This document is from the collections at the Dole Archives, University of Kansas
http://dolearchives.ku.edu

REMARKS OF SENATOR DOLE

HUTCHINSON CHAMBER OF COMMERCE

HUTCHINSON, KANSAS

JANUARY 23, 1986

8:00 P.M.

INTRODUCTION

I AM DELIGHTED TO BE HERE IN HUTCHINSON TO DISCUSS THE CHALLENGES FOR OUR NATIONAL LEADERSHIP IN 1986. THIS YEAR WE NEED TO COMPLETE THE UNFINISHED TASKS OF 1985--AND THERE ARE MANY OF THOSE. I KNOW THAT HUTCHINSON FACES MAJOR CHALLENGES OF ITS OWN: MOST IMPORTANTLY GIVING NEW VIGOR AND DIRECTION TO ECONOMIC DEVELOPMENT WHILE GRAPPLING WITH THE ECONOMIC PROBLEMS EVERY FARM STATE FACES IN THE MID-1980'S. SO HUTCHINSON IS A FINE FORUM TO BEGIN COMPARING NOTES ON THE VITAL ISSUES OF 1986.

c019_040_022_all_A1b.pdf

This document is from the collections at the Dole Archives, University of Kansas
http://dolearchives.ku.edu

CHALLENGES FOR CONGRESS IN 1986

IN SOME RESPECTS 1985 WAS A YEAR FOR SETTING GOALS AND PLANNING THE POLICY AGENDA FOR THE REMAINDER OF THE 1980'S. SO THE CHALLENGE OF 1986 IS TO FOLLOW THROUGH: TO MAKE SURE THAT THE DIFFICULT GOALS THE CONGRESS HAS SET FOR ITSELF ARE MET, AND DON'T JUST BECOME EMPTY PROMISES WITHOUT SUBSTANCE TO BACK THEM UP. IN DOMESTIC POLICY, OUR MOST PRESSING PROBLEMS REMAIN ON THE ECONOMIC FRONT: DEFICIT REDUCTION, TAX REFORM, AND A MORE REALISTIC U.S. TRADE POSTURE FOR AN INCREASINGLY AGGRESSIVE, COMPETITIVE WORLD ECONOMY.

c019_040_022_all_A1b.pdf

This document is from the collections at the Dole Archives, University of Kansas
http://dolearchives.ku.edu

SPECIFIC LEGISLATION IN EACH OF THESE AREAS AWAITS SENATE ACTION IN 1986. ON THE DEFICIT, THE FIRST ROUND OF 'AUTOMATIC' CUTS UNDER THE NEW GRAMM-RUDMAN LAW IS DUE ON MARCH 1. ON TAX REFORM, THE HOUSE-PASSED BILL IS READY FOR CONSIDERATION BY THE SENATE FINANCE COMMITTEE, WHICH IS EXPECTED TO BEGIN CONSIDERATION NEXT WEEK.

ON TRADE, THERE ARE THREE MAJOR ITEMS THAT DESERVE THE SENATE'S ATTENTION: THE DANFORTH BILL ON TRADE WITH JAPAN, THE TELECOMMUNICATIONS BILL, AND THE 'OMNIBUS' TRADE BILL DESIGNED TO STRENGTHEN THE PRESIDENT'S HAND IN BARGAINING WITH OUR TRADING PARTNERS AND REQUIRE DECISIVE U.S. RESPONSES TO UNFAIR TRADE PRACTICES.

c019_040_022_all_A1b.pdf

This document is from the collections at the Dole Archives, University of Kansas
http://dolearchives.ku.edu

IN ADDITION TO THESE MAJOR ECONOMIC ISSUES, THE SENATE WILL TAKE UP THE BALANCED BUDGET CONSTITUTIONAL AMENDMENT EARLY IN THE NEW SESSION. THE FIRST ORDER OF BUSINESS NOW BEFORE THE SENATE IS THE PROPOSED SALE OF CONRAIL. WE STILL HAVE THE SUPERFUND TOXIC-WASTE CLEANUP LEGISLATION TO DEAL WITH, EVEN THOUGH THE SENATE DID ITS BEST TO GET A BILL TO THE PRESIDENT IN 1985. WE MAY WANT TO TAKE ANOTHER SHOT AT THE LINE-ITEM VETO, THE GENOCIDE BONVENTION, AND SCHOOL PRAYER, AS WELL. AND AS ALWAYS, EVENTS HERE AND ABROAD CAN SHAPE THE SENATE'S AGENDA IN WAYS NO ONE CAN PREDICT.

c019_040_022_all_A1b.pdf

This document is from the collections at the Dole Archives, University of Kansas
http://dolearchives.ku.edu

GRAMM-RUDMAN: CHALLENGE TO THE ESTABLISHED FISCAL ORDER

THE FIRST ACTIONS IN RESPONSE TO THE NEW GRAMM-RUDMAN DEFICIT CONTROL REFORM ALREADY ARE UNDERWAY. FOR THOSE OF YOU WHO MISSED IT, LATE LAST YEAR THE CONGRESS IMPOSED A NEW FISCAL STRAIGHTJACKET ON ITSELF. THE NEW LAW SETS FIRM DEFICIT TARGETS FOR EACH OF THE NEXT FIVE YEARS, AND MANDATES AUTOMATIC ACROSS THE BOARD SPENDING CUTS IF THE DEFICIT EXCEEDS THE TARGET. THE FIRST ROUND OF AUTOMATIC CUTS UNDER THE PROPOSAL WILL HAVE TO BE ANNOUNCED ON FEBRUARY 1, AND THOSE CUTS WILL TAKE EFFECT MARCH 1 UNLESS CONGRESS COMES UP WITH A BETTER WAY TO MEET THE TARGET.

c019_040_022_all_A1b.pdf

This document is from the collections at the Dole Archives, University of Kansas
http://dolearchives.ku.edu

IN ADDITION, PRESIDENT REAGAN'S BUDGET FOR FISCAL YEAR 1987 IS DUE TO CONGRESS BY FEBRUARY 3. SO WE WILL HAVE RECONSIDERATION OF THE 1986 BUDGET PROCEEDING SIMULTANEOUSLY WITH OUR FIRST SHOT AT THE 1987 BUDGET.

BTHAT IS A TALL ORDER, BUT IS ONE WE OUGHT TO BE ABLE TO FILL. DIFFICULT AS IT SEEMS, WE SHOULD REMEMBER THAT THE GRAMM-RUDMAN LAW CONTAINS NEW PROCEDURES DESIGNED TO MAKE IT EASIER TO MEET THE DEFICIT TARGETS. WE EXPLICITLY BRING LOAN PROGRAMS AND OTHER 'OFF-BUDGET' ITEMS INTO THE BUDGET PROCESS; SET A POINT OF ORDER AGAINST LEGISLATION FROM COMMITTEES THAT HAVE NOT MET THEIR BUDGET SAVINGS ALLOCATION; AND RULE "OUT OF ORDER" LEGISLATION INCONSISTENT WITH THE DEFICIT TARGETS. WE SHOULD MAKE THE MOST OF THESE NEW TOOLS, NOW THAT THEY ARE AVAILABLE.

c019_040_022_all_A1b.pdf

This document is from the collections at the Dole Archives, University of Kansas
http://dolearchives.ku.edu

POSSIBLE PROBLEMS

WE KNOW THERE MAY BE A ROCKY ROAD AHEAD IN IMPLEMENTING GRAMM-RUDMAN. CONGRESSMEN SYNAR AND OTHERS HAVE FILED SUIT CLAIMING IT IS UNCONSTITUTIONAL; AND THE REAGAN ADMINISTRATION HAS SOME PROBLEMS AS WELL WITH THE ROLE OF THE CONGRESS' GENERAL ACCOUNTING OFFICE IN MEDIATING THE DEFICIT FORECASTS. THE COURTS WILL HAVE TO GUIDE US ON ALL THAT. EVEN MORE IMPORTANT, WHAT CONGRESS CAN LEGISLATE, CONGRESS CAN BACK OUT OF. THAT'S WHY WE NEED A CONSTITUTIONAL MANDATE FOR BUDGETARY RESTRAINT, AS WELL AS A STATUTORY ONE.

c019_040_022_all_A1b.pdf

This document is from the collections at the Dole Archives, University of Kansas
http://dolearchives.ku.edu

SO GRAMM-RUDMAN HASN'T MADE OUR OPTIONS ANY EASIER: BUT IF IT WORKS AS PLANNED, IT WILL FORCE US--AND THE PRESIDENT--TO MAKE SOME DECISIONS AND CHOOSE AMONG THE VARIOUS DEFICIT-REDUCTION OPTIONS. THAT MEANS EVERYONE'S CHERISHED SPENDING PROGRAMS WILL BE PUT TO THE TEST OF FISCAL RESPONSIBILITY.

SPENDING THE KEY

FINALLY, LET ME EMPHASIZE THAT GRAMM-RUDMAN IS A DEVICE FOR REDUCING FEDERAL SPENDING. IT IS NOT A TAX INCREASE PLAN, OR A SUBTERFUGE FOR ONE. IF WE FAIL ON THE SPENDING FRONT, WE CAN LOOK AT OTHER OPTIONS. BUT THE SOONER WE ENTERTAIN ANY REVENUE OPTIONS, YOU CAN BET THE PRESSURE FOR SPENDING CUTS WILL DROP FAST.

c019_040_022_all_A1b.pdf

This document is from the collections at the Dole Archives, University of Kansas
http://dolearchives.ku.edu

THE DEFICIT AND THE AVERAGE AMERICAN

UNLESS WE FOLLOW A DEFICIT REDUCTION PATH LIKE THAT MANDATED UNDER GRAMM-RUDMAN, AMERICAN FAMILIES WILL FACE EITHER HIGHER INTEREST RATES OR HIGHER INFLATION: NOT TO MENTION THE RISK OF A DISASTROUS NEW RECESSION THROWING MILLIONS OF BREADWINNERS OUT OF WORK. THAT IS WHAT THE GRAMM-RUDMAN-HOLLINGS INITIATIVE IS ALL ABOUT.

MOST ECONOMISTS BELIEVE THAT ENACTMENT OF DEFICIT REDUCTION MEASURES THAT ELIMINATE THE DEFICIT BY THE END OF THE DECADE WILL PRODUCE A DROP OF AT LEAST 1 PERCENT IN INTEREST RATES OVER THE SHORT RUN AND 2 TO 3 PERCENTAGE POINTS OVER THE LONG TERM: RELATIVE TO WHAT THEY OTHERWISE WOULD BE.

c019_040_022_all_A1b.pdf

This document is from the collections at the Dole Archives, University of Kansas
http://dolearchives.ku.edu

-- WITH A 2% DROP IN INTEREST RATES, THE MONTHLY PAYMENT ON A MEDIAN PRICED HOME ($80,000) WOULD GO DOWN BY ABOUT $100 A MONTH.

-- CONVERSELY, IF WE DON'T REDUCE THE DEFICIT TO KEEP RATES AS LOW AS THEY ARE NOW, HOMEOWNERS COULD FACE THAT LARGE AN INCREASE--OR MORE-- IN MONTHLY PAYMENTS.

-- A 2% DROP IN INTEREST RATES WOULD MEAN AN ADDITIONAL $4,000 IN INCOME FOR THE AVERAGE WHEAT FARMER WITH A 1,000 ACRE OPERATION.

-- IN 1985, THE FEDERAL GOVERNMENT WILL OVERSPEND CLOSE TO $1,000 FOR EVERY MAN, WOMAN, AND CHILD IN AMERICA.

c019_040_022_all_A1b.pdf

This document is from the collections at the Dole Archives, University of Kansas
http://dolearchives.ku.edu

-- THIS $1,000 PER HEAD OF ADDITIONAL FEDERAL DEBT WILL BE ONE MORE BURDEN FOR OUR CHILDREN TO REPAY IN HIGHER TAXES OR HIGHER INFLATION IN THE FUTURE.

INTEREST ON THE DEBT

THE MASSIVE INCREASE IN DEBT HAS ITSELF CREATED ONE OF THE LARGEST AND FASTEST GROWING COMPONENTS OF FEDERAL SPENDING--INTEREST ON THE DEBT. CONSTANT DEFICITS HAVE PUT FISCAL POLICY ON AN ENDLESS TREADMILL OF PAYING FOR THE IRRESPONSIBILITY OF PREVIOUS DECADES: IN 1965, INTEREST ON THE NATIONAL DEBT COST $9 BILLION AND CONSUMED 1.4% OF GNP. BY 1980, ANNUAL INTEREST COSTS ROSE TO $52 BILLION--2% OF GNP. BUT THE WORST WAS YET TO COME.

c019_040_022_all_A1b.pdf

This document is from the collections at the Dole Archives, University of Kansas
http://dolearchives.ku.edu

IN 1985, INTEREST ON THE NATIONAL DEBT COST TAXPAYERS $130 BILLION--ALMOST THREE TIMES THE LEVEL OF FIVE YEARS AGO. THIS REPRESENTS 3.8% OF GNP, 13.5% OF THE ENTIRE 1985 BUDGET, AND A 1,450% INCREASE IN COSTS OVER 1965. $130 BILLION IS EQUAL TO THE SUM TOTAL OF ALL FEDERAL SPENDING FROM 1789--THE FOUNDING OF THE REPUBLIC--TO 1936. IT ALSO EQUALS TOTAL FEDERAL OUTLAYS IN 1966, THE ENTIRE DEFENSE BUDGET IN 1980, AND TWICE THE LEVEL OF MEDICARE FUNDING TODAY.

BUT IF WE CAN ADHERE TO THE DEFICIT-REDUCTION GOALS WE'VE SET FOR OURSELVES, I AM VERY, VERY OPTIMISTIC ABOUT THE COURSE OF THE ECONOMY. I THINK WE TAKE TOO MUCH FOR GRANTED WHAT WE HAVE ACHIEVED SO FAR: STRONG GROWTH WITHOUT INFLATION. WE CAN KEEP

c019_040_022_all_A1b.pdf

This document is from the collections at the Dole Archives, University of Kansas
http://dolearchives.ku.edu

THAT GOING IF WE REDUCE THE DEFICIT SUBSTANTIALLY. THE WAY IS OPEN TO ECONOMIC PERFORMANCE UNPRECEDENTED IN THE POSTWAR PERIOD IF WE HAVE THE WILL TO FIND IT.

TAX REFORM

THE DEFICIT IS NOT THE ONLY DOMESTIC ISSUE, EVEN IF IT IS THE MOST IMPORTANT ONE. LAST YEAR THE PRESIDENT PROPOSED AN HISTORIC AND FAR-REACHING OVERHAUL OF THE NATION'S TAX LAWS. THE HOUSE OF REPRESENTATIVES PASSED A VERSION OF THAT BILL, BUT IT'S SIGNIFICANTLY WATERED-DOWN COMPARED WITH THE REAGAN PLAN.

THE REAGAN TAX PLAN AND THE HOUSE BILL ARE SIMILAR IN CONCEPT--THEY BOTH SHIFT MORE OF THE TAX BURDEN TO CORPORATIONS AND REDUCE THE TAX BURDEN ON INDIVIDUALS. HOWEVER, THE BILLS ARE VERY DIFFERENT IN HOW THEY MAKE THE CHANGE.

c019_040_022_all_A1b.pdf

This document is from the collections at the Dole Archives, University of Kansas
http://dolearchives.ku.edu

EACH BILL SUBSTANTIALLY REDUCES TAX RATES FOR INDIVIDUALS (THE PRESIDENT TO A MAXIMUM OF 35%; WAYS AND MEANS TO 38%) AND FOR CORPORATIONS (PRESIDENT 33%; WAYS AND MEANS 36%). BUT THE WAYS AND MEANS RATES TAKE EFFECT AT MUCH LOWER INCOME LEVELS: THE 35% RATE CLICKS IN AT $43,000 FOR MARRIED COUPLES, AS OPPOSED TO $70,000 UNDER THE REAGAN PLAN.

THE HOUSE BILL FALLS SHORT OF THE PRESIDENT'S ON FAIRNESS GROUNDS. FRINGE BENEFITS AND ITEMIZED DEDUCTIONS ARE MAJOR CAUSES OF DIFFERING TAX LIABILITIES, AND UNLIKE THE PRESIDENT'S PROPOSAL, THE HOUSE RETAINED THE STATE AND LOCAL TAX DEDUCTION, DID LESS TO LIMIT INTEREST-PAID DEDUCTIONS, AND DID NOTHING ON FRINGE BENEFITS.

c019_040_022_all_A1b.pdf

This document is from the collections at the Dole Archives, University of Kansas
http://dolearchives.ku.edu

IN SHORT, THE HOUSE REFUSED TO TAKE MANY OF THE POLITICALLY POPULAR BIG-TICKET TAX LOOPHOLES. UNLESS WE WANT TO TACKLE THOSE, THE SENATE WILL HAVE LIMITED FLEXIBILITY IN TRYING TO IMPROVE THE BILL TO ENCOURAGE SAVINGS AND INVESTMENT.

NOW, I HAVE FAVORED INCOME TAX REFORM FOR A LONG TIME AND, AS CHAIRMAN OF THE SENATE FINANCE COMMITTEE, LED THE FIGHT OVER A NUMBER OF YEARS TO PLUG UNJUSTIFIED TAX LOOPHOLES. BUT, I KNOW THAT MANY OF MY SENATE COLLEAGUES HAVE NO ENTHUSIASM FOR THE PRESIDENT'S VERSION OF TAX REFORM AND EVEN LESS FOR THE HOUSE BILL, WHICH THEY VIEW AS VERY LIKELY TO HAVE HARMFUL ECONOMIC EFFECTS. IN THE SENATE, WITH ITS MORE OPEN PROCEDURES, IT IS EASIER FOR A DETERMINED MINORITY TO BLOCK OR SLOW DOWN A BILL THEY OPPOSE.

c019_040_022_all_A1b.pdf

This document is from the collections at the Dole Archives, University of Kansas
http://dolearchives.ku.edu

POSSIBLE SENATE SCHEDULE

SO THE PROGNOSIS FOR TAX REFORM IS UNCERTAIN. IT WILL PROBABLY TAKE UNTIL JULY OR AUGUST BEFORE A TAX BILL CAN WORK ITS WAY THROUGH THE SENATE, CONFERENCE, AND BE SENT TO THE PRESIDENT. THE SENATE FINANCE COMMITTEE WILL NOT BEGIN REAL ACTION ON THE BILL UNTIL AFTER THE LINCOLN BIRTHDAY BREAK, WHICH ENDS FEBRUARY 17TH. SENATOR PACKWOOD, CHAIRMAN OF THAT COMMITTEE, PROBABLY WILL TRY TO GET A BILL OUT OF COMMITTEE BY THE EASTER BREAK WHICH IS TENTATIVELY SCHEDULED TO BEGIN MARCH 27TH.

c019_040_022_all_A1b.pdf

This document is from the collections at the Dole Archives, University of Kansas
http://dolearchives.ku.edu

THERE WILL HAVE TO BE SOME TIME FOR DRAFTING BEFORE WE CAN SCHEDULE THE MEASURE FOR SENATE FLOOR ACTION. THUS, ALTHOUGH IT IS POSSIBLE THAT WE COULD BEGIN FLOOR ACTION AFTER THE EASTER BREAK, IT MAY HAVE TO BE DELAYED A LITTLE. TO BE REALISTIC, WE PROBABLY WILL HAVE TO SPEND MOST OF JUNE ON THE SENATE FLOOR, LEAVING THE TIME BETWEEN THE 4TH OF JULY AND THE AUGUST RECESS FOR CONFERENCE AND FINAL PASSAGE. ONE CAVEAT, THOUGH: IF THE PRESIDENT DECIDES TO MAKE A MAJOR PUSH TO GET THE BILL OUT AHEAD OF THE BUDGET CYCLE, THE PACE WOULD PICK UP QUITE A BIT.

WHATEVER HAPPENS ON TAX REFORM THIS YEAR, THE DIE HAS BEEN CAST: THE POLITICAL MOMENTUM REMAINS IN THE DIRECTION OF LOWER TAX RATES AND FEWER SPECIAL LOOPHOLES. THERE IS MUCH ECONOMIC

c019_040_022_all_A1b.pdf

This document is from the collections at the Dole Archives, University of Kansas
http://dolearchives.ku.edu

WISDOM IN THAT, AS WELL. IF WE DON'T ACHIEVE THE IDEAL TAX SYSTEM IN 1986, THERE WILL BE OTHER OPPORTUNITIES TO MAKE IMPROVEMENTS.

CONCLUSION

THE CONGRESS AND THE PRESIDENT CLEARLY HAVE A TREMENDOUS TASK AHEAD OF THEM IN 1986, JUST ON THE DOMESTIC FRONT. BUT THE REMARKABLE THING IS THAT IT SHOULD BE SO DIFFICULT FOR ONE NATIONAL GOVERNMENT TO CONTROL ITS FISCAL HABITS AND TAX OUR CITIZENS IN AN EQUITABLE MANNER. THE DIFFICULTY OF THE TASK SAYS SOMETHING ABOUT OUR POLITICS: BUT THAT IS A TOPIC FOR ANOTHER TIME. BUT IT IS CLEAR THAT FUNDAMENTAL REFORMS--CONSTITUTIONAL RESTRAINTS ON OUR FISCAL DECISIONS AND REMAKING THE TAX CODE FROM TOP TO BOTTOM--ARE GAINING GROUND BECAUSE PROGRESS IS TOO OFTEN

c019_040_022_all_A1b.pdf

This document is from the collections at the Dole Archives, University of Kansas
http://dolearchives.ku.edu

BOB DOLE
KANSAS

United States Senate
OFFICE OF THE MAJORITY LEADER
WASHINGTON, DC 20510

January 22, 1986

TO: Senator Dole

FROM: George Pieler

SUBJECT: Speech to Hutchinson Chamber

Attached is a redraft/update of your Minnesota speech to make it appropriate for the Hutchinson Chamber of Commerce (Thursday, January 23, at 8:00 p.m.).

The Chamber people thought you might want to know about economic development plans in Hutchinson (I talked to John Daveline). The town will vote shortly on a proposed local sales tax to fund a job-creation program: not make-work jobs, but a business technology center (the 'incubator' concept for start-up businesses that is becoming increasingly popular, offering managerial and technical advice), two new industrial parks, and efforts to target the types of businesses that make sense for Hutchinson and its particular resources.

This stuff is referenced (obliquely) on the first page of the speech.

Also, you might want to know that Hutchinson has for some time been seeking funds to expand the highway to Wichita to four lanes, and funded its own feasibility study on the issue. Problem: the State has only enough funds to cover maintenance on existing roads, although an increase in the State sales tax to help fund construction is under consideration (as is often the case).

Attachment

c019_040_022_all_A1b.pdf

This document is from the collections at the Dole Archives, University of Kansas
http://dolearchives.ku.edu

BLOCKED UNDER OUR CONVENTIONAL PROCEDURES. THAT IS SOMETHING THE PEOPLE MUST TAKE HEED OF, AND PARTICIPATE IN, BECAUSE WHAT WE DO OVER THE NEXT FEW YEARS WILL HAVE FAR REACHING CONSEQUENCES FOR THE REST OF THIS CENTURY.

###

c019_040_022_all_A1b.pdf

This document is from the collections at the Dole Archives, University of Kansas
http://dolearchives.ku.edu

gpclub (h)

c019_040_022_all_A1b.pdf