

REMARKS OF SENATOR BOB DOLE
NEW ENGLAND REPUBLICAN CAUCUS

HYANNIS, MASS.

OCTOBER 27, 1979

IT'S A PLEASURE FOR ME TO BE WITH YOU TODAY. WE MEET AT A CRITICAL TIME IN THIS NATION'S FORTUNES, AT THE CLOSE OF AN OFTEN FRUSTRATING DECADE WHOSE FRUSTRATIONS COULD YET LEAD TO A RENEWAL OF AMERICAN PROSPERITY. CERTAINLY, THE IMMEDIATE OMENS AREN'T AUSPICIOUS. AN INFLATION RATE FOR THE FIRST HALF OF THIS YEAR OF OVER 13%, RECORD INTEREST RATES, CONTINUED FORECASTS OF RECESSION, A WEAKENED DOLLAR, A SAGGING STOCK MARKET -- NONE OF THESE AUGUR WELL FOR THE MONTHS AHEAD.

BUT BENEATH THE SURFACE PESSIMISM, I DETECT SIGNS OF HOPE. I SEE AN ENCOURAGING TREND DEVELOPING, ONE WHICH I BELIEVE WILL HAVE ENORMOUS IMPACT UPON NEXT YEAR'S PRESIDENTIAL CONTEST AND ULTIMATELY ON THE LIVES OF MOST AMERICANS.

AMERICA IS WAKING UP. SHE'S RECOGNIZING THAT AN ECONOMY DICTATED TO AND REGULATED BY GOVERNMENT CAN ALL TOO EASILY BECOME AN EXERCISE IN APPORTIONING SCARCITY. SHE IS REALIZING THAT TRUE SOCIAL JUSTICE MEANS A JOB AND A STAKE IN SOCIETY. SHE IS COMING ONCE AGAIN TO KNOW THAT WORDS LIKE INCENTIVE AND PROFIT ARE NOT TO BE AVOIDED IN POLITE CONVERSATION -- LET ALONE IN NATIONAL POLICY-MAKING.

NEXT YEAR, WE WILL CONFRONT A CHOICE AS CRUCIAL AS ANY IN RECENT TIMES. WE CAN COMPLETE WHAT HAS BEEN STARTED -- REVERSING THE FLOW OF ECONOMIC AUTHORITY TO WASHINGTON. WE CAN ATTACK INFLATION AT ITS ROOTS. WE CAN GIVE THE PRIVATE SECTOR THE TOOLS IT NEEDS TO SOLVE OUR ENERGY SHORTAGES AND CREATE THE NEW JOBS WE WILL NEED IF WE ARE TO KEEP PACE WITH OUR STANDARD OF LIVING.

OR, WE CAN TURN OUR BACK ON WHAT WE HAVE STARTED. WE CAN EMBRACE A MISGUIDED NOSTALGIA, TRYING TO RETURN TO ALLEGEDLY GOLDEN DAYS OF THE SIXTIES -- OR EVEN WORSE, TO THE SEPERATE CONTRIVANCES OF THE DEPRESSION-RIDDEN THIRTIES.

IT IS A CHOICE STARK IN ITS CONTRAST, AND PROFOUND IN ITS IMPLICATIONS FOR AMERICA'S FUTURE.

IT IS A CHOICE BETWEEN REGULATION AND PRODUCTION, BETWEEN ENCOURAGEMENT OF INDIVIDUAL GENIUS OR AN EQUAL SHARE OF SCARCITY. IT IS A CHOICE BETWEEN A FUTURE, BRIGHT WITH PROMISE, AND THE POLICIES THAT HAVE FAILED IN THE PAST.

I'VE BEEN WARNING MY FELLOW REPUBLICANS ABOUT A KENNEDY CANDIDACY FOR MONTHS. WHEN EVERYONE ELSE WAS TRAINING THEIR CRITICISM ON THE FAILURES OF THE CARTER ADMINISTRATION -- AND THERE'S BEEN PLENTY TO CRITICIZE -- I'VE BEEN LOOKING AT SENATOR KENNEDY'S RECORD. AND YOU KNOW WHAT I'VE FOUND?

AMERICA CAN'T AFFORD TED KENNEDY IN THE WHITE HOUSE. IF YOU THINK THAT INEXPERIENCE HAS PROVEN EXPENSIVE, JUST WAIT UNTIL YOU GET THE BILL FOR NOSTALGIA.

DOLE VS. KENNEDY - NO CLEARER CHOICE

I WANT TO ATTACK INFLATION AT ITS ROOTS, AND PASS A
CONSTITUTIONAL AMENDMENT TO CAP BOTH FEDERAL SPENDING
AND FEDERAL TAXATION.

BUT NOT SENATOR KENNEDY.

I WANT TO INDEX OUR TAX SYSTEM, SO THAT WHEN YOU GET A
RAISE, YOU KEEP A RAISE, AND GOVERNMENT DOESN'T INFLATE
THE ECONOMY SIMPLY TO RIP OFF MORE OF YOUR HARDEARNED
TAX DOLLARS.

BUT NOT SENATOR KENNEDY.

I WANT TO PASS NEW INCENTIVES FOR CAPITAL FORMATION, TO
ENCOURAGE HIRING OF THE POOR AND THE DISADVANTAGED, AND
GET OUR ECONOMY MOVING AGAIN TOWARD A LEVEL OF PRODUCTIVITY
CONSISTENT WITH OUR STANDING AS A GREAT NATION.

BUT NOT SENATOR KENNEDY.

I WANT AN ENERGY POLICY BASED ON PRODUCTION AS WELL AS CONSERVATION. THAT MEANS GREATER USE OF COAL AND SHALE OIL, CONTINUED USE OF A STRINGENTLY SAFEGUARDED NUCLEAR INDUSTRY, AND EXPANDED EXPLORATION FOR NEW OIL AND GAS THROUGH THE PRIVATE, NOT THE PUBLIC SECTOR. I WANT TO PASS A WINDFALL PROFITS TAX THAT WILL ENCOURAGE PRODUCTION, NOT SIMPLY PUNISH PRODUCERS.

BUT NOT SENATOR KENNEDY.

I WANT TO PASS A SYSTEM OF CATASTROPHIC HEALTH INSURANCE, SO MILLIONS OF MIDDLE CLASS AMERICANS WON'T HAVE TO WORRY ABOUT GOING BANKRUPT WHEN THEY GO INTO A HOSPITAL. I WANT TO STRUCTURE THAT SYSTEM SO THAT THE PRIVATE, NOT THE PUBLIC SECTOR, DELIVERS WHAT MOST AMERICANS REGARD AS THE FINEST HEALTH CARE IN THE WORLD.

BUT NOT SENATOR KENNEDY.

I WANT TO PASS A WELFARE REFORM PROGRAM THAT WOULD RELY UPON FEDERAL BLOCK GRANTS TO THE STATES THEMSELVES, CUTTING THE STRINGS THAT COST LOCAL GOVERNMENTS FIVE BILLION DOLLARS IN FEDERAL ASSISTANCE PROGRAMS LAST YEAR. BUT NOT SENATOR KENNEDY.

NOW THE GALLUP POLL IS POWERFUL MEDICINE. ITS SCENT LURES EVEN THE MOST DOCTRINAIRE OF WASHINGTON LIBERALS TOWARD ECONOMIC CONVERSION.

A FEW WEEKS AGO, THE NEW KENNEDY ADDRESSED BUSINESSMEN IN NEW YORK. HE TALKED ABOUT THE IMPORTANCE OF CAPITAL FORMATION -- BUT FAILED TO MENTION HE VOTED AGAINST LAST YEAR'S CAPITAL GAINS TAX CUT. HE SPOKE ABOUT PROTECTING THE MIDDLE CLASS -- WITHOUT MENTIONING HIS OPPOSITION TO TAX INDEXING. HE EMERGED AS A FULL-BLOWN FRIEND TO THE PRIVATE SECTOR -- BUT SOMEHOW FORGOT HIS CONTINUING CRUSADE TO ABOLISH PROPER BUSINESS TRAVEL AND EXPENSE DEDUCTIONS. SENATOR KENNEDY'S IDEA OF WORKING WITH THE PRIVATE SECTOR IS EMBODIED IN THE REGULATORY FIFTH WHEEL CALLED THE CONSUMER PROTECTION AGENCY.

IF WE LET TED KENNEDY BE ALL THE THINGS TO ALL PEOPLE,
WE'RE IN FOR MORE OF THE SAME FRUSTRATED EXPECTATIONS
THAT HAVE RELEGATED PRESIDENT CARTER TO IRRELEVANCY.

AN ECONOMY BASED ON PRODUCTION

WHAT WE NEED IN 1980 IS LEADERSHIP THAT COMBINES MORAL
AUTHORITY WITH POLITICAL EXPERIENCE -- AND A SENSE OF
UNEXPLOITED ECONOMIC POTENTIAL WAITING TO BE TAPPED.

PRIORITY #1 SHOULD BE AN ATTACK ON THE ROOTS OF INFLATION,
FOLLOWED BY STEPS TO INCREASE AMERICAN PRODUCTIVITY. I FAVOR
A CONSTITUTIONAL AMENDMENT TO CAP BOTH FEDERAL SPENDING
AND TAXING AT 18% OF THE GNP. THIS IS NO BUDGETARY STRAIGHT
JACKET. A SIMPLE VOTE BY 2/3 OF THE CONGRESS COULD PERMIT
A DEFICIT IN TIME OF SPECIAL NEED. BUT TO SETTLE FOR
ANYTHING LESS THAN SUCH AN AMENDMENT, IN THE FACE OF
GROWING SPECIAL INTEREST GROUP POWER, WEAKENED POLITICAL
PARTIES AND A MENTALITY THAT EQUATES A FEDERAL PRINTING
PRESS WITH A STRONG CURRENCY, WOULD ONLY ENCOURAGE THE
RELENTLESS TREND TOWARD CONCENTRATING COUNTERPRODUCTIVE
LEVELS OF THE NATIONAL WEALTH IN WASHINGTON.

SECOND, I BELIEVE REGULATORY REFORM MUST BE A MAJOR PRIORITY OF THE NEXT ADMINISTRATION. TODAY, OVER 100,000 PEOPLE WORKING IN 116 GOVERNMENT AGENCIES HAVE AS THEIR SOLE RESPONSIBILITY TELLING OTHER AMERICANS WHAT GOVERNMENT FORBIDS THEM TO DO. 56 AGENCIES EXIST TO REGULATE BUSINESS. THEIR EFFORTS ADD \$666 TO THE COST OF AN AVERAGE CAR, AND 15 TO \$2500 TO A NEW HOME'S PRICETAG.

I WANT TO REGULATE REGULATIONS. I WILL VERY SHORTLY INTRODUCE A REGULATORY REFORM PROPOSAL TO REQUIRE A COST-BENEFIT ANALYSIS ON EVERY RULE AND REGULATION THAT IS PROPOSED. I WOULD ALSO REQUIRE THAT PRIVATE MEANS OF ACHIEVING THE SAME OBJECTIVE BE FULLY EVALUATED, AND ALL PROPOSED REGULATIONS BE SUBMITTED TO JUDICIAL REVIEW, MAKING CERTAIN THAT PRIVATE SECTOR INPUT IS NOT OVERLOOKED.

SOME OF OUR BEST INTENTIONED LAWS ACTUALLY BOOMERANG AGAINST THOSE THEY'RE DESIGNED TO HELP. I BELIEVE WE SHOULD PUSH VIGOROUSLY FOR REPEAL OF THE DAVIS-BACON ACT WHICH MANDATES WAGES ON ALL FEDERAL CONSTRUCTION PROJECTS -- AND FOR MINIMUM WAGE DIFFERENTIALS, TO HALT A GROWING DISINCLINATION ON THE PART OF HARDPRESSED EMPLOYERS TO HIRE YOUNG PEOPLE AT WAGE LEVELS THAT CAN THREATEN THEIR OWN PROSPECTS FOR SURVIVAL.

NEXT, WE MUST OVERHAUL TAX POLICY IN AMERICA. TODAY, THAT POLICY DISCOURAGES BOTH INVESTMENT AND SAVINGS. AMONG MAJOR INDUSTRIALIZED NATIONS, THE U.S. RANKS LAST IN SAVINGS AS A PERCENTAGE OF INCOME. IT IS NO COINCIDENCE THAT WE ALSO TRAIL IN INVESTMENT AND PRODUCTIVITY.

LAST YEAR, WE TOOK AN IMPORTANT STEP FORWARD, ADOPTING THE CAPITAL GAINS REDUCTION THAT SENATOR KENNEDY URGED THE PRESIDENT TO VETO. LOOKING AHEAD, I WANT TO PASS A COMPREHENSIVE PACKAGE OF BUSINESS TAX CUTS TO REVERSE THE TREND TOWARD SLOWER BUSINESS GROWTH, FALLING RATES OF PRODUCTION, AND LAGGING RESEARCH AND DEVELOPMENT.

TO HELP INDIVIDUAL TAXPAYERS, I FAVOR:

- * A REDUCTION IN MARGINAL TAX RATES AT BOTH ENDS OF THE INDIVIDUAL SCALE.
- * AN INCREASE IN THE PERSONAL EXEMPTION BY \$250 FROM ITS PRESENT \$1000 TO \$1250.
- * AN INCREASE IN THE ZERO BRACKET AMOUNT TO GIVE ADDITIONAL INCENTIVES TO THE WORKING POOR.
- * AND MOST IMPORTANTLY, I WANT TO SEE OUR INCOME TAXES INDEXED IN ORDER TO SAFEGUARD A RAISE OR PROMOTION FROM INFLATION'S UNJUST PHENOMENON KNOWN AS "BRACKET CREEP."

I HAVE INTRODUCED LEGISLATION TO DO JUST THAT, ALONG WITH A BILL TO MAKE EVERY AMERICAN ELIGIBLE FOR AN INDIVIDUAL RETIREMENT ACCOUNT OF UP TO \$1500 A YEAR.

CARRYOVER BASIS

FINALLY, LET ME REFER TO A PROMISING INITIATIVE CONTAINED IN THE CURRENT WINDFALL PROFITS TAX. A FEW DAYS AGO, IN THE FACE OF ADMINISTRATION OPPOSITION, MY COLLEAGUES ON THE FINANCE COMMITTEE WENT ALONG WITH MY PROPOSAL TO REPEAL THE TAX PROVISION KNOWN AS CARRYOVER BASIS.

CARRYOVER BASIS WAS ENACTED AS PART OF THE 1976 TAX REFORM ACT. IT WAS DELAYED FROM IMPLEMENTATION BUT THAT MORATORIUM WAS SCHEDULED TO END NEXT JANUARY 1.

THE RESULTS WOULD HAVE BEEN CATASTROPHIC FOR THOUSANDS OF FARMERS AND SMALL BUSINESSMEN, WHO WOULD WIND UP PAYING A CAPITAL GAINS TAX ON THE INFLATED VALUE OF INHERITED PROPERTY. HEIRS ARE ALREADY SEVERELY PENALIZED BY ESTATE AND DEATH TAXES. ADDING A CAPITAL GAINS TAX, WHICH IS THE ESSENCE OF THE CARRYOVER BASIS RULE, IS SIMPLY INEXCUSABLE IN ANY SOCIETY THAT CLAIMS TO CARE ABOUT PRESERVING THE SMALL FARMER AND ENTREPRENEUR.

BUT NOW IT LOOKS AS IF WE WILL PREVAIL, AND CARRYOVER BASIS WILL FALL BY THE WAYSIDE. I CERTAINLY HOPE SO, AND I STRONGLY SOLICIT YOUR SUPPORT IN MAKING CERTAIN THAT THE HOUSE-SENATE CONFERENCE COMMITTEE RETAINS THE FINANCE COMMITTEE REPEAL.