Interview With Bob Dole, Chairman, Senate Finance Committee

"This Is a Tough Budget" **For Congress to Swallow**

The President's deficits are too big, says an influential senator. To trim red ink, lawmakers will go after the Pentagon and take another look at tax breaks voted in 1981. Other tax changes may be ahead, too.

Q Senator Dole, how big a fight will President Reagan have in getting Congress to go along with his budget program this year? A There will be a lot of opposition. Many of us will try to suggest alternatives based on fairness and common sense. We don't like the 92-billion-dollar deficit—that's the big stumbling block. These deficits have got to be an embarrassment to the President. After all, he has campaigned all his life on balanced budgets. But we're going to try to cooperate with the President.

The White House understands this is a tough budget. It was easier years ago when you just added a little more money here, a little more there. Now we're trying to turn the country around; we're cutting spending. So not everyone is going to embrace the budget, even among Republicans. But the Reagan administration has made it clear that it wants give-and-take. As long as that is its attitude, we can make some progress.

Q What will be your approach? A After two or three weeks, it might be helpful if the Republican and Democratic leaders of several key committees-Finance, Budget, Appropriations, a few others-see if we can work out some agreement on where we'd like to head. If we can agree, then it would be worthwhile to go to

Q What makes you think the White House will want to cooperate? Last year, the President stood very firm and was very

A First of all, it's a year later. Congress did adopt most of the President's program last year, so it can't be faulted for

The big thing that hits us this year is the deficit. We just can't live with interest rates as they are and the recession as it is and unemployment as high as it is.

So it will be a different year, Last year, Reagan won every showdown. He'll probably win some this time. We're not discounting the President. We want him on our side. Q How will the President's request for big increases in defense spending fare?

A We will cut defense. We've heard a lot from voters about high interest rates and the deficit. When the President says, "No more revenue increases," and everything else is being cut, you just naturally ask. "What about defense?" That's the biggest ticket of all.

Q How much will you cut it? A It's too soon to say. Those of us without expertise are working with the Budget Committee now to pick out areas where we can either cut spending or defer it. The problem is that it takes a big cut in obligational authority to get significant savings in outlays. It sounds easy to take 10 billion out; well, it's hard to do.

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Q But won't you have to cut defense spending at least 10 billion dollars to make a dent in the deficit?

A There are other things we can do: We can take more out of medicare than the 2.5 billion dollars the President has proposed. It's a program that's almost out of control. In its early days, it was expected to cost 9 billion dollars by 1990. Now it costs 50 billion dollars and is headed for 115 billion by 1990. Medicaid is another big one: 35 billion

dollars this year in total costs. That's a lot of money. We don't have to duck these programs. Q On defense, can Congress really override the President if

he digs in his heels as he did in 1981? A We're not trying to beat him. We want lower deficits. We want lower interest rates. We've got small-business people, farmers, people who are not buying cars or building nomes because of high interest rates. That has got to be the highest priority. We wouldn't focus on deficits if interest rates were 10 percent, but they're not.

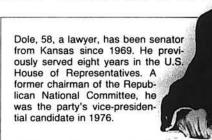
Q Which of Reagan's proposed spending cuts will have the hardest time in Congress? You've defended the food-stamp program, for instance-A You can't balance the budget on the back of one or

two programs. You can make reasonable cuts in programs such as food stamps and medicaid, but that shouldn't be the centerpiece. Our centerpiece ought to be a balanced program that cuts across the board. Republicans keep saying, 'Cut more from social programs." I think they have to take their foot off that accelerator. We have an obligation to look at everything the Presi-

dent sends us. But he's not going to get it all. He knows that, and that knowledge raises another frightening aspect of the deficit. Let's say we only get half of the 56 billion dollars Reagan is after in his five-part deficit-reduction program. Add 28 to 91.5, and you're talking about a deficit around 120 billion.

Q How do you feel about criticism Reagan has gotten from conservative activists for failing to live up to their expectations? A There are some who think if they support you in an election that you're their property. But I think conservatives ought to be very happy with President Reagan. He's stuck to his guns. Congress has been making progress on some of the traditional conservative issues: School prayer. abortion, balanced budget. Conservatives should be partic-

ularly pleased with the President. Q Do you favor speeding up the personal-tax cuts scheduled for July 1 to stimulate the economy? A If it were possible to change the withholding tables without added cost, I would have no quarrel with the idea. We have the





Treasury Department looking into the cost of changing the tables But I don't want to do anything that will raise the 1982 deficit. It would be too easy to send it over 100 billion dollars and nobody wants that

Q What revenue-raising measures are you considering? A We are looking at the tay bill we passed last year, the Economic Recovery Tax Act. We will leave the individualtax cuts alone, but we're looking at the leasing provision. That, in effect, allows profitable firms to reduce their tax bills by buying investment tay credits from companies losing money. We're also looking at the minimum tax on individuals and corporations and the alternative tay on individuals to see if they can be expanded

Q How would your minimum tax work? A We've got nine different proposals so far. The idea is to make sure everyone pays some taxes, even those who make a lot of money. There are people now who end up owing no taxes because of their preference income-that is, income that gets special tay treatment. It's not illegal. In fact, you'd be foolish if you had something to deduct and you didn't do it. But we think everyone should pay something

Q Why are you considering changes in the leasing law? A It's perceived as corporate welfare at the very time we are cutting programs for low-income people. It's difficult to swallow reports of huge profitable firms getting big tax idvantages through leasing. We're looking at four or five different proposals-to limit it, to repeal it.

I understand the lobby groups are already gearing up to save leasing, and they may be able to do it. But right now, if it came down to a choice between a higher excise tax on something and the repeal of leasing, it's a safe bet that leasing would lose. I'm not saying it has been abused, it's just too generous.

Q Do you see any likelihood that the 1983 tax cut will be postponed to reduce the deficit that year? A I would say little likelihood. Of course, it is the easiest way to pick up a bundle of revenue—something like 40 billion dollars. But that would take all the pressure off finding

ways to cut spending. And we are good at avoiding cuts in

spending. So I would not support a delay in the 1983 tax cut As it is, it will be tough to head off members who want little goodies added to the tax code despite the big deficits. For instance, we'd like to figure out a way to fatten up the individual-retirement-account program, perhaps even this year if we could pick up some extra revenues. But we won't do anything like that unless it is offset by a revenue enhancer. Q So you're in favor of the President's philosophy: Keep the

A That, plus we have to give people back more of their money. The American people are beginning to understand and anticipate this tax cut. The 1981 cut was hardly noticeable. But people will notice this 10 percent one, and they'll notice the next 10 percent one in 1983. Now, if we get into a real economic crisis, all bets are off. But to start tinkering with the individual cuts to raise revenues-that would be

the last thing I would support Q The President has proposed withholding tax on dividends

and interest. Do you agree with that? A It will be difficult to get it passed, but the idea is workable. We are addressing the whole problem of the underground economy, and this is part of it. A lot of income isn't reported, including interest and dividends. It doesn't help when the Treasury Secretary says the President is lukewarm to the idea. If he's lukewarm, certainly no one on Capitol Hill is on fire

Q Should the one-year holding period required for long-term capital gains be reduced to, say, six months?

A It wouldn't bother me. The question remains about what it would do to revenues. The real stumbling block has been the House Ways and Means Committee, But I don't want to get started on another big tax bill. A lot of members didn't get what they wanted last year. If we have another big bill, we'll end up with a 191-billion dollar deficit Q What do you think of the idea of a lame-duck session of

Congress to handle Social Security? A Lassume Congress will do nothing until the President's bipartisan advisory committee makes its recommen dations late this year. That is the tendency around here. To sit back. I doubt there will be a lame-duck session. That means no action until next year. But there are some things I think we should do this year to at least put some kind of lid

The one big failure of the administration and Congress in 1981 was not addressing Social Security. We've got to stop scaring people that we're going to take away their checks. and instead do something to slow the growth of the prograin. More increases in the payroll-tax rates are out. Fund ing from the general Treasury fund is out. Reform is in T don't see that much political resistance to it back home. Q What action do you see Congress taking on the issue of

tax exemptions for schools that discriminate racially? A As it now stands, probably very little. I don't believe

we can pass legislation What we would like is for the U.S. Supreme Court to announce later this month that it is going to hear the court case that is the basis of this controversy. The Court would tell us either the Internal Revenue Service doesn't have the authority to decide on tax exemptions on these grounds or we need new legislation. It's clear, though, that this issue and the handling of Social Security last year are this admin istration's two greatest political fumbles so far Q What's the outlook this year for the President's proposal

to create urban "enterprise zones"? A We're going to hold hearings on it, and the Senate probably will pass something this year. It's easy to pass things when you're giving money away. But I want to look at it very carefully. It seems to me it holds out more hope

Q Sentiment seems to be growing in Congress for trade protectionism, particularly toward Japan. How much danger do you see of a trade war?

A We are not looking for trade wars. The Japanese understand that we are really serious about our trade situation. We want free trade, but when we have a 15-billion-dollar trade deficit and the Japanese have a trade surplus heading toward 50 billion, that's not fair trade

So we are looking at a number of measures. One is reciprocity. You open your doors, we'll open ours. We're looking at export subsidies. We're going to have to renew the President's tariff-negotiating authority. Trade is on the front burner in the Finance Committee.

U.S. NEWS & WORLD REPORT Feb. 22, 1982

The Doles—a couple with political clout

bind Senate to Oval Office

By JAY RICHTER

EXCEPT FOR the Reagans, the couple with the most clout in this country's government is probably the Doles: Elizabeth (Liddy to her friends) and Bob (christened Robert Joseph). He is the senior U.S. senator from Kansas; she is a chief aide to the President in the White

The Doles met in 1972 in the senator's office during a discussion of GOP politics with others present. "I had some sort of idea that here is an attractive person, the senator remembered. "I wrote her name down on a blotter."

She noticed he did, Mrs. Dole recalled. "And I thought, 'My goodness he's an attractive man. They were married in 1975, his second marriage at age 52, her first

A Southerner, born in Salisbury N.C., Mrs. Dole has the soothing voice and easy manners that go with the territory. She was an honor student in political science at Duke University, president of student government and May queen. Subsequently, at Harvard, she earned a law degree and a master's degree in education.

Southern women are taught not to show their anger in public; it is unbecoming and disturbs one's hair. Mrs. Dole is in the mold, carefully coifed, tastefully dressed, in command of her temper and the occasion. She exhibits some irritation, however, when anyone hints that she got where she is because of her husband's clout.

Her career is as impressive as the senator's. Before she met him. she had worked in the White House on consumer affairs for prior administrations, Democratic as well as Republican. She was once a Democrat, she admits, but wants you to know this had more to do with southern tradition and immaturity than good sense. "It was a time when I was growing up," she said, making it clear that become a true-believing Republi-

In 1973, Mrs. Dole was made a commissioner of the Federal Trade Commission where, her official biography says, "she worked to promote competition in the

fair and deceptive market practices which affected the consumer." Although her Grand Old Party is not credited with an uncontrollable zeal to serve the poor and disadvantaged, Mrs. Dole's record suggests she has a genuine

concern for them. During an interview with Farmland News in her pleasant White House office overlooking the south lawn, she talked of her brief experience in private law practice. "I had about a year and a half of taking cases of indigents here in Washington who could not afford an attorney, mainly in crimi-

IT WAS NO way to make a living. I went into the red," said Mrs Dole, but it was a rich and rewarding experience, good for her poor clients and good for her own career. "I had the opportunity to be in the court room constantly," she

The Doles are well enough off, but not wealthy, and more conscious of social problems than most

of the people surrounding Reagan. The senator has held out stuboornly against Republican colleagues for adequate funding of the food stamp program, school lunches, social security and programs for the handicapped. He takes pride in his wife's "commitment to people." In her present job as Assistant to

the President for Public Liaison, Mrs. Dole is officially described as being responsible "for assuring that the views of key groups are considered by the President in developing his agenda and for providing a means of developing consensus for the Reagan Administration's policies and programs." She is in charge, in other words, of finding out what people want from the president and of selling them on what he does.

"My job is to develop a consensus for the Administration policies and programs before they take effect," she said. "The more people understand what the President is trying to do, the more they're like-

to support him. With a full-time staff of 16, and ome help from government agencies, her office met with approxi mately 1,300 groups of differing since then she had grown up to ethnic backgrounds and interests in the first year of the Reagan presidency. "On a sort of average

day," she explained, "I might be meeting with the American Business Conference, the U.S. Hispanic Chamber of Commerce, the National Association of Black Women Social Workers and the International Longshoremen's Union, the Veterans of Foreign Wars and the American Farm Bureau Federa-

Turf battles are common in as though Mrs. Dole would be repeatedly violating the territory of every cabinet secretary in town. That is not the case, she insists. "There's no conflict at all. We encourage our public groups to go first to the cabinet officer and department to which they relate; agricultural groups to Jack Block,

for example No cabinet secretary has comolained about Mrs. Dole's operaion, at least publicly. Block wouldn't do it even if he felt like t. He owes his job to both the

ALTHOUGH BOB DOLE persuaded Reagan to nominate Block, it was Mrs. Dole who sold the senator on the Illinois hog farmer in the first place. During the presidential election campaign of 1980, Mrs. Dole headed a Reagan-Bush advisory committee of 15 members which included Block, representing agriculture. She got to know Block before the senator

met him. "I felt he had a lot of good qualifications to be secretary," said Mrs. Dole. Since Block has been secretary, "he has been very supportive; right there any time I call

Mrs. Dole's public liaison deputy for agriculture at the White House is Jack Burgess, formerly with the Peace Corps and Georgetown University's School of Foreign Service. Burgess, said Mrs. Dole, "is in constant contact" with USDA's Ray Lett, executive assistant to Secretary Block.

Her office, Mrs. Dole said, 'worked hard" in helping with the Agriculture Council of America's U.S. Farm Export Education Project, chaired by Don Chartier, Far-Mar-Co president. "We were able to secure the services of Charlton Heston to narrate a film on exports and also to do several TV spot announcements," she said.

Mentioned frequently for the J.S. Supreme Court vacancy that inally went to Sandra O'Connor, Mrs. Dole apparently harbors few regrets that she was not appointed. The high court deals with issues, and Mrs. Dole is plainly, as she said, "a people person

said, with evident sincerity, Washington, and offhand it looks love it. I get a lot of wonderful support from the President; this is the joy of it." Mrs. Dole's view of Reagan is uncritical, almost reverent - "He has such vision for America . . . a

man willing to step up to the tough issues ... relaxed and confident ... World leaders relax and tell him what is on their minds. . . . He won't vacillate. . . . All segments of

society can rely on him. . . . The President's "great sense of humor" helps him and his aides through difficult days, she said. "I remember one day I had set up hree meetings for him, and at the third one in the afternoon, as he went around the room shaking hands, he saw me again, and said, 'Elizabeth, we've got to stop meeting like this.

Of the sardonic wit for which her husband is noted, Mrs. Dole said, "I love it." The senator's way with words became a national

issue in 1976 when he ran for vice president on the Republican ticket with Gerald Ford against Jimmy Carter and Walter Mondale. Political opponents accused him of in the White House, and she going for the jugular. Bob Dole, ended up there." He suspects his they said, was Ford's "hatchet

Mrs. Dole reviewed tapes of TV news reports of that bicentennial doesn't run against me.' year campaign, concluding: "Bob A bride of eight months at the home a briefcase of papers to time, she could have been some-

what prejudiced in the senator's favor. Many politicans agreed, however, some of them adversaries of the senator, that Bob Dole played fair

THE SOMETIMES BARBED wit is not malicious and probably has hurt him politically as much as it has helped him, maybe more so. He admits that he did the rough work in the '76 campaign, "When you have President Ford saying, Go out in the briar patch while I stay here in the Rose Garden, you

have to go," he said. He'd just as soon have won, course. The vice presidency is "a great job," he said during the campaign. "It's all indoor work and no heavy lifting."

Following the Republican loss in 1976, Dole kept needling the Democratic winners. After President Jimmy Carter allowed in-

creased imports of beef, he said dryly, "This Administration's record of damaging the American farmer is extremely good." A sugar proposal by Ag Secretary Bob Bergland brought this from Dole: "It is not too hard to follow the pea in Mr. Bergland's shell game

In 1980, Dole made a brief but futile run for the Republican presidential nomination. He quit after receiving only a smattering of votes in the New Hampshire primary, saying that he was geting out of the race because of his wife, who had campaigned furiously for him. "She was leading me in all the polls," he joked, 'so I decided to drop out.'

AFTER Reagan named her to her present job, the senator commented, "One of us wanted to be wife has "a hankering to run" for public office. This is all right with him, he said, "as long as she

Mrs. Dole, a tiger for work, gets Dole does not come across in to her office at 7 a.m. which the those tapes as a hatchet man. My senator considers "the middle of husband is a man of compassion. He likes people — truly he does." the night." She works through a 12- to 14-hour day, often carrying

review in the evening. "I suggest to her that rather than read a 50-page document, why not a 5-page summary memorandum? the senator said. "She does both."

Comparing their working styles, the senator said, "I can do nothing pretty easily, but she has difficulty doing nothing.

The senator, however, is not exactly a sloth. Associates tell you he works about 10 hours daily six days a week, spending considerable of his remaining times at Washington functions of importance to his Kansas constituents. "His total life has been oriented toward politics and legislation, said Morgan Williams, president of the Co-op League of the USA and a former aide to Dole. During his 20 years in the House and Senate, Dole has never taken a vacation of more than four days,

Williams said. Dole, born in 1923, nearly lost his life in World War II when he was 22. Sorely wounded by machine gun fire while leading an infantry platoon across the Po River in northern Italy, he was left for dead on the battlefield for 24 hours. He spent more than three years in hospitals, lost a kidney and the use of his right arm. "I am

a survivor," he said. "When I was in those hospitals, they had to wind me up every morning. So, 1 try to use my head instead of my

A lifelong resident of Russell, Kan., where his father managed a grain elevator and ran a milk and egg station, Dole has a law degree from Washburn University in Topeka. He served in the Kansas legislature for two years, as Russell County's prosecuting attorney for nine years, and in 1961 won a seat in the U.S. House of Representatives. He was elected to the Senate in 1968 and has been there ever since.

THE 1980 ELECTIONS brought Dole more clout than he'd dreamed of, barring his dreams of the presidency itself. The surprising number of GOP victories that gave the Republicans control of the Senate elevated the Kansas Senator to chairmanship of the Senate Finance Committee. This places him on top of a range of domestic issues, including taxes, social security, welfare, Medicare and Medicaid

Anyone with that much power has influence over virtually any thing," commented the Washing-

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