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DOLE SAYS HIGHER INTEREST RATES POSSIBLE

IF CONGRESS DELAYS ACTION ON REVENUE BILL

WASHINGTON -- Unless Congress "does the right thing" and passes the Senate Finance Committee's \$100 billion revenue increase and spending reduction bill, the Nation could well be feeling the unwelcome effects of higher interest rates and further economic paralysis.

Finance Committee Chairman Robert Dole (R.-Kan.) made that prediction today following recent downward trends in the financial markets.

"Last week, due largely to reports that the tax bill is in trouble, many stock averages dipped to two-year lows. Some Wall Street officials pegged that alarming drop to the belief that Congress will not be able to make dramatic cuts in the federal deficit," Dole said. "This lack of confidence in Congress will be disastrous unless we do the right thing -- the House and Senate must quickly agree on a substantial deficit-reduction revenue package."

The \$100 billion tax bill which includes spending cuts of more than \$17 billion, is currently under consideration by the House and Senate Conference Committee of which Senator Dole is Chairman.

Dole said that as recently as August 2, interest rates and returns on short and long-term bonds were reacting favorably to the positive movement in the Senate of the revenue package. However, media reports that the bill now faces uncertainty in the House has disrupted the optimistic attitude that was building on Wall Street: Bond yields have increased, stock averages have plummeted and interest rates may soon be on the way up again.

"President Reagan understands the importance of this deficit-reduction package; that's why he calls it 'a good and balanced bill'. The Senate also understood the importance when it passed the measure on July 23," Dole said.

"I urge critics of the revenue package to study it closely and not rely on 70-second TV reports about the 750-page bill. Contrary to misleading capsule commentaries, and knee-jerk reactionaries, the tax bill is primarily a reform bill which also includes significant cuts in federal spending. By closing loopholes and boosting tax compliance, the bill raises almost \$75 billion and brings long overdue fairness and balance to the tax system."