

REMARKS OF SENATOR BOB DOLE  
COMPUTER AND COMMUNICATIONS INDUSTRY ASSOCIATION  
FRIDAY, MARCH 9, 1979

LET ME BEGIN BY TELLING YOU HOW PLEASED I AM TO HAVE THIS OPPORTUNITY TO SHARE A FEW OF MY IDEAS ABOUT THE STATE OF AMERICA'S ECONOMY WITH YOU, THE ACKNOWLEDGED EXPERTS. IF THERE IS ANYTHING WE CAN ALL AGREE ON, IT IS POPULAR DISSATISFACTION WITH THE WAY IN WHICH GOVERNMENT ASSUMES DIVINE RIGHT OVER THE FREE ENTERPRISE SYSTEM.

-2-

## ENDING REGULATORY DICTATORSHIP

THE FIRST STEP TOWARD ECONOMIC AND INDIVIDUAL FREEDOM IS AN ECONOMY WHERE PRODUCTIVITY IS ENCOURAGED INSTEAD OF STRANGLLED. SADLY, THE FEDERAL GOVERNMENT HAS LONG SINCE PASSED THE STAGE OF IMPARTIAL REFEREE BETWEEN BUSINESS AND CONSUMER. TODAY, OVER 80 REGULATORY AGENCIES AND MORE THAN 100,000 FEDERAL WORKERS HAVE AS THEIR SOLE FUNCTION TELLING OTHER AMERICANS WHAT GOVERNMENT HAS SAID THEY CANNOT DO. THE OFFICE OF MANAGEMENT AND BUDGET HAS ESTIMATED THE COST OF SUCH REGULATION AS HIGH AS \$130 BILLION--ROUGHLY EQUAL TO \$2,000 FOR EVERY AMERICAN FAMILY. THAT'S ENOUGH TO PROVIDE EVERY AMERICAN WITH A YEAR'S SUPPLY OF FREE GROCERIES.

-3-

AND, OF COURSE, THERE'S A HIDDEN PRICE AS WELL. BECAUSE THAT \$130 BILLION IS WITHHELD FROM INVESTMENT, AND BECAUSE INFLATION UNDERMINES THE PLANS OF PRIVATE INDUSTRY TO MODERNIZE ITS PLANT AND EQUIPMENT, THE RATE OF PRODUCTIVITY IN THIS COUNTRY HAS SLOWED TO A HALT. THAT MEANS FEWER JOBS. IT MEANS AN ECONOMY THAT MOVES IN FITS. IT MEANS THAT YOU PAY THE PRICE FOR REGULATION, AND FOR THE INFLATION IT PROMOTES.

NOW, NO ONE WOULD SUGGEST THAT WE ABANDON ALL REGULATION, THAT WE INVITE THE SHODDY OR UNSAFE PRODUCT ON THE MARKET, THAT WE OVERLOOK UNCLEAR AIR OR POLLUTED WATER.

-4-

BUT CAN'T WE FIND MORE PRODUCTIVE WAYS OF POLICING FREE ENTERPRISE? WHY CAN'T WE TRY INCENTIVES, SUCH AS TAX RELIEF FOR SOCIALLY RESPONSIBLE COMPANIES, IN LIEU OF THE CURRENT TOP-HEAVY AND ALL TOO OFTEN COUNTERPRODUCTIVE REGULATORY MACHINERY?

#### A NEW HOOVER COMMISSION

IT'S NOT ENOUGH JUST TO CRITICIZE REGULATION. SOMETHING MUST BE DONE TO REDUCE IT. I'VE SUGGESTED A NEW HOOVER COMMISSION, PATTERNED ON THE TWO CREATED AFTER WORLD WAR II, WHICH TOGETHER SAVED AMERICAN TAXPAYERS BETWEEN \$8 AND \$12 BILLION IN NEEDLESS BUREAUCRACY.

-5-

SUCH A COMMISSION WOULD BE EMPOWERED TO INVESTIGATE AND RECOMMEND CHANGES IN THE BEWILDERING ARRAY OF BOARDS, COMMISSIONS, COMMITTEES, BLUE RIBBON PANELS AND JUST PLAIN BOONDOGGLES THAT CURRENTLY PASS FOR A REGULATORY SYSTEM IN AMERICA. AND TO HEAD SUCH A COMMISSION, I HAVE PROPOSED ONE MAN WHO CARRIES THE UNIQUE PRESTIGE AND INFLUENCE ACCORDED PRESIDENT HOOVER IN 1947. I WAS HONORED TO RUN WITH GERALD FORD IN 1976, AND I CAN TELL YOU FROM INTIMATE KNOWLEDGE THAT NO ONE WOULD MAKE A FINER LEADER FOR THIS CAMPAIGN AGAINST THE BUREAUCRATIC CRUSADERS.

#### A MANDATED BALANCED BUDGET

IF REGULATION CAN BE REGULATED, THEN SO CAN THE FEDERAL BUDGET. I'VE INTRODUCED A PROPOSAL THAT WOULD MANDATE A BALANCED BUDGET AND RESPONSIBLY REDUCE FEDERAL SPENDING TO 18 PERCENT OF THE GNP. MY APPROACH WOULD ALLOW FOR FLEXIBILITY--FOR AN UNBALANCED BUDGET, IF NECESSARY, IN FOUR OUT OF EVERY NINE YEARS.

-6-

IT WOULD ALSO PERMIT SPENDING TO RISE ABOVE THIS 18 PERCENT LIMIT IF 2/3 OF THE CONGRESS WERE WILLING TO VOTE FOR SUCH A RISE. NEEDLESS TO SAY, IN TIMES OF NATIONAL EMERGENCY, WHETHER MILITARY OR ECONOMIC, THE FEDERAL BUDGET WOULD NOT BE TRAPPED BY UNREALISTIC DEMANDS.

SUCH AN APPROACH WOULD SET FORTH, ONCE AND FOR ALL, THE POLICY OF THE AMERICAN GOVERNMENT NOT TO BURDEN GENERATIONS YET UNBORN WITH A HEAVY LOAD OF DEBT SERVICE, NOR WEAKEN THE DOMESTIC ECONOMY BY DRAWING OFF CAPITAL AND UNDERMINING THE DOLLAR AT HOME AND ABROAD.

-7-

I PREFER TO SEE MY IDEA ADOPTED BY TRADITIONAL MEANS. BUT IF THE CONGRESS IS UNWILLING TO ACCEPT WHAT THE AMERICAN PEOPLE WANT, I CANNOT HIDE BEHIND LEGALISTIC FEARS ABOUT THE POSSIBLE PROBLEMS OF A CONSTITUTIONAL CONVENTION. TO DO SO WOULD BE A TRIUMPH OF TIMIDITY OVER COURAGE. IT WOULD BE DISHONEST POLITICS AND DANGEROUS ECONOMICS.

ALREADY, 29 STATES HAVE CALLED FOR SUCH A CONVENTION. THEY KNOW AS I KNOW THAT OFFICIAL WASHINGTON IS ON THE EDGE OF PANIC, DESPERATE TO HEAD OFF SUCH FUNDAMENTAL REFORM OF THE WAY WE OVERSEE OUR ECONOMY. THE ARGUMENTS ARE, BY NOW, FAMILIAR ONES--A CONVENTION MIGHT RUN AMUCK, A CONVENTION MIGHT PROVE TO BE AN EXCUSE TO "DISMANTLE" THE CONSTITUTION. THE CRITICS TELL US THAT THERE AREN'T ANY WASHINGTONS AROUND, NO MADISONS NOR HAMILTONS TO GIVE VOICE TO INTELLECTUAL IMPULSES. EVEN THE BILL OF RIGHTS MIGHT BE ENDANGERED, THE SCAREMONGERS TELL US.

-8-

WELL, I, UNLIKE SOME OTHERS, STILL RETAIN MY FAITH IN THE PEOPLE TO MAKE INTELLIGENT DECISIONS REGARDING SELF-GOVERNMENT. LEST WE FORGET, THIS IS STILL A DEMOCRACY; WHEN GOVERNMENT NEEDS TO BE REFORMED, WHO ELSE IS TO DO IT IF THE CONGRESS REFUSES? MOREOVER, LET'S NOT FORGET THAT ANY AMENDMENT VOTED BY ANY CONVENTION WOULD REQUIRE APPROVAL FROM 38 STATE LEGISLATURE--A PRETTY FAIR SAFEGUARD AGAINST RADICAL REVISION OR ANY THREAT TO CIVIL LIBERTIES.

WHAT YOU'RE HEARING FROM CRITICS OF A CONVENTION IS NOT JUST HONEST FEAR--IN MANY CASES, IT'S OUTRIGHT PANIC AT THE THOUGHT OF THE PEOPLE TAKING BACK THEIR OWN GOVERNMENT. SO TO ALL MY COLLEAGUES I SAY:



-9-

IF THERE ARE PROBLEMS WITH A CONVENTION, LET'S SOLVE THEM. BUT, WHATEVER WE DO, LET'S NOT BE AFRAID TO PROPOSE A NEW OR UNUSUAL SOLUTION TO AN OLD AND DEADLY PROBLEM. NOTHING ELSE WOULD DO AS MUCH TO PROMOTE A REBIRTH OF THE PRIVATE SECTOR AND JOBS THAT ARE NOT CREATED IN CONGRESSIONAL HEARING ROOMS BUT BECAUSE A STRONG AND EXPANDING ECONOMY REQUIRES THEM. CURRENTLY, EVERY STATE BUT TWO, VERMONT AND CONNECTICUT, IS REQUIRED BY LAW TO BALANCE ITS BUDGET. THE STATES MANAGE THIS BY THE SIMPLE EXPEDIENT OF SELF-DISCIPLINE. SUCH AN APPROACH IS LONG OVERDUE AT THE FEDERAL LEVEL AS WELL.

#### THE 1978 REVENUE ACT

EVEN A BALANCED BUDGET IS NOT, OF ITSELF, ANY GUARANTEE OF A HEALTHY ECONOMY. AS RANKING MINORITY MEMBER ON THE SENATE FINANCE COMMITTEE, I'VE TAKEN A SPECIAL INTEREST IN THE COMPLEX AND INTERLOCKING RELATIONSHIP OF TAX POLICY TO CAPITAL FORMATION AND ECONOMIC DEVELOPMENT. BECAUSE I HAPPEN TO BELIEVE IN FREE ENTERPRISE AS MORE THAN A MERE SLOGAN, I AM ENCOURAGED AT THE SHIFT TOWARD ECONOMIC RESPONSIBILITY THAT MARKS THE 1978 REVENUE ACT.

-10-

I HOPE ITS INCENTIVES FOR BUSINESS EXPANSION MAY SET A TREND FOR THE FUTURE; THE REDUCTIONS WE VOTED IN BOTH THE CORPORATE TAX RATE AND IN CAPITAL GAINS WERE VITAL FIRST STEPS TOWARD REVERSING THE DECLINE OF AMERICAN PRODUCTIVITY, WHICH IN ITSELF FORMS A MAJOR REASON FOR THE CURRENT INFLATIONARY SPIRAL.

UNTIL WE SPUR PRIVATE INVESTMENT, UNTIL WE ACCEPT THE RESPONSIBILITY OF FEDERAL TAX POLICY TO ENCOURAGE RESEARCH AND DEVELOPMENT, PLANT MODERNIZATION AND JOB EXPANSION, THEN WASHINGTON'S APPROACH TO THE ECONOMY WILL REMAIN LITTLE MORE THAN A WARMED OVER NEW DEAL. AND THAT IS PRECISELY THE APPROACH THE AMERICAN PEOPLE HAVE GROWN WEARY OF.

-11-

A PROPOSAL FOR SOCIAL SECURITY REFORM

I AM ALSO INTRODUCING IN THIS SESSION OF CONGRESS LEGISLATION WHICH WOULD ROLL BACK THE SOCIAL SECURITY TAX RATE TO ITS 1978 LEVEL. EQUALLY IMPORTANT, IT WOULD ROLL BACK THE WAGE BASE ON WHICH TAXES ARE ASSESSED TO THE 1979 LEVEL. THIS MEANS THAT SOCIAL SECURITY TAXES WOULD BE LEVIED ON \$22,900 INSTEAD OF \$25,000. THIS IS NO WASHINGTON SLEIGHT OF HAND: BY ADOPTING JUDICIOUS POLICIES WITH REGARD TO EXISTING FUNDS, AND BY SHIFTING A SMALL PORTION OF THE TAX FROM THE HEALTHY HOSPITAL INSURANCE FUND TO THE LESS HEALTHY OLD AGE, SURVIVORS, AND DISABILITY INSURANCE FUND, WE CAN INSURE THE BASIC VITALITY OF THE NATION'S SOCIAL SECURITY SYSTEM.

IN THE DECADE OF THE EIGHTIES, SUCH A PROPOSAL COULD SAVE OVER \$133 BILLION IN TAXES--WITHOUT FOR A MOMENT POSING ANY THREAT TO THE SOLVENCY OF THE TRUST FUNDS. IT WOULD ATTACK INFLATION AT ITS ROOTS, WHILE PROVIDING AMERICAN WORKERS WITH UP TO \$200 IN SAVINGS IN 1980 ALONE.

-12-

THE SIGNIFICANCE OF SUCH A SAVING TO ECONOMIC GROWTH SHOULD BE OBVIOUS. HOPEFULLY, IT WILL BE OBVIOUS ENOUGH TO THE CONGRESS TO WIN CONGRESSIONAL APPROVAL THIS YEAR.

THE NEED FOR CAPITAL FORMATION

I ALSO ANTICIPATE THAT THE COMMITTEE WILL BE WORKING ON SEVERAL INITIATIVES TO HELP CAPITAL FORMATION. ON THE DRAWING BOARDS ARE PROPOSALS TO LIBERALIZE DEPRECIATION RULES AND TO PROVIDE TAX CREDITS OR OTHER INCENTIVES FOR RESEARCH AND DEVELOPMENT EXPENSES. I SUPPORT SUCH INCENTIVES STRONGLY AS ONE WAY TO FOLLOW UP ON LAST YEAR'S BEGINNINGS. IN ADDITION, WE WILL BE TAKING A LOOK AT ERISA.

-13-

ENACTMENT OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974 HAS CONTRIBUTED TO THE INSTABILITY OF MANY QUALIFIED PENSION PLANS. UNDER ERISA, AN INDIVIDUAL IS ALLOWED A TAX DEDUCTION FOR CONTRIBUTIONS TO AN INDIVIDUAL RETIREMENT ACCOUNT. HOWEVER, THE 1974 LAW FAILED TO PERMIT A DEDUCTION FOR AN EMPLOYEE CONTRIBUTION TO A QUALIFIED PLAN. THIS DISPARITY HAS RESULTED IN A DROP OF EMPLOYEE PARTICIPATION IN PRIVATE PENSION PLANS.

UNDER CURRENT LAW, AN INDIVIDUAL WHO IS ENTITLED TO MAKE A DEDUCTIBLE CONTRIBUTION TO AN INDIVIDUAL RETIREMENT ACCOUNT MAY GENERALLY MAKE A CONTRIBUTION UP TO THE LESSER OF \$1,500 OR 15 PERCENT OF COMPENSATION FOR THE YEAR. THE INDIVIDUAL MAY NOT MAKE A DEDUCTIBLE CONTRIBUTION TO AN IRA IF THE INDIVIDUAL IS AN ACTIVE PARTICIPANT DURING ANY PART OF THE TAX YEAR IN A QUALIFIED PLAN, A TAX-DEFERRED ANNUITY MAINTAINED BY A TAX-EXEMPT INSTITUTION, OR A GOVERNMENTAL PLAN.

-14-

AS A RESULT OF THE LAW, AN ACTIVE PARTICIPANT IN SUCH A PLAN MAY NOT MAKE A DEDUCTIBLE IRA CONTRIBUTION EVEN THOUGH THE EMPLOYER'S CONTRIBUTION ON BEHALF OF THE INDIVIDUAL IS SMALL, OR THE INDIVIDUAL MIGHT NEVER INVEST IN A RETIREMENT BENEFIT BECAUSE OF FREQUENT CHANGES IN EMPLOYMENT.

THE INITIATIVE WHICH I HAVE INTRODUCED IS SIMILAR TO A PROVISION WHICH I SPONSORED AS PART OF THE SENATE-PASSED REVENUE ACT OF 1978. ALTHOUGH THE SECTION WAS DELETED IN CONFERENCE, THE SUPPORT FOR THE MEASURE REMAINS STRONG. ESSENTIALLY, MY BILL ALLOWS AN EMPLOYEE WHO PARTICIPATES IN A PLAN MAINTAINED BY THE EMPLOYER TO DEDUCT CONTRIBUTIONS TO EITHER THE PLAN OR CONTRIBUTIONS TO AN IRA. THE CONTRIBUTION IS LIMITED TO THE LESSER OF 10 PERCENT OF COMPENSATION OR \$1,000.

-15-

ANOTHER POSSIBLE TOPIC FOR COMMITTEE CONSIDERATION IS THE PRESIDENT'S SO-CALLED REAL WAGE INSURANCE PROGRAM, ABOUT WHICH I HAVE SERIOUS RESERVATIONS. I DOUBT THAT IT WILL ACTUALLY INDUCE ANY EMPLOYEES TO KEEP THEIR SALARY INCREASES BELOW 7 PERCENT. IN ADDITION, THE COST OF THE PROGRAM AND ITS ADMINISTRATIVE DIFFICULTIES PUT A QUESTION MARK ON ITS OVERALL EFFECTIVENESS.

#### THE CHALLENGE AHEAD

ON ALL OF THESE ISSUES, NEITHER THE CONGRESS NOR THE ADMINISTRATION CAN HOPE TO LEAD WITHOUT THE INPUT OF EXPERTS LIKE YOURSELVES. YOU ARE THE CUTTING EDGE OF AMERICA'S TECHNOLOGICAL DOMINANCE, A DOMINANCE WHICH IN RECENT YEARS HAS FACED NEW AND OMINOUS CHALLENGES FROM NATIONS LIKE JAPAN, WEST GERMANY AND FRANCE. THOSE OF US WHO BELIEVE IN A STRONG AMERICA, BOTH MILITARILY AND ECONOMICALLY, RECOGNIZE THAT SUCH A GOAL IS IMPOSSIBLE WITHOUT AN EQUALLY DETERMINED COMMITMENT TO A HEALTHY AND EXPANDING TECHNOLOGY.

-16-

BUT NO AMOUNT OF AGREEMENT AMONG THE PEOPLE IN THIS ROOM WILL LEAD TO ECONOMIC RENEWAL--UNLESS WE PERSUADE THE AMERICAN PEOPLE THAT THEIR BEST INTERESTS ARE SERVED BY THE NEW ECONOMICS--THE ECONOMICS OF PRODUCTION OVER CONSUMPTION, OF A STRONG PRIVATE SECTOR IN PREFERENCE TO A DICTATORIAL PUBLIC ONE. RIGHT NOW, AMERICANS ARE WILLING TO EMBRACE SUCH A POLICY. THEY ARE AS DESIROUS AS YOU OF REDUCING INTRUSIVE GOVERNMENT.

IF WE HAVE A COMMON MISSION, IT IS TO CAPITALIZE ON THAT STILL VAGUE FEELING, TO HARDEN IT INTO CONVICTION, AND TO WRITE CONVICTION INTO LAW. THE ALTERNATIVE IS TOO PAINFUL TO CONSIDER.



REMARKS OF SENATOR BOB DOLE

COMPUTER AND COMMUNICATIONS INDUSTRY ASSOCIATION

Friday, March 9, 1979

Let me begin by telling you how pleased I am to have this opportunity to share a few of my ideas about the state of America's economy with you, the acknowledged experts. If there is anything we can all agree on, it is popular dissatisfaction with the way in which government assumes divine right over the free enterprise system.

ENDING REGULATORY DICTATORSHIP

The first step toward economic and individual freedom is an economy where productivity is encouraged instead of strangled. Sadly, the federal government has long since passed the stage of impartial referee between business and consumer. Today, over 80 regulatory agencies and more than 100,000 federal workers have as their sole function telling other Americans what government has said they cannot do. The Office of Management and Budget has estimated the cost of such regulation as high as \$130 billion--roughly equal to \$2,000 for every American family. That's enough to provide every American with a year's supply of free groceries.

And of course, there's a hidden price as well. Because that \$130 billion is withheld from investment, and because inflation undermines the plans of private industry to modernize its plant and equipment, the rate of productivity in this country has slowed to a halt. That means fewer jobs. It means an economy that moves in fits. It means that you pay the price for regulation, and for the inflation it promotes.

Now, no one would suggest that we abandon all regulation, that we invite the shoddy or unsafe product on the market, that we overlook unclean air or polluted water.

But can't we find more productive ways of policing free enterprise? Why can't we try incentives, such as tax relief for socially responsible companies, in lieu of the current top-heavy and all too often counterproductive regulatory machinery?

A NEW HOOVER COMMISSION

It's not enough just to criticize regulation. Something must be done to reduce it. I've suggested a new Hoover Commission, patterned on the two created after World War II, which together saved American taxpayers between \$8 and \$12 billion in needless bureaucracy.

Such a commission would be empowered to investigate and recommend changes in the bewildering array of boards, commission, committees, blue ribbon panels and just plain boondoggles that currently pass for a regulatory system in America. And to head such a commission, I have proposed one man who carries the unique prestige and influence accorded President Hoover in 1947. I was honored to run with Gerald Ford in 1976, and I can tell you from intimate knowledge that no one would make a finer leader for this campaign against the bureaucratic crusaders.

A MANDATED BALANCED BUDGET

If regulation can be regulated, then so can the federal budget. I've introduced a proposal that would mandate a balanced budget and responsibly reduce federal spending to 18 percent of the GNP. My approach would allow for flexibility--for an unbalanced budget, if necessary, in four out of every nine years.

It would also permit spending to rise above this 18 percent limit if 2/3 of the Congress were willing to vote for such a rise. Needless to say, in times of national emergency, whether military or economic, the federal budget would not be trapped by unrealistic demands.

Such an approach would set forth, once and for all, the policy of the American government not

-2-

to burden generations yet unborn with a heavy load of debt service, nor weaken the domestic economy by drawing off capital and undermining the dollar at home and abroad.

I prefer to see my idea adopted by traditional means. But if the Congress is unwilling to accept what the American people want, I cannot hide behind legalistic fears about the possible problems of a Constitutional Convention. To do so would be a triumph of timidity over courage. It would be dishonest politics and dangerous economics.

Already, 29 states have called for such a convention. They know as I know that official Washington is on the edge of panic, desperate to head off such fundamental reform of the way we oversee our economy. The arguments are, by now, familiar ones--a convention might run amuck, a convention might prove to be an excuse to "dismantle" the Constitution. The critics tell us that there aren't any Washingtons around, no Madisons nor Hamiltons to give voice to intellectual impulses. Even the Bill of Rights might be endangered, the scaremongers tell us.

Well, I, unlike some others, still retain my faith in the people to make intelligent decisions regarding self-government. Lest we forget, this is still a democracy; when government needs to be reformed, who else is to do it if the Congress refuses? Moreover, let's not forget that any amendment voted by a convention would require approval from 38 state legislatures--a pretty fair safeguard against radical revision or any threat to civil liberties.

What you're hearing from critics of a convention is not just honest fear--in many cases, it's outright panic at the thought of the people taking back their own government. So to all my colleagues I say:

If there are problems with a Convention, let's solve them. But, whatever we do, let's not be afraid to propose a new or unusual solution to an old and deadly problem. Nothing else would do as much to promote a rebirth of the private sector and jobs that are not created in Congressional hearing rooms but because a strong and expanding economy requires them.

#### THE 1978 REVENUE ACT

As ranking minority member on the Senate Finance Committee, I've taken a special interest in the complex and interlocking relationship of tax policy to capital formation and economic development. Because I happen to believe in free enterprise as more than a mere slogan, I am encouraged at the shift toward economic responsibility that marks the 1978 Revenue Act. I hope its incentives for business expansion may set a trend for the future: the reductions we voted in both the corporate tax rate and in capital gains were vital first steps toward reversing the decline of American productivity, which in itself forms a major reason for the current inflationary spiral.

#### A PROPOSAL FOR SOCIAL SECURITY REFORM

I am also introducing in this session of Congress legislation which would roll back the Social Security tax rate to its 1978 level. Equally important, it would roll back the wage base on which taxes are assessed to the 1979 level. This means that Social Security taxes would be levied on \$22,900 instead of \$25,000. This is no Washington sleight of hand: by adopting judicious policies with regard to existing funds, and by shifting a small portion of the tax from the healthy hospital insurance fund to the less healthy old age, survivors, and disability insurance fund, we can insure the basic vitality of the nation's Social Security system.

In the decade of the eighties, such a proposal could save over \$133 billion in taxes--without for a moment posing any threat to the solvency of the trust funds. It would attack inflation at its roots, while providing American workers with up to \$200 in savings alone in 1980.

#### THE NEED FOR CAPITAL FORMATION

I also anticipate that the committee will be working on several initiatives to help capital formation. On the drawing boards are proposals to liberalize depreciation rules and to provide tax credits or other incentives for research and development expenses. I support such incentives strongly as one way to follow up on last year's beginnings. In addition, we will be taking a look at ERISA.

Enactment of the Employee Retirement Income Security Act of 1974 has contributed to the instability of many qualified pension plans. Under ERISA, an individual is allowed a tax deduction for contributions to an Individual Retirement Account. However, the 1974 law failed to permit a deduction for an employee contribution to a qualified plan. This disparity has resulted in a drop of employee participation in private pension plans.

The initiative which I have introduced is similar to a provision which I sponsored as part of the Senate-passed Revenue Act of 1978. Although the section was deleted in conference, the support for the measure remains strong. Essentially, my bill allows an employee who participates in a plan maintained by the employer to deduct contributions to either the plan or contributions

-3-

to either the plan or contributions to an IRA. The contribution is limited to the lesser of 10 percent of compensation or \$1,000.

Another possible topic for committee consideration is the President's so-called Real Wage Insurance Program, about which I have serious reservations. I doubt that it will actually induce any employees to keep their salary increases below 7 percent. In addition, the cost of the program and its administrative difficulties put a question mark on its overall effectiveness.

#### THE CHALLENGE AHEAD

On all of these issues, neither the Congress nor the administration can hope to lead without the input of experts like yourselves. You are the cutting edge of America's technological dominance, a dominance which in recent years has faced new and ominous challenges from nations like Japan, West Germany, and France. Those of us who believe in a strong America, both militarily and economically, recognize that such a goal is impossible without an equally determined commitment to a healthy and expanding technology.

But no amount of agreement among the people in this room will lead to economic renewal--unless we persuade the American people that their best interests are served by the new economics--the economics of production over consumption, of a strong private sector in preference to a dictatorial public one. Right now, Americans are willing to embrace such a policy. They are as desirous as you of reducing intrusive government.

If we have a common mission, it is to capitalize on that still vague feeling, to harden it into conviction, and to write conviction into law. The alternative is too painful to consider.

--30--