AN IMPORTANT ISSUE NEXT YEAR IN THE CONGRESS. BEFORE I DISCUSS THE TREATY, LET ME SAY JUST A FEW WORDS ABOUT AN ISSUE THAT IS

MUCH MORE CRITICAL--THAT IS STRATEGIC ARMS LIMITATION. AND JUST AS THE SENATE AND THE AMERICAN PEOPLE WERE KEPT IN THE DARK ON THE PANAMA CANAL TREATIES, WE ARE NOW BEING KEPT IN THE DARK ON SALT. IT MAY BE GOOD PUBLIC RELATIONS TO KEEP SALT A LOW-PROFILE ISSUE.

BUT IT IS GOING TO SURFACE SHORTLY. FROM THE INFORMATION WHICH HAS LEAKED OUT BETWEEN THE CRACKS IN THE SECRECY AGREEMENT OUR GOVERNMENT MADE WITH THE RUSSIANS, MY REACTION IS THAT THE REPORTED SALT PROPOSALS WOULD BE REJECTED BY THE SENATE.

THAT MAY CHANGE. THE AGREEMENT MAY CHANGE BEFORE IT GETS TO THE SENATE. BUT I WOULD JUST WARN IN ADVANCE, AND WOULD HOPE THE PRESIDENT WOULD IMPRESS ON MR. WARNKE THAT WE ARE NOT GOING TO RATIFY A SALT AGREEMENT THAT GIVES THE SOVIETS STRATEGIC SUPERIORITY JUST BECAUSE MR. WARNKE'S FRIENDS TELL US SOVIET STRATEGIC SUPERIORITY WOULDN'T PRESENT A DANGER TO U.S. NATIONAL INTERESTS.

THE CONCESSIONS AGREED TO BY MR. WARNKE REPORTEDLY INCLUDE:

- BANNING ANY U.S. HEAVY ICBM's AND ALLOWING THE SOVIET 308.
- BANNING THE U.S. M-X AND TRIDENT II MISSILES AND ALLOWING THE SOVIETS TO DEPLOY THEIR NEW SS 16, 17, AND 18 ICBM's, SSN 17 AND 18 SUBMARINE MISSILES AND SS 20 MOBILE MEDIUM RANGE MISSILE.
- LIMITING OUR AIR-LAUNCHED CRUISE MISSILE TO LESS THAN FIFTEEN HUNDRED MILES, AND OUR SUBMARINE CRUISE MISSILES TO ONLY 360 MILES.
- AGREEING TO LIMIT B-52's WITH CRUISE MISSILES TO NO MORE THAN 120.
- ALLOW THE SOVIETS UNLIMITED NUMBERS OF INTERCONTINENTAL BACKFIRE BOMBERS, WHILE THE U.S. HAS GIVEN UP B-1.

THIS WOULD GIVE THE SOVIETS CLEAR AND UNQUESTIONED STRATEGIC SUPERIORITY BY THE MID-80's.

WHETHER AT MUNICH, IN BERLIN, IN THE CUBAN MISSILE CRISIS, OR THREE YEARS AGO IN THE MIDDLE EAST WHEN HENRY KISSINGER HAD TO WARN THE SOVIETS TO STAY OUT, THE OUTCOME OF GRAVE CRISES HAS ALWAYS BEEN HEAVILY INFLUENCED BY WHAT DEAN ACHESON DESCRIBED

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AS "THE SHADOW THAT POWER CASTS." IF WE HAD NOT ENJOYED A CLEAR SIX-TO-ONE STRATEGIC ADVANTAGE OVER RUSSIA IN 1962 FOR INSTANCE, IT IS UNLIKELY THAT THE CUBAN BLOCKADE WOULD HAVE ENDED HAPPILY FOR THE U.S. IF WE HADN'T HAD SUPERIORITY, WE COULDN'T HAVE ENFORCED THE BLOCKADE, AND WE'D HAVE INTERMEDIATE AND LONG-RANGE MISSILES IN CUBA TODAY.

STRATEGIC NUCLEAR SUPERIORITY PROVIDES OUR NATIONAL LEADERSHIP WITH GREATLY ENHANCED FREEDOM TO TAKE FORCEFUL ACTION. SUPERIORITY IN THE HANDS OF WESTERN LEADERS WAS USED FOR TWENTY YEARS VIGOROUSLY TO CHECKMATE SOVIET ADVENTURISM. SUPERIORITY IN THE HANDS OF SOVIET LEADERS WOULD PROVIDE A STRONG REINFORCEMENT TO SOVIET ADVENTURISM.

I THINK MR. WARNKE IS CONFUSED ABOUT HIS MANDATE. HE'S THERE TO NEGOTIATE A LIMIT TO THEIR STRATEGIC ARMS, NOT JUST OURS.

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PANAMA CANAL TREATIES

WITH REFERENCE TO THE PANAMA CANAL TREATIES, FIRST LET ME STATE THE PEOPLE OF THE UNITED STATES OWE PANAMA NO APOLOGIES FOR OUR INVOLVEMENT WITH THE CANAL. THE GENEROSITY OF OUR GOVERNMENT IN BUILDING THE CANAL, IN OPERATING AND MAINTAINING IT FOR 65 YEARS, AND IN THEREBY ENHANCING THE STANDARD OF LIVING FOR PANAMANIAN, REQUIRES NO REMORSE ON OUR PART. FREE OF ANY IMPLICATIONS OF GUILT, WE SHOULD PROCEED TO ANALYZE THE TREATIES IN AN OBJECTIVE AND RESPONSIBLE MANNER.

I AM OPPOSED TO THE TREATIES IN THEIR PRESENT FORM AND HAVE OFFERED SIX AMENDMENTS AND TWO RESERVATIONS WHICH I BELIEVE WOULD SUBSTANTIALLY IMPROVE UPON THESE DOCUMENTS. THE MODIFICATIONS BRIEFLY ARE:

AMENDMENTS:

- GUARANTEES THE U.S. RIGHT TO CONSTRUCT A NEW CANAL ANYWHERE IN LATIN AMERICA;
- REDUCES U.S. PAYMENTS TO PANAMA BY MORE THAN HALF THE AMOUNT PROVIDED UNDER THE BASIC TREATY;
- EXTENDS THE PERIOD FOR TRANSITION OF U.S. ADMINISTRATIVE AND JUDICIAL JURISDICTION OVER THE CANAL ZONE FROM 30 MONTHS UNTIL AT LEAST JANUARY 1, 1990;

- GUARANTEES THE CONTINUED PROTECTION OF POLITICAL AND CIVIL RIGHTS FOR ALL THOSE LIVING AND WORKING WITHIN THE CANAL ZONE AREA;
- GUARANTEES THE U.S. RIGHT TO INTERVENE MILITARILY WHENEVER WE ALONE SEE A THREAT TO THE NEUTRALITY OF THE CANAL;
- GUARANTEES U.S. WARSHIPS THE RIGHT OF "PRIVILEGED," FIRST PRIORITY PASSAGE THROUGH THE CANAL WHENEVER THE U.S. IS AT WAR.
(THE LAST TWO HAVE BEEN REVISED TO REFLECT LANGUAGE IN THE CARTER-TORRIJOS STATEMENT).

RESERVATIONS:

- THE PANAMANIAN GOVERNMENT MUST MAKE SIGNIFICANT PROGRESS IN OBSERVING THE HUMAN RIGHTS OF ITS OWN CITIZENS DURING THE FUTURE;
- BOTH HOUSES OF CONGRESS MUST AGREE TO THE TRANSFER OF U.S. CANAL ZONE PROPERTY BEFORE THE BASIC TREATY ENTERS INTO FORCE.

SOCIAL SECURITY FINANCING

THE SOCIAL SECURITY SYSTEM IS IN FINANCIAL TROUBLE BECAUSE FOR YEARS THE CONGRESS HAS PERMITTED BENEFIT LIBERALIZATIONS TO

OUTPACE REVENUES. OTHER DEMOGRAPHIC AND ECONOMIC FACTORS JOINED TO PLACE THE SYSTEM IN FINANCIAL PERIL, SO THAT VIRTUALLY ALL AGREE THAT ACTION MUST BE TAKEN TO RESTORE ITS FISCAL HEALTH.

HOWEVER, ACTION SHOULD NOT BE PRECIPITATE OR FOOLHARDY. IT SHOULD NOT BE DISRUPTIVE OF SHARING REALTIONSHPIS WHICH HAVE EXISTED SINCE THE INCEPTION OF THE PROGRAM. IT SHOULD NOT FALL HEAVILY AND INEQUITABLY UPON CERTAIN SECTORS OF THE ECONOMY. IT SHOULD NOT ATTEMPT TO MASK THE REAL COST OF MAKING THE SYSTEM WHOLE.

SENATE BILL

MOST REGRETTABLY, THE PROVISIONS OF THE BILL REPORTED BY THE SENATE FINANCE COMMITTEE--WHICH WERE APPROVED BY A SINGLE VOTE MARGIN IN THE COMMITTEE AND A ONE VOTE MARGIN ON THE SENATE FLOOR--VIOLATE ALL OF THESE PRINCIPLES.

THE KEYSTONE OF THE APPROACH IN THE MEASURE IS AN INCREASE IN THE WAGE BASE ON WHICH CONTRIBUTIONS ARE CALCULATED, FOR THE EMPLOYER ONLY, TO \$50,000 IN 1979 AND TO \$75,000 IN 1985. IN A SHARP BREAK WITH PRECEDENT AND TRADITION, THE BILL ADOPTED BY THE SENATE IF ADOPTED BY THE CONFERENCE WILL DELIVER A MASSIVE FINANCIAL BLOW TO THE VERY SECTOR OF THE ECONOMY WHICH

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IS CHARGED WITH THE RESPONSIBILITY OF PROVIDING SUFFICIENT JOBS AND CAPITAL FORMATION IN A CRITICAL PERIOD IN OUR NATION'S HISTORY.

UNDER CURRENT LAW, EMPLOYERS AND EMPLOYEES SHARE EQUALLY IN THE COSTS OF FUNDING SOCIAL SECURITY. PRESENT REQUIREMENTS ARE THAT EACH CONTRIBUTE 5.85 PERCENT OF THE FIRST \$16,500 EARNED BY THE EMPLOYEE. UNDER THE MEASURE ADOPTED BY THE SENATE, ONLY MODEST WAGE BASE INCREASES--FOUR \$600 INCREMENTS IN 1979, 1981, 1983, AND 1985--WILL BE EXPERIENCED BY THE EMPLOYEE. THE EMPLOYER, HOWEVER, WILL HAVE TO PAY SOCIAL SECURITY TAXES ON THE FIRST \$50,000 OF INDIVIDUAL COVERED WAGES, BETWEEN 1979 AND 1985, AND THAT FIGURE WILL BE INCREASED TO \$75,000 IN 1985.

THE SHARP IMPACT UPON FIRMS, PARTICULARLY THOSE EMPLOYING INDIVIDUALS IN CRITICALLY NEEDED HIGHER INCOME SPECIALTIES, COULD NOT BE MORE OBVIOUS.

CHAMBER OF COMMERCE

IN A SURVEY CONDUCTED BY THE CHAMBER OF COMMERCE OF THE UNITED STATES, ON A SIMILAR PLAN, OVER TWO-THIRDS OF THE RESPONDENTS ESTIMATED AN INCREASE OF OVER 10 PERCENT IN

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THEIR SOCIAL SECURITY TAX. TWENTY-SEVEN PERCENT ESTIMATED AN INCREASE OF OVER 20 PERCENT, AND 15 PERCENT SAID THAT THEIR TAXES WOULD RISE BY MORE THAN 30 PERCENT. SEVENTY-NINE RESPONDENTS FORECASTED AN INCREASE OF OVER 100 PERCENT IN THEIR SOCIAL SECURITY TAXES.

CONCLUSION

FINALLY, I HOPE CHAIRMAN BURNS WILL BE REAPPOINTED. I THINK IT IS ESSENTIAL. HE IS WISE, HE IS ABLE, AND ABOVE ALL, HE IS INDEPENDENT -- IN FACT, AS WELL AS IN THEORY. WHETHER HE WILL BE REAPPOINTED OR REPLACED -- AND WHO HIS REPLACEMENT MIGHT BE -- ARE MATTERS OF CRUCIAL IMPORTANCE, AND I URGE YOU TO WATCH THIS ISSUE CAREFULLY. IF YOU HAVE VIEWS ON THE MATTER -- AND I HOPE YOU DO -- I URGE YOU TO MAKE THEM KNOWN TO THE CONGRESS AND THE PRESIDENT.

— South of the line

you —

tax —

Strategy — Fed - Dole

Feature Table —

changed —

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Lawrence - 1980

W. H. ...

Sam Meyer
Jeff Wainwright