

REMARKS OF SENATOR BOB DOLE
U.S. CHAMBER OF COMMERCE
TUESDAY, JUNE 12, 1979
WASHINGTON, D.C.

A YEAR HAS PASSED SINCE THE PEOPLE OF CALIFORNIA SIGNALLED THEIR UNWILLINGNESS TO ASSUME THE ROLE OF BOTTOMLESS WELL TO GOVERNMENT'S UNSLAKEABLE THIRST. PROPOSITION 13 WAS HAILED AS THE CUTTING EDGE OF A TAXPAYER REVOLT SURE TO SWEEP EAST, FINALLY ENGULFING EVEN THIS TAX-HUNGRY CITY. AND THERE WERE SOME BENEFICIAL REPERCUSSIONS, EVEN IN THE HALLS OF CONGRESS.

A TAX CUT, FAR TOO SMALL YET BETTER THAN NOTHING, REDUCED THE MAXIMUM BUSINESS RATE FROM 48 TO 46 PERCENT AND CUT SOME INDIVIDUAL RATES AS WELL. AND A GRASSROOTS MOVEMENT AIMED AT WRITING INTO THE CONSTITUTION SAFEGUARDS AGAINST DEFICIT SPENDING ACHIEVED SUCCESS IN 30 STATES, ONLY TO STALL IN THE FACE OF HEAVY PRESSURE FROM EVERY SPECIAL INTEREST GROUP THIS SIDE OF THE D.A.R.

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THE RECORD IS, AT BEST, MIXED. BUT THE NEED TO FUNDAMENTALLY ALTER THE RELATIONSHIP OF GOVERNMENT TO PRIVATE PRODUCTIVITY REMAINS AS GREAT AS EVER. MORE IMPORTANT, IN THE FACE OF A 13 PERCENT INFLATION RATE AND A FIRST QUARTER PRODUCTIVITY RATE THAT ACTUALLY DECLINED BY MORE THAN 4 PERCENT, THE DANGER OF PERMANENT STAGFLATION IS BOTH CLEAR AND PRESENT.

AND SO, TO THOSE WHO WANT TO REDUCE BOTH GOVERNMENT SPENDING AND TAXATION, WHO WISH TO RENEW OUR FAITH IN INCENTIVE AND PROFIT AS SOLUTIONS TO MANY OF OUR SOCIAL AND ECONOMIC DILEMMAS. I SAY--TAKE HEART. WE HAVE A MAJORITY OF THE AMERICAN PEOPLE ON OUR SIDE. NOW WE MUST CONVINCING THEM THAT SPECIFIC PROPOSALS TO REINVIGORATE THE FREE ENTERPRISE SYSTEM OUGHT TO BE PASSED THIS YEAR. FINALLY, WE MUST CHANNEL OUR FRUSTRATION, AND THEIRS, INTO CONSTRUCTIVE PRESSURE UPON THE CONGRESS AND WHITE HOUSE.

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IT IS, INDEED, A TIME FOR CHANGE. WE HAVE THE POTENTIAL TO POINT AMERICA'S DIRECTION FOR YEARS TO COME.

COMING TO TERMS WITH INFLATION

MY ECONOMIC PRESCRIPTION FOR AMERICA HAS THREE PARTS: I DON'T PROPOSE ANY SLIGHT OF HAND: SIMPLE COMMONSENSE AND BASIC ECONOMICS ARE WHAT WE NEED NOW.

THE FIRST, AND I BELIEVE MOST IMPORTANT, STEP THAT CONGRESS CAN TAKE IN ITS FIGHT AGAINST INFLATION, IS A REFORM OF FISCAL POLICY. IN 19 OF THE LAST 20 YEARS, THE FEDERAL BUDGET HAS BEEN IN A DEFICIT SITUATION. THERE HASN'T BEEN A BALANCED BUDGET IN THE LAST DECADE. INTEREST ALONE ON THE NATIONAL DEBT WILL HIT \$60 BILLION THIS YEAR.

MANDATING A BALANCED BUDGET

MANY OF YOU KNOW THAT I AM A SUPPORTER OF A CONSTITUTIONAL AMENDMENT TO REQUIRE A BALANCED FEDERAL BUDGET. IN 1978, I INTRODUCED A RESOLUTION TO REQUIRE A BALANCED BUDGET UNLESS TWO-THIRDS OF THE CONGRESS SUPPORTS A DEFICIT. I INTRODUCED IT AGAIN THIS YEAR. SUCH A PROPOSAL IS NOT A "QUICK FIX" AS SOME HAVE ALLEGED. RATHER, IT REPRESENTS A FUNDAMENTAL CHANGE IN OUR ECONOMIC POLICY NECESSITATED BY WHAT I CONSIDER TO BE AN EQUALLY FUNDAMENTAL CHANGE IN OUR POLITICAL SYSTEM. STATED FRANKLY, THE INFLUENCE OF SPECIAL INTEREST GROUPS IN WASHINGTON IN RECENT YEARS HAS SHIFTED THE BALANCE OF POWER IN FAVOR OF SPENDING AND AWAY FROM FISCAL RESTRAINT. I USE THE TERM "SPECIAL INTEREST GROUPS" TO REFER TO THE CONGLOMERATION OF GROUPS REPRESENTING BOTH INCREASED SOCIAL PROGRAMS AND INCREASED BUSINESS SUBSIDIES. A CONSTITUTIONAL AMENDMENT WILL HELP TO RIGHT THE CURRENT IMBALANCE. IT WILL HELP CONGRESSMEN SAY NO TO THOSE WHO WANT FEDERAL PROGRAMS INCREASED.

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REFORMING THE TAX SYSTEM

AS RANKING REPUBLICAN ON THE SENATE FINANCE COMMITTEE, IT WILL COME AS NO SURPRISE THAT THE SECOND ELEMENT OF MY FISCAL POLICY CONCERNS FEDERAL TAXATION. TAX POLICY IN THIS COUNTRY HAS TENDED, IN RECENT YEARS, TO ENCOURAGE CONSUMPTION AND DISCOURAGE INVESTMENT, SAVINGS, AND CAPITAL FORMATION. AMONG MAJOR INDUSTRIALIZED NATIONS, THE UNITED STATES RANKS LAST IN SAVINGS AS A PERCENT OF INCOME, LAST IN FIXED INVESTMENT AS A PERCENT OF GNP AND LAST IN PRODUCTIVITY GROWTH. THIS IS NO ACCIDENT AND IT IS NOT CAUSED BY THE PROFLIGACY OF OUR CITIZENS. IT IS, RATHER, A RESULT OF TAX POLICY.

CAPITAL NEEDED FOR INVESTMENT IS ERODED BECAUSE OUR TAX SYSTEM DOES NOT RECOGNIZE INFLATION-CAUSED UNDER-DEPRECIATION OF ASSETS. IT MAKES NO SENSE TO DEPRECIATE ASSETS AT A PRICE THAT IS ONLY A FRACTION OF THEIR REPLACEMENT COST. INVESTMENT IS DISCOURAGED IN OTHER WAYS ALSO. FOR EXAMPLE, DIVIDENDS ARE TAXED TWICE IN OUR SYSTEM--ONCE AS PROFIT TO THE CORPORATION AND AGAIN AS INCOME TO THE RECIPIENT.

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INVESTMENT IS FURTHER STIFLED BY POLICIES WHICH DISCOURAGE SAVINGS. TAXING ALL INTEREST EARNED ON SAVINGS ACCOUNTS IN THESE TIMES OF HIGH INFLATION MEANS THAT A PERSON WILL ACTUALLY LOSE REAL MONEY IN PLACING HIS SAVINGS IN A BANK.

ONE TAX REFORM THAT I'M STRONGLY PUSHING FOR IS TAX INDEXING, A CONCEPT WHICH WOULD REPLACE MUCH TRUMPETED "TAX CUTS"--WHICH ONLY SEEM TO HAPPEN IN ELECTION YEARS AND WHICH BARELY KEEP PACE WITH INFLATION--WITH A FAIRER SYSTEM LINKING THE TAX RATE WITH THE CONSUMER PRICE INDEX. UNDER PRESENT LAW, WHEN INFLATION PUSHES YOU INTO A HIGHER BRACKET, YOU FIND MOST OF YOUR RAISE WIPED OUT. I WANT TO CHANGE THAT, FREEING THE TAX SYSTEM OF WHAT IS COMMONLY KNOWN AS "BRACKET CREEP".

I WANT TO FOLLOW UP ON LAST YEAR'S CORPORATE AND PERSONAL TAX CUTS. I THINK BOTH CAN AND SHOULD BE CUT FURTHER. I WANT ADDITIONAL TAX CREDITS FOR RESEARCH AND DEVELOPMENT, PARTICULARLY IN THE CRITICAL FIELD OF ENERGY, WHERE A DECLINE IN AMERICAN TECHNOLOGICAL SUPERIORITY IS MOST THREATENING.

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ONE WAY TO ADDRESS THE CAPITAL SHORTAGE IN THIS COUNTRY IS TO ALTER THE DEPRECIATION RULES. IN TIMES OF INFLATION, HISTORICAL COST DEPRECIATION IS GROSSLY UNDERSTATED. IN FACT, REPLACEMENT COSTS ARE SKYROCKETING.

ACCORDING TO STUDIES DONE ON CAPITAL FORMATION, INEFFICIENT AND INADEQUATE DEPRECIATION SCHEDULES HAVE RESULTED IN BUSINESSES OVERSTATING INCOME BY MORE THAN \$20 BILLION A YEAR. IN ADDITION, GOVERNMENT REGULATION AND MANDATED EQUIPMENT, SUCH AS POLLUTION CONTROL EQUIPMENT, HAVE SEVERELY ADDED TO THE COST OF DOING BUSINESS. CHANGING THE DEPRECIATION RULES AS SOON AS POSSIBLE WILL INCREASE PRODUCTIVITY, THE SAVINGS RATE AND CASH FLOW. IT IS UNLIKELY THAT CONGRESS WILL ACT THIS YEAR; YET IT IS MY HOPE THAT DEPRECIATION WILL RECEIVE AS MUCH ATTENTION IN 1980 AS CAPITAL GAINS DID IN 1978.

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I ALSO WANT TO PUSH AHEAD WITH AN ENERGY POLICY THAT REWARDS PRODUCTION WITHOUT PUNISHING CONSUMERS.

BY THIS, I MEAN MORE EMPHASIS ON FUELS WE ALREADY HAVE, SUCH AS COAL, AND GREATER EFFORT AT DEVELOPING SO-CALLED ALTERNATIVE SOURCES OF ENERGY: SOLAR, GEOTHERMAL, NUCLEAR, THE WIND AND WAVES THEMSELVES. ONE REASON THAT PRESIDENT CARTER HAS HAD SUCH PROBLEMS IN CONVINCING THE CONGRESS AND THE AMERICAN PEOPLE TO BACK HIS ENERGY POLICY IS BECAUSE MOST DON'T BELIEVE HE HAS ANY POLICY. CONSERVATION AND A LONG LIST OF NEW TAXES DO NOT AN ENERGY POLICY MAKE.

THE KEY HERE, AS ACROSS THE DOMESTIC ECONOMY, LIES IN REVERSING GOVERNMENT'S PRESENT ATTITUDE TOWARD ECONOMIC EXPANSION, WHICH BORDERS ON CONTEMPT. AND THAT REQUIRES MORE THAN A SMILE AND GOOD INTENTIONS.

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AND LET ME SAY THIS: I SUPPORT DECONTROL, BUT I ALSO SUPPORT A FAIR PROFITS TAX THAT WOULD REQUIRE ENERGY COMPANIES TO PUT MUCH OF THEIR NEW INCOME INTO THE SEARCH FOR NEW OIL AND GAS. THE PEOPLE OF THIS COUNTRY, THE ONES WHO SPEND LONG HOURS IN GASOLINE LINES, WHO PAY EVER GREATER COSTS FOR WHAT, ONLY A FEW YEARS AGO, WAS CONSIDERED A CHEAP STAPLE--THOSE PEOPLE WILL NOT ACCEPT ANYTHING LESS THAN AN ALL-OUT EFFORT TO TURN DECONTROL INTO A MASSIVE SEARCH FOR NEW AND, HOPEFULLY, CHEAPER SOURCES OF ENERGY. AND I DON'T THINK THEY SHOULD.

REGULATING REGULATION

LET ME MENTION ONE OTHER PRIORITY OF MINE. I BELIEVE THAT WE MUST REDUCE THE RAPIDLY GROWING INVOLVEMENT OF THE FEDERAL GOVERNMENT IN THE AFFAIRS OF BUSINESS. GOVERNMENT'S EXPENDITURES FOR SUCH REGULATION INCREASED 55% FROM 1974 TO 1977. MEANWHILE, ECONOMISTS ESTIMATE THAT BUSINESS WILL SPEND \$98 BILLION ON COMPLIANCE WITH FEDERAL REGULATION THIS YEAR ALONE. THIS EXCESSIVE REGULATION IS MORE THAN ANNOYING. IT IS INFLATIONARY. IT REMOVES NEEDED INVESTMENT AND SUPPLANTS IT WITH LARGELY NON-PRODUCTIVE ACTIVITY.

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I AM NOT, OF COURSE, SUGGESTING THAT ALL FEDERAL REGULATION MUST BE ELIMINATED. MUCH--I AM CAREFUL NOT TO SAY MOST-- FEDERAL REGULATION SERVES A NECESSARY AND VALUABLE SERVICE. A LARGE PORTION, HOWEVER, IS UNNECESSARY AND SERVES NO USEFUL PURPOSE. SOME EVEN HAVE A DIRECTLY ANTICOMPETITIVE EFFECT. I BELIEVE THAT CONGRESS SHOULD REQUIRE ALL FEDERAL AGENCIES TO CONSIDER THE COST EFFECTIVENESS OF EVERY NEW AND EXISTING REGULATION. THOSE THAT DO NOT MEASURE UP MUST BE ELIMINATED.

CONCLUSION

FISCAL RESPONSIBILITY, TAX REFORM AND DEREGULATION WHEREVER POSSIBLE--THESE ARE THREE GIANT STEPS WHICH, TAKEN TOGETHER, WILL GO A LONG WAY TOWARD MAKING OUR ECONOMY WHAT IT ONCE WAS, A PARADISE FOR INDIVIDUAL GENIUS, AND THE ENVY OF THE REST OF THE WORLD.

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WE MAY YET SAY THAT WHAT HAPPENED IN CALIFORNIA A YEAR AGO THIS MONTH WAS THE START OF A NEW AMERICAN REVOLUTION. BUT THAT LIES LARGELY IN THE HANDS OF PEOPLE LIKE YOURSELF. MAKE YOUR VOICE HEARD, PRESENT YOUR ARGUMENTS COGENTLY AND RESPONSIBLY. THIS CONGRESS DOESN'T HAVE TO BE A DO-NOTHING CONGRESS. IT DOESN'T HAVE TO MARK TIME UNTIL 1980. I WANT TO EXTEND THE START WE MADE LAST YEAR, BY ENACTING THE MEASURES I'VE DISCUSSED WITH YOU THIS EVENING. I WANT TO DO MORE THAN THAT--I WANT TO TURN THE DISSATISFACTION OF THE AMERICAN PEOPLE INTO POSITIVE ACTION--I WANT NOTHING LESS THAN TO GIVE THEIR GOVERNMENT--AND THEIR HARD-EARNED DOLLARS--BACK TO THEM.

I HOPE YOU'LL WORK WITH ME.