



NEWS from U.S. Senator Bob Dole

(R.—Kans.)

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TAX EQUALIZATION BEST METHOD FOR TAX REDUCTION, DOLE SAYS

HARRISBURG, Pa. -- Sen. Bob Dole (R-Kan.) said today that tax equalization, requiring automatic yearly tax cuts, is the most realistic means to reduce the burden of taxes and inflation that plague the American taxpayer.

The Dole proposal "indexes" the tax system, increasing both the personal exemption and the zero bracket, and widening certain brackets to prevent taxpayers from being thrown into higher tax brackets because of inflation.

"The Tax Equalization Amendment is an idea whose time has come," Dole said. "It's fair. It tells government not to expect bigger revenues each year because government won't be allowed to tax increases in income brought on by inflation.

"The Administration opposes the idea, of course. And, partly because of Administration pressure, the Senate Finance Committee narrowly rejected my plan last week. But it attracted stronger support than ever before. And I'll take it to the Senate floor next week."

The Tax Equalization Amendment (T.E.A.) will permit individual taxpayers to exclude any increase in earned income caused by inflation. So, a worker earning \$10,000 who receives a \$1,000 pay increase at a time of 10 percent inflation would, for tax purposes, be able to exclude the \$1,000 phantom inflationary income increase.

"T.E.A. isn't a new tax idea," Dole said. "Other nations already adjust taxes to compensate for inflation. Several states have enacted indexation for state income taxes. And the federal government has already indexed most of its expenditures. Why not give the American taxpayer the same break? It's the only way we can put an end to the tax on inflation, an unconscionable levy which only encourages government to spend more and more of the people's money.

"Indexation is only one way we can institutionalize fiscal responsibility and mandate "common sense" in government spending practices.

"The federal government is the most satisfied constituent of the double-digit inflation that engulfs the taxpayers. Next year, the government stands to reap a \$9-billion windfall profit from the American people.

"Although tax indexing will not solve our underlying inflation problem, it is an uncomplicated restraint on federal spending. The time to enact indexing has come."



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REMARKS OF SENATOR BOB DOLE

TOM RIPPON FOR CONGRESS

Harrisburg, Pennsylvania

September 27, 1978

It's a pleasure to be in Pennsylvania, in Harrisburg, to speak on behalf of an outstanding Republican, the next Congressman from the 17th Congressional District, Tom Rippon. Pennsylvania Republicans have a long tradition of providing exceptional leaders at every level of government, and I'm sure Tom Rippon will continue that tradition in the 96th Congress.

Certainly, the opportunities for our party in 1978 are tremendous, and the stakes are high. Inflation is surging out of control once again, high unemployment persists, especially in urban America, and the tax burden on the American people increases year after year. As Americans, we should take no comfort from the fact that these and other problems exist under a Democratic administration. They are not Democratic problems or Republicans problems. They are national problems, maladies which demand positive responses by Republicans as well as Democrats, not unproductive criticism in the narrow pursuit of short-term political gain.

Already this year, we've been reminded what happens when government is unresponsive to the needs of its people.

PEOPLE-INITIATED INITIATIVES

In some states--most notably California--huge tax cuts have been thrust upon reluctant politicians by the people. But that isn't the whole answer. The fact that we have huge budget deficits in Washington with double digit inflation shows us that cutting taxes is not the only remedy to our economic woes. Without more, tax cuts can lead to bigger deficits and more inflation, potentially exacerbating the economic problems which confront us.

In my view, the answer is to cut taxes and reduce the growth of federal spending. The answer is to require government to do what the rest of us have to do--to live within a balanced budget.

STEMMING INFLATION

We have difficulty doing that today. What makes it difficult for Americans to balance their budgets is that the government refuses to balance its own. Every time the cost of living goes up by 10%, government revenues go up by 16%. There's no incentive for government to stem inflation because the government doesn't suffer from inflation. In fact, government is inflation's most satisfied constituent.

— More pressure must be brought to bear on government to hold the line on spending, reduce the tax burden on the American people, and close the budget deficit which produces the inflation which forces both spending and taxes up and up.

There's one thing which won't help a bit: A lot of high-blown rhetoric that's not backed up by action. What this country needs is a constitutional mandate for a balanced federal budget. And I've proposed just that--a clear, unequivocal constitutional commitment to put an end to year after year of government red ink.

But we must be realistic. We're not going to have a balanced budget overnight. We must move forward with other initiatives to alleviate the burdens of high taxation and inflation which plague our economy today without gutting necessary federal spending programs.

TAX EQUALIZATION ACT

That's why I'm sponsoring the tax equalization amendment--T.E.A.--legislation which would require automatic yearly tax cuts to offset inflation. I think this is the type of tax cut plan the people of Pennsylvania's 17th district will most benefit from. And I hope Tom Rippon will help us pass it next year in Congress.

My proposal is to "index" the tax system, to commit the government in advance to reducing individual taxes next year, the year after that, and forever--as long as inflation continues to force hard-working American families into higher and higher tax brackets each year.

The Tax Equalization Amendment is an idea whose time has come. It's fair. It tells government not to expect bigger revenues each year because government won't be allowed to tax increases in income brought on by inflation.

The administration opposes the idea, of course, and, partly because of administration pressure, the Senate Finance Committee narrowly rejected my plan last week. But it attracted stronger support than ever before. And I'll take it to the Senate floor next week.

T.E.A. isn't a new tax idea. Other nations already adjust taxes to compensate for inflation. Several states have enacted indexation for state income taxes. And the Federal government has already indexed most of its expenditures. Why not give the American taxpayer the same break? It's the only way we can put an end to the tax on inflation, and unconscionable levy which only encourages government to spend more and more of the people's money.

Indexation is only one way we can institutionalize fiscal responsibility and mandate "common sense" in government spending practices.

GOING TOO FAR

But we musn't go too far. I, for one, don't want to see us abandon government's commendable efforts to help the needy ignore the crisis in our cities, or refuse to help those who can't help themselves. Government can and should provide a wide range of services. And it can afford to provide those services without ever-increasing taxes, without double-digit inflation, without huge budget deficits.

We know, and the American people know, that they needn't be taxed out of house and home to finance government that is compassionate yet frugal, responsive to people's needs and responsible to pocketbook realities.

The American people are a generous people. They want to help those who can't help themselves. They're willing to pay taxes to support needed government social programs. And we, as Republicans, should support such programs.

REPUBLICAN INITIATIVES

Education, nutrition, income support, housing, health care--these are important issues. And government has an obligation to provide leadership in these areas.

If we, as Republicans, don't like the social programs enacted by the Democrats, we owe it to ourselves and the American people to do more than criticize and vote "no". We have an obligation to develop alternative proposals, responsive to groups of people who need help, groups of people we have had trouble reaching in the past.

Let me cite a few examples.

HEALTH INSURANCE

Federal and state health assistance programs have not reduced by one percentage point the amount of income older Americans spend on medical services. Yet both the administration's health insurance proposal and the more grandiose plans for comprehensive national health insurance will only worsen the inflationary spiral in health care costs.

But if comprehensive federal action in the health care field is wrong, isn't it time to recognize that government-supported catastrophic health care insurance can alleviate the financial hardship of major medical expense without creating disincentives for preventive care and cost control?

I think it is. Catastrophic illness and accidents can strike anyone at anytime, and the fear of a disabling or even fatal illness or injury should not be accompanied by the fear of the crippling financial burden of the cost of treatment. I think Republicans should support catastrophic national health insurance coverage. Because it makes sense for the American people. It's a program they want and can afford. And our support for it will help shatter the persistent myth that Republicans care only about the rich, the healthy, the problem-free few in our land.

So, too, must we Republicans initiate positive urban and farm programs, programs to improve the nutritional well-being of our people, policies to help the handicapped, the elderly, the poor.

CRITICIZING THE DEMOCRATS

Criticism of the Carter Administration and the majority party in Congress has its place in election campaigns. We have an obligation to point out the failures, the misdirection, the inadequacies of the party in power. But it is time to recognize that none of the critical issues before us today can be resolved by us, as either Republicans or Americans, if we cannot make common cause with those outside our ranks who will join us if only we will join them. Put simply, we must offer the American people a positive reason to vote for our candidates.

For it is not the privileged few who have the most to gain from the growth and development of our nation; it is, rather, the young woman graduating from college with student loan obligations into a sluggish economy, the young Spanish-speaking worker laid off because his boss couldn't plow through the government's red tape, the young black entrepreneur, who wants to start a trucking business over government routing assignments, the retired couple robbed of dignity by inflation.

For too long, we have listened to the bitter voices of negativism and, all too often, we have joined them. It is time for Republicans to do a better job of communicating with the American people. It is time to recognize that an unemployed black man without enough food on the table doesn't want to hear a lecture on the virtues of the free enterprise system, that the union worker struggling to keep pace with inflation cares as much about tax relief as labor law reform, that the small businessman or woman struggling to meet the next payroll can't live on sympathetic rhetoric.

THE PARTY OF HOPE

When our opponents argue our resources, housing, and other social problems, are too complex for simple solutions, let us respond: "Yes", no government planner will provide the answer. Only the ingenuity and efforts of millions of free people acting in concert with their government can meet the challenge.

You and I are heirs to history's greatest legacy--the most successful nation on earth. And the lessons of history are clear. The freedom that has made these successes possible is more often squandered than not. But let us also take note and pride in another of history's lessons.

Nothing we have, nothing we will have, nothing we may pass down to our children and to our children's children will mean anything if we cannot find it within ourselves to preserve, protect and cherish the freedom that other great men and women have passed down to us.