

REMARKS OF SENATOR BOB DOLE
GOVERNMENTAL AFFAIRS BREAKFAST
HAYS CHAMBER OF COMMERCE
HAYS, KANSAS
APRIL 20, 1974

TEN DAYS FROM TODAY THE AMERICAN ECONOMY WILL BE RELEASED FROM BONDAGE AND INVOLUNTARY SERVITUDE TO THE BUREAUCRACY. AT MIDNIGHT, APRIL 30, THE ECONOMIC STABILIZATION ACT, WITH ITS COST OF LIVING COUNCIL AND WEB OF RED TAPE CONTROLS, WILL FADE AWAY INTO THE HISTORY BOOKS. AND THE SUN ON MAY FIRST WILL ONCE AGAIN SHINE DOWN ON THE FREE ENTERPRISE SYSTEM--THE BEST, MOST EFFICIENT AND MOST PRODUCTIVE ECONOMIC MECHANISM THE WORLD HAS EVEN KNOWN.

2.

THAT WILL BE A GREAT DAY FOR AMERICA AS A TWO AND ONE-HALF YEAR EXPERIMENT IN GOVERNMENTAL ECONOMIC MANAGEMENT IS LONG LAST ENDED. MAY FIRST WILL BE AN EVEN GREATER DAY FOR AMERICA, HOWEVER, IF THE LESSONS WE HAVE LEARNED THROUGH THIS EXPERIMENT ARE NOT ALLOWED TO FADE AND BE FORGOTTEN IN THE FOLLOWING WEEKS AND MONTHS.

LESSONS TO REMEMBER

I THINK THE PRIMARY LESSON--FOR INDIVIDUAL BUSINESSMEN AS WELL AS FOR GOVERNMENT LEADERS--IS SIMPLY THE FACT THAT CONTROLS, AS A LONG TERM POLICY, DO NOT WORK. IN FACT, THEY CREATE FAR MORE PROBLEMS THAN THEY SOLVE. OUR ECONOMY IS SO COMPLEX AND SO INTERRELATED THAT A GROUP OF BUREAUCRATS SIMPLY CANNOT MAKE ALL THE CORRECT DECISIONS AS TO WHO CAN CHARGE OR BE PAID HOW MUCH FOR HIS PRODUCTS OR SERVICES.

3.

SOMEONE INEVITABLY GETS LEFT OUT OR PENALIZED OR UNFAIRLY TREATED JUST BECAUSE ARTIFICIAL, BUREAUCRATIC MARKETPLACE DECISIONS CANNOT BE MADE AS FAST, AS FLEXIBLY OR AS EFFICIENTLY AS THOSE THAT ARE DICTATED BY THE LAWS OF SUPPLY AND DEMAND. AND THE EFFECTS OF THESE MISTAKES AND DISLOCATIONS HAVE A LOG-JAM EFFECT WHICH STRANGLES AND INHIBITS EVERY ASPECT OF THE ECONOMY.

CONTROLS CERTAINLY DO NOT PREVENT SHORTAGES; IN FACT, THEY DO JUST THE OPPOSITE AS BEEF SHORTAGES, COMMODITIES SHORTAGES AND INDUSTRIAL MATERIALS SHORTAGES HAVE SHOWN TO OUR DISMAY AND FRUSTRATION.

AND CONTROLS CLEARLY HAVE NOT PREVENTED OR CONTROLLED INFLATION.

4.

RELY ON BASIC ECONOMIC STRENGTHS

THEREFORE, WE MUST NOT AGAIN SUBMIT TO THE TEMPTATION OF LETTING THE GOVERNMENT ASSUME THE RESPONSIBILITY--AND THE POWER--WHICH RIGHTFULLY RESTS WITH EVERY BUSINESSMAN, UNION AND PARTICIPANT IN THE ECONOMIC DECISION-MAKING PROCESS. THIS ECONOMY WAS BUILT THROUGH RELIANCE ON INDIVIDUAL INITIATIVE, THE PROFIT MOTIVE AND A WILLINGNESS TO TAKE RISKS. AND ITS FUTURE HEALTH AND SECURITY WILL DEPEND EVEN MORE STRONGLY ON THESE FACTORS.

WE MUST RELY ON THE NEGOTIATING PROCESS TO MAKE RESPONSIBLE DECISIONS ON WAGES. AND WE MUST DEPEND ON THE OLD-FASHIONED AMERICAN COMPETITIVE SPIRIT TO MAKE PRODUCTS AND SERVICES AVAILABLE TO CUSTOMERS AT BETTER PRICES THAN EVER BEFORE.

5.

NOW THAT WE HAVE AT LAST REALIZED THE DANGERS AND FAILINGS OF ECONOMIC CONTROLS, WE MUST RESIST ANY FUTURE TEMPTATION TO GIVE INTO THE "CONTROL PSYCHOLOGY" AGAIN.

I BELIEVE WE CAN DO THIS. AND BARRING ANY LAST-MINUTE CONGRESSIONAL ATTEMPTS TO HANG THE MILLSTONE OF CONTROLS AROUND THE COUNTRY'S NECK AGAIN, I BELIEVE WE WILL AWAKE ON MAY DAY TO THE BEGINNING OF A GREAT NEW CHAPTER IN THE ECONOMIC HISTORY OF OUR COUNTRY.

BUT MAINTAINING A STABLE AND HEALTHY ECONOMY REQUIRES MORE THAN JUST AN ENDING OF CONTROLS. IT REQUIRES ACTION ON A BROAD RANGE OF MATTERS FROM CONTAINING INFLATION TO ASSURING THE FUNDAMENTAL STRENGTHS WHICH SUPPORT OUR ENTIRE SYSTEM.

CONTROL OF INFLATION AND GOVERNMENT SPENDING

ON THE INFLATION FRONT, THE CONTROL OF GOVERNMENT SPENDING IS THE NUMBER ONE MOST CRITICAL AND SERIOUS PROBLEM FACING THE ECONOMY TODAY.

FOR FISCAL YEAR 1975, WE FACE AN ALLTIME RECORD FEDERAL BUDGET OF \$304.4 BILLION. IT IS UP SOME \$30 BILLION OVER LAST YEAR'S. AND MOST DISTURBING OF ALL, SOME 73 PERCENT OF IT IS DEEMED "UNCONTROLLABLE" FOR ONE REASON OR ANOTHER.

THIS POSES AN IMMENSELY DIFFICULT PROBLEM FOR THOSE OF US WHO KNOW THAT THE ECONOMIC REALITIES OF CONTINUAL DEFICIT SPENDING CAN ONLY BE IGNORED AT THE RISK OF THE MOST SERIOUS CONSEQUENCES IN THE FUTURE.

7.

SENATE BUDGET REFORM BILL

FORTUNATELY, I BELIEVE ONE IMPORTANT FIRST STEP TOWARD CONGRESSIONAL RESPONSIBILITY IN CONTROLLING GOVERNMENT SPENDING WAS TAKEN WHEN THE SENATE PASSED ITS BUDGET REFORM BILL LAST MONTH. BY FORCING THE HELTER-SKELTER LEGISLATIVE PROCESS TO COME TO GRIPS WITH OVERALL SPENDING LIMITATIONS AND THE REQUIREMENT FOR MATCHING REVENUES AND OUTLAYS, I AM HOPEFUL THAT WE ARE NOW FINALLY ON THE ROAD TO APPROACHING BUDGET MATTERS IN A BUSINESSLIKE AND ORDERLY WAY.

WE CANNOT BEGIN TO CONTROL INFLATION WITHOUT CONTROLLING GOVERNMENT SPENDING, SO I AM HOPEFUL THAT THIS REFORM OF CONGRESSIONAL PROCEDURES WILL BE THE FIRST, BUT NOT THE LAST, STEP IN THIS DIRECTION.

8.

ENERGY IS, OF COURSE, THE LIFEblood OF AMERICA'S AND THE WORLD'S ECONOMY. WITHOUT IT IN AMPLE AND SECURE SUPPLY, OUR ENTIRE SYSTEM WOULD WITHER AND DIE LIKE AN UNWATERED PLANT. CONGRESS HAS A LOT OF CATCHING UP TO DO ON ENERGY LEGISLATION. FOLLOWING THE ARAB EMBARGO AND THE IMPOSITION OF CRUDE OIL PRICE INCREASES, CONGRESS HAS SPENT SIX MONTHS MAKING SPEECHES AND GRABBING HEADLINES WITH NO WORTHWHILE LEGISLATION YET ENACTED.

SO NOW THAT THE EMBARGO HAS ENDED AND THE COUNTRY HAS PASSED OUT OF THE CRISIS PERIOD, IT IS TIME FOR CONGRESS TO GET BUSY ON LEGISLATION THAT WILL MAKE MORE AND BETTER FUELS AVAILABLE TO OUR COUNTRY, PROVIDE MEANINGFUL PROTECTION TO CONSUMERS AND RE-ESTABLISH OUR INDEPENDENCE IN THE PRODUCTION OF ENERGY.

9.

MAJOR BILL BEFORE FINANCE COMMITTEE

AS A MEMBER OF THE SENATE FINANCE COMMITTEE, I AM INVOLVED IN WORK ON ONE OF THE MOST IMPORTANT OF THESE ITEMS. IT IS THE BILL WHICH MUST ACCOMPLISH THE DUAL PURPOSES OF PROTECTING CONSUMERS FROM UNFAIR AND EXCESSIVE ENERGY INDUSTRY PROFITS WHILE AT THE SAME TIME ASSURING AN ECONOMIC CLIMATE THAT WILL ENCOURAGE EXPANDED EXPLORATION AND DEVELOPMENT OF OUR VAST POTENTIAL ENERGY RESOURCES.

THIS BILL IS NOW NEARING THE FINAL STAGES OF PREPARATION IN THE HOUSE WAYS AND MEANS COMMITTEE, SO I AM HOPEFUL THAT HOUSE ACTION CAN BE COMPLETED AND THE SENATE FINANCE COMMITTEE CAN BEGIN ITS WORK SOMETIME NEXT MONTH.

10.

CONSUMER PROTECTION

ON THE CONSUMER PROTECTION SIDE, I THINK A VERY IMPORTANT JOB HAS TO BE DONE. CONSUMERS MUST HAVE ASSURANCE THAT THEY WILL NOT BE MADE THE HELPLESS VICTIMS OF THE OIL COMPANIES IN A TIME OF UNCERTAINTY AND CHANGE. THE OIL COMPANIES HAVE NO RIGHT TO CONVERT A PERIOD OF NATIONAL CHALLENGE AND TRIAL INTO AN "OPEN SEASON" ON THE AMERICAN PEOPLES' PAYCHECKS, PENSIONS AND PEACE OF MIND. AND WE IN CONGRESS HAVE A VERY SERIOUS RESPONSIBILITY NOT ONLY TO PREVENT SUCH A DEVELOPMENT BUT TO PROVIDE VISIBLE AND CLEAR-CUT ASSURANCE THAT IT WILL NOT HAPPEN.

11.

EFFECTIVE MECHANISM

THIS IS A PRIMARY REASON WHY THE BILL TO TAX EXCESS PROFITS IN THE ENERGY INDUSTRIES IS SO IMPORTANT. UNLIKE MOST OF THE SHALLOW SCHEMES AND SIMPLISTIC REMEDIES WHICH HAVE BEEN TOSSED ABOUT IN CONGRESS SO FAR, A SOUND TAX MEASURE CAN EFFECTIVELY PROVIDE THIS PROTECTION. THE TAX SYSTEM IS A KNOWN ENTITY. IT IS PREDICTABLE AND, MORE IMPORTANT, IT IS ENFORCEABLE. IT DOES NOT RELY ON SOME HOPELESSLY INEFFECTIVE ADMINISTRATIVE BOARD TO RULE ON WHETHER SOMEONE HAS EARNED AN "UNREASONABLE" PROFIT. IT DOES NOT DELEGATE UNWARRANTED ECONOMIC POWERS TO THE PRESIDENT FOR SETTING AND CONTROLLING PRICES. BUT IT CAN ESTABLISH CLEAR STANDARDS AND PRECISE CRITERIA FOR DETERMINING MARGINS OF PROFIT AND FOR SETTING THE TAXING MECHANISM IN OPERATION ON THOSE PROFITS.

EVERYONE--CONSUMERS, ENERGY COMPANIES AND THE GOVERNMENT--WILL KNOW WHERE THEY STAND AND WHAT CAN BE EXPECTED. AND ON THIS SOLID BASIS I BELIEVE THE NECESSARY PROTECTION FOR CONSUMER INTERESTS CAN BE ESTABLISHED AND ENFORCED.

NEED FOR PLOWBACK

ON THE OTHER HAND, WHILE LOOKING OUT FOR THE CONSUMER, THIS SAME BILL MUST RECOGNIZE THE ECONOMIC FACTS OF LIFE. AND IF OUR DOMESTIC ENERGY SOURCES ARE TO BE EXPANDED, THERE MUST BE A CLIMATE IN WHICH SUCH ACTIVITIES ARE SEEN AS WORTHWHILE. THAT IS TO SAY, THERE MUST BE A REASONABLE EXPECTATION FOR MAKING A PROFIT.

THEREFORE, THIS BILL CANNOT BE TRANSFORMED INTO A DEVICE FOR PUNISHING THE OIL INDUSTRY -- OR ANY OTHER SEGMENT OF THE ECONOMY -- IN AN EFFORT TO DELIVER A SCAPEGOAT FOR PAST MISTAKES AND FAILINGS.

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FOR THIS REASON, I BELIEVE THE EXCESS PROFITS TAX SHOULD CONTAIN A SUBSTANTIAL "PLOWBACK" FEATURE FOR FUNDS WHICH ARE NOT TAKEN AS PROFITS BUT "PLOWED BACK" OR REINVESTED TO FINANCE ADDITIONAL EXPLORATION, UNDERWRITE RESEARCH INTO NEW ENERGY TECHNOLOGY AND SUPPORT OTHER ENERGY-RELATED ACTIVITIES WHICH CONGRESS SPECIFIES. THE NEED FOR SUCH A PROVISION IS SHOWN BY AN ESTIMATE THAT FORESEES THE REQUIREMENT FOR INCREASING OIL COMPANY ANNUAL CAPITAL INVESTMENTS MORE THAN THREEFOLD OVER 1972'S \$8 BILLION LEVEL TO ACHIEVE PETROLEUM SELF-SUFFICIENCY BY 1985.

BASIC GOALS

IN EXAMINING THIS CONCEPT, I BELIEVE IT IS IMPORTANT TO KEEP IN MIND WHAT THE EXCESS PROFITS TAX IS SUPPOSED TO ACHIEVE. IT IS INTENDED TO KEEP THE COMPANIES FROM GETTING UNJUSTLY FAT AT THE PUBLIC'S EXPENSE. BUT IT IS NOT INTENDED AS A MAJOR REVENUE-RAISING MEASURE, AND IT IS NOT DESIGNED TO PUNISH THE INDUSTRY.

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AND MOST IMPORTANTLY, IT AND OTHER TAX OR POLICY DECISIONS MUST BE VIEWED IN THE OVERALL CONTEXT OF OUR EFFORTS TO INCREASE AMERICA'S ENERGY SUPPLIES. WE CANNOT STEP ON THE BRAKE AND THE ACCELERATOR AT THE SAME TIME AND ACHIEVE PROGRESS. WE MUST KEEP OUR GOALS IN MIND AND MATCH THE STEPS WE TAKE TO THEM. WE CAN AND MUST PROTECT THE CONSUMER. BUT WE CAN DO SO AND STILL ENCOURAGE INDUSTRY TO EXPAND ITS ACTIVITIES AND BRING ABOUT THE INCREASE OF OUR ENERGY RESOURCES WHICH IS SO VITAL TO OUR NATION'S FUTURE.

BROAD LEGISLATION

IT IS APPARENT THAT THIS BILL WILL GO BEYOND THE EXCESS PROFITS QUESTION. REPEAL OF THE DEPLETION ALLOWANCE HAS ALREADY BEEN INCLUDED BY THE HOUSE COMMITTEE, AND I BELIEVE THE AREA OF FOREIGN TAX CREDITS AND OTHER SUCH BENEFITS FOR OPERATIONS OUTSIDE THE UNITED STATES SHOULD BE CAREFULLY EXAMINED.

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IT IS EASY TO SAY "PUT THE OIL COMPANIES IN THEIR PLACE" BUT WE MUST REMEMBER WHERE THAT PLACE IS. AND WITHOUT QUESTION IT IS HERE IN THE UNITED STATES. WE NEED THEIR SKILL, KNOW-HOW AND TECHNOLOGY AT WORK PRODUCING AMERICAN OIL FOR AMERICAN CONSUMERS NOT IN SAUDI ARABIA OR ALGERIA WHERE THE OIL AND THE MONEY PAYING FOR IT MAY NEVER REACH OUR SHORES.

IT MAKES LITTLE SENSE TO ME THAT WE SHOULD REDUCE INCENTIVES FOR DOMESTIC OPERATIONS--PARTICULARLY, THOSE OF OUR KANSAS INDEPENDENT OIL COMPANIES--WHILE RETAINING BENEFITS FOR FOREIGN OPERATIONS BY THE MAJOR COMPANIES.

16.

THEREFORE, I LOOK FORWARD TO THE FINANCE COMMITTEE'S CONTINUING WORK ON THIS LEGISLATION. IT IS ONE OF THE MOST IMPORTANT AND PROBABLY MOST COMPLEX PARTS OF A CONGRESSIONAL EFFORT WHICH HAS LAGGED BEHIND THE PACE OF EVENTS AND THE NEED FOR A COMPREHENSIVE AND RESPONSIBLE NATIONAL ENERGY POLICY. AND IT WILL HAVE THE MOST FAR-RANGING CONSEQUENCES TO THE ENTIRE AMERICAN BUSINESS COMMUNITY.

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NUMBER OF QUESTIONS ABOUT EXPANDING THE ROLE OF PSRO'S, COINSURANCE PROVISIONS, THE ESTABLISHMENT OF STATE FEE SCHEDULES AND THE BEST MEANS OF FINANCING THE SYSTEM. BUT THESE ARE APPROPRIATE QUESTIONS WHICH SHOULD BE ASKED IN ANY EVENT AND THEY SHOULD BE DEALT WITH IF WE ARE TO EXPLORE EVERY REASONABLE AVENUE IN THE COURSE OF SHAPING THIS VITALLY IMPORTANT LEGISLATION.

OPEN MIND ON PROPOSALS

AS IMPORTANT COMPONENTS OF AMERICA'S HEALTH CARE SYSTEM WHO WOULD BE DIRECTLY AFFECTED BY ANY LEGISLATIVE DECISIONS WE REACH, I WOULD BE MOST INTERESTED TO HEAR YOUR REACTION AND COMMENTS ON THESE PROPOSALS, OR ANY OTHER ASPECT OF HEALTH CARE.

AT THIS POINT IN THE LEGISLATIVE PROCESS -- AND THROUGHOUT IT, I HOPE --I HAVE AN OPEN MIND ABOUT ALL PROPOSALS AND WILL APPRECIATE ANY COMMENTS OR SUGGESTIONS THAT ARE OFFERED.

WE HAVE A MOST IMPORTANT JOB TO DO IN THE COMING MONTHS, AND THROUGH EXCHANGE OF IDEAS WITH INDIVIDUALS LIKE YOU, AND GROUPS LIKE THIS, I HOPE WE CAN APPROACH IT IN A RESPONSIBLE, CONSTRUCTIVE MANNER WHICH WILL ENABLE US TO DO THE BEST POSSIBLE JOB FOR THE AMERICAN PEOPLE.

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