

REMARKS OF SENATOR BOB DOLE

MACHINERY DEALERS NATIONAL ASSOCIATION CONVENTION

DIPLOMAT HOTEL
HOLLYWOOD, FLORIDA
SATURDAY, APRIL 19, 1975

I APPRECIATE THIS KIND INVITATION FROM YOUR ASSOCIATION FOR ME TO JOIN YOU THIS AFTERNOON. I FULLY UNDERSTAND AND APPRECIATE THE IMPORTANCE OF YOUR INDUSTRY TO THE ECONOMIC GROWTH AND WELL-BEING OF THIS COUNTRY, AND I'M PLEASED TO BE HERE WITH YOU TO SHARE SOME THOUGHTS ABOUT THE PROSPECTS FOR RENEWING THE GROWTH AND CONTINUING THE WELL-BEING.

CERTAINLY WITH RESPECT TO YOUR INDUSTRY, WE CAN TAKE SOME SATISFACTION FROM THE FACT THAT THE CONGRESS INCLUDED IMPORTANT INVESTMENT TAX CREDIT ADJUSTMENTS IN THE TAX REDUCTION BILL RECENTLY PASSED, AND SIGNED BY PRESIDENT FORD. THE INCREASE IN THE INVESTMENT TAX CREDIT SHOULD BE A SIGNIFICANT STIMULUS.

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AS WELL, THE EXPANSION OF THE LIMITATIONS FOR ELIGIBLE USED PROPERTY UNDER THE INVESTMENT TAX CREDIT, FROM THE PREVIOUS \$50,000 TO \$100,000, SHOULD BE OF DIRECT SIGNIFICANCE TO YOUR INDUSTRY, AND I WAS PLEASED WE WERE SUCCESSFUL IN RETAINING THAT EXPANSION IN CONFERENCE.

AS YOU KNOW, PERHAPS BETTER THAN I, HOWEVER, THE RECESSION WE CURRENTLY FIND OURSELVES IN IS NOT GOING TO BE SOLVED BY ONE TAX REDUCTION BILL. IN MY VIEW, IT REPRESENTS THE COMBINATION OF A SUCCESSION OF GATHERING ECONOMIC FORCES WHICH HAVE BEEN BUILDING IN THIS COUNTRY FOR A NUMBER OF YEARS.

NO QUICK CURES

THIS IS THE SHARPEST AND THE DEEPEST RECESSION WE HAVE EXPERIENCED IN A GENERATION. DESPITE THE FACT THAT A SCANT SIX MONTH AGO THE PRESENT RECESSION REMAINED UNFORESEEN BY MOST, IF NOT ALL, OF OUR MOST EXPERT ECONOMIC OBSERVERS, IT CANNOT BE SAID THAT IT CAME UPON US OVERNIGHT. AND IT CANNOT BE SAFELY ANTICIPATED THAT IT WILL DISAPPEAR OVERNIGHT.

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THE CHALLENGE TO POLICY MAKERS, THEREFORE, IS NOT AN UNMIXED ONE. WE HAVE TO FIND A WAY TO ELIMINATE THE RECESSION, THAT IS TRUE. BUT, AT THE SAME TIME, WE HAVE TO TAKE CARE THAT THE METHODS WE CHOOSE TO ACCOMPLISH THAT GOAL DO NOT AT THE SAME TIME STIMULATE OTHER AND EQUALLY OMINOUS ECONOMIC PROBLEMS. IN OTHER WORDS, IF WE SOLVE THE SHORT-TERM PROBLEMS OF RECESSION WITH SOLUTIONS THAT PROVE INFLATIONARY IN THE LONG TERM, WE WILL REALLY HAVE ACCOMPLISHED NOTHING. WE WILL HAVE REPLACED ONE PROBLEM WITH ANOTHER OF AT LEAST EQUAL SIGNIFICANCE. AND SINCE INFLATION WAS ONE MAJOR CAUSE OF THIS RECESSION, ANY INFLATIONARY SOLUTION IS LIKELY TO BE NO SOLUTION AT ALL. RENEWED INFLATION WILL PROBABLY BRING WITH IT A RENEWED RECESSION.

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CRISIS POINT

ACROSS THE WIDE RANGE OF CRUCIAL AMERICAN ISSUES WE SEEM TO BE AT A POINT OF CRISIS. CRISIS, NOT IN A FORBIDDING SENSE, PERHAPS, BUT IN THE SENSE OF A TURNING POINT. WE SEEM QUITE CLEARLY, IN MY VIEW, TO BE AT A POINT IN OUR NATIONAL HISTORY WHERE THE DECISIONS WE MAKE NOW AND IN THE NEAR FUTURE ARE LIABLE TO DETERMINE -- IN A MAJOR WAY -- THE SHAPE OF THIS COUNTRY'S FUTURE FOR DECADES TO COME.

OPTIMISM ASSERTED

LET ME MAKE IT CLEAR AT THIS POINT THAT I START OUT AN OPTIMIST. THE PROBLEMS ARE THERE, AND THEY ARE LARGE; THE DILEMMAS, CONFUSING.

IF YOUR RESPONSE TO OUR CURRENT PREDICAMENT IS UNCERTAINTY, THEN YOU ARE NOT ALONE.

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BUT, LET ME SAY ONCE AGAIN, I AM AN OPTIMIST. OUR ECONOMY HAS A REMARKABLE ABILITY TO RECOVER, IF ALLOWED TO RECOVER; TO EXPAND, IF ALLOWED TO EXPAND; TO PRODUCE, IF ALLOWED TO PRODUCE. BECAUSE POLICY MAKERS ARE HUMAN AND THEREFORE FALLIBLE, I CAN BE CURED OF MY OPTIMISM.

IT'S POSSIBLE THAT THE CRUCIAL CHOICES WE MAKE IN THE COMING MONTHS AND YEARS WILL BE THE WRONG CHOICES. IT'S POSSIBLE THAT WE COULD CHART A COURSE FOR THIS COUNTRY THAT MAXIMIZES CONTROL AND MINIMIZES FREEDOM. IT'S POSSIBLE, IN SHORT, THAT WE COULD MAKE PRECISELY THE WRONG DECISIONS; CHART PRECISELY THE WRONG COURSE; AND SET OUR SIGHTS ON PRECISELY THE WRONG GOAL.

BUT UNTIL NOW, WE HAVE NEVER DONE THAT. WE HAVE MADE SOME MISTAKES IN THE PAST. BUT THEY HAVE BEEN MISTAKES OF IMPLEMENTATION, NOT OF INTENTIONS. THE GOAL WE PURSUED HAS ALWAYS BEEN CLEAR. MAXIMUM FREEDOM, MAXIMUM PROSPERITY, AND THE SHARING OF BOTH WITH ALL AMERICANS TO THE MAXIMUM EXTENT POSSIBLE.

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IT'S BECAUSE I DO NOT THINK WE WILL WAIVER
FROM THOSE GOALS IN THE FUTURE THAT I REMAIN AN OPTIMIST
IN THE PRESENT.

UPTURN PREDICTED

AS IF TO SUPPORT MY OPTIMISM, THERE IS A DEVELOPING
CONSENSUS THAT THERE WILL BE AN ECONOMIC TURN AROUND
WHICH SHOULD BEGIN TO BE EVIDENT IN THE THIRD QUARTER OF
THIS YEAR. AT PRESENT, THERE IS LITTLE DISAGREEMENT ABOUT
THE FACT THAT A TURN AROUND WILL DEFINITELY COME. THE
DEBATE CENTERS, RATHER, ON THE SPEED WITH WHICH THE ECONOMY
WILL RECOVER, AND THE SPEED WITH WHICH IT OUGHT TO RECOVER.
IN OTHER WORDS, THE DEBATE CENTERS ON HOW TO DEVELOP THE
MOST APPROPRIATE POLICY TO INSURE AN EVENTUAL RETURN TO
FULL EMPLOYMENT WITHOUT, AT THE SAME TIME, PROMPTING A
RETURN TO DOUBLE DIGIT INFLATION.

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IN THIS CONTEXT, THE SIZE OF THE FEDERAL DEFICIT IN THE CURRENT FISCAL YEAR AND FOR THE NEXT FISCAL YEAR OR TWO, IS OF KEY IMPORTANCE. ACTUALLY, IT'S A DUAL QUESTION -- HOW LARGE WILL THOSE DEFICITS BE AND HOW CAN, AND HOW WILL THEY BE FINANCED.

THERE ARE, AS YET, NO DEFINITE ANSWERS TO THOSE QUESTIONS. IF THE SIZE OF THE FEDERAL DEFICIT WERE LEFT UP TO THE NEW HOUSE BUDGET COMMITTEE, IT WOULD BE SOMETHING ON THE ORDER OF \$72 AND ONE-HALF BILLION DOLLARS. IF THAT DECISION WERE LEFT UP TO THE SENATE BUDGET COMMITTEE, THE DEFICIT WOULD BE SMALLER, BUT PERHAPS NOT SIGNIFICANTLY SO. THE SENATE BUDGET COMMITTEE'S RECOMMENDATIONS CALL FOR A DEFICIT OF \$69 BILLION DOLLARS. PRESIDENT FORD, FOR HIS PART, HAS DRAWN THE LINE ON A BUDGET DEFICIT OF \$60 BILLION DOLLARS.

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FINAL DECISION RESTS WITH CONGRESS

I VIEW THE FORMATION OF THE HOUSE AND SENATE BUDGET COMMITTEES IN THEIR FIRST YEAR OF OPERATION, UNDER THE CONGRESSIONAL BUDGET ACT OF 1974, AS A POSITIVE STEP. LIKEWISE, I VIEW THE FACT THAT PRESIDENT FORD HAS DRAWN THE LINE AT WHAT HE CONSIDERED TO BE THE LOWEST POSSIBLE BUDGET DEFICIT AS A POSITIVE STEP. BUT THE FINAL DECISION AS TO HOW LARGE THE FEDERAL DEFICIT WILL BE IN FISCAL YEAR 1976 AND BEYOND DOES NOT REST WITH EITHER THE BUDGET COMMITTEES OF THE CONGRESS OR WITH THE PRESIDENT OF THE UNITED STATES. THAT FINAL DECISION RESTS SOLELY AND TOTALLY WITH THE CONGRESS AS A WHOLE.

CURRENTLY WE ARE TALKING IN TERMS OF A BUDGET DEFICIT RANGE FROM \$60 TO \$70 BILLION DOLLARS. AND WE ARE TALKING ABOUT THAT AS THE CONSERVATIVE SIDE OF THE PTOENTIAL DEFICIT RANGE. AS STAGGERING AS THAT TOTAL MAY BE, THE FACT CAN'T BE IGNORED THAT THE FEDERAL DEFICIT FOR FISCAL '76 COULD GROW EVEN LARGER. THE SENATE BUDGET COMMITTEE ESTIMATES THAT THERE IS A POSSIBILITY -- IF SIGNIFICANT NEW SPENDING IS ADDED BY THE CONGRESS -- THAT THE DEFICIT

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COULD GROW TO OVER \$100 BILLION DOLLARS AND EVEN AS HIGH AS \$120 BILLION DOLLARS. THE CONSEQUENCES OF SUCH AN EXHORBITANT DEFICIT WOULD, IN MY VIEW, BE NOTHING SHORT OF DISASTROUS FOR YOU IN YOUR INDUSTRY; FOR JOB PRODUCING INDUSTRIES, GENERALLY, IN THIS COUNTRY; AND INDEED FOR THE WHOLE ECONOMY. AS IT IS, THERE IS LEGITIMATE QUESTION ABOUT HOW A BUDGET DEFICIT ON THE ORDER OF \$60 TO \$70 BILLION DOLLARS CAN BE FINANCED. IS THE AMERICAN ECONOMY CAPABLE OF FINANCING SUCH A DEBT WITHOUT SETTING OFF SPIRALLING INTEREST RATES; A RENEWED DOWN-TURN IN BUSINESS ACTIVITY; AN UNWELCOMED RETURN TO UNACCEPTABLE LEVELS OF INFLATION, WHICH WE ARE ONLY NOW BEGINNING TO PUT BEHIND US.

HOW TO FINANCE DEFICIT

WHILE THERE IS NO UNANIMITY ON THE SUBJECT, THERE SEEMS TO BE A GENERAL FEELING THAT IT'S AT LEAST CONCEIVABLE FOR THE ECONOMY TO ADEQUATELY FINANCE A DEBT IN THE \$60 TO \$70 BILLION DOLLAR RANGE WITHOUT PROMPTING THE KINDS OF PROBLEMS

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I JUST LISTED. I KNOW OF NO REASONABLE ECONOMIC FORECASTER WHO THINKS WE CAN FINANCE A \$100 BILLION DOLLAR DEFICIT WITHOUT ENCOUNTERING AT LEAST THOSE PROBLEMS AND PROBABLY MORE. IN MY OWN VIEW, A BUDGET DEFICIT OF EVER \$80 TO \$90 BILLION DOLLARS, MUCH LESS ONE THAT GOES OVER \$100 BILLION, WOULD NOT ONLY PROMPT A RETURN TO DOUBLE DIGIT INFLATION, BUT A GENERAL DOWN-TURN IN THE ECONOMY WHICH COULD MAKE OUR CURRENT RECESSION LOOK MILD IN COMPARISON. AND A BUDGET DEFICIT MUCH GREATER THAN THAT WHICH THE BUDGET COMMITTEES HAVE RECOMMENDED WOULD PUT US IN A FISCAL HOLE THAT WE WOULD BE UNABLE TO DIG OUT OF FOR YEARS.

THE SENATE BUDGET COMMITTEE STAFF TELLS ME THAT A \$70 BILLION DOLLAR DEFICIT FOR FISCAL YEAR '75 WILL LEAD INEVITABLY TO AT LEAST A \$35 BILLION DOLLAR DEFICIT IN '77. THIS IS TRUE EVEN ASSUMING THE UNLIKELY EVENTUALITY THAT DURING THOSE TWO YEARS THERE WOULD BE NO NEW SPENDING PROGRAMS PASSED BY THE CONGRESS. AN INCREASE IN OUR BUDGET DEFICIT

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FOR '76 WOULD NECESSITATE A ROUGHLY PROPORTIONATE INCREASE IN THE DEFICIT FOR '77, AND THE FISCAL HOLE WE'D FIND OURSELVES IN WOULD ONLY GET DEEPER AND DEEPER.

WHATEVER TEMPORARY RECOVERY WE MIGHT BUY NOW, OR WITH MASSIVE SPENDING BY THE FEDERAL GOVERNMENT, WOULD QUICKLY FADE UNDER THE PRESSURES OF SUCH AN ENORMOUS DIFICIT.

CAN'T BURY RECESSION IN MONEY

THIS UNDERSCORES THE TRUTH OF A BASIC AND RATHER GENERAL PROPOSITION ABOUT PUBLIC POLICY, IN MY VIEW. IT IS TRUE OF THE PROBLEMS OF RECESSION, AS IT IS TRUE OF MOST OF OUR PROBLEMS, THAT THEY CAN'T BE SOLVED BY THE SIMPLE EXPEDIENT OF THROWING DOLLARS AT THEM. MASSIVE FEDERAL SPENDING MAY PROVIDE A TEMPORARY STIMULUS, BUT IF IT LEADS TO A SUCCESSION OF MONSTROUS BUDGET DEFICITS, IT IS BOUND TO BE COUNTER-PRODUCTIVE.

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LET ME QUOTE AT LENGTH FROM FEDERAL RESERVE
CHAIRMAN ARTHUR BURNS' TESTIMONY BEFORE THE BUDGET
COMMITTEE:

"I CANNOT STRESS TOO STRONGLY," HE SAID,
THE DANGERS INHERENT IN A DEFICIT OF
ANYTHING LIKE THAT MAGNITUDE. MUCH OF THE
FINANCING OF THE DEFICIT WILL OCCUR AT A
TIME WHEN PRIVATE CREDIT DEMANDS WILL
PROBABLY BE STRENGTHENING. ENORMOUS
STRAINS MAY THEREFORE BE PLACED ON THE
MONEY AND CAPITAL MARKETS. THIS MEANS
THAT INTEREST RATES MAY BEGIN TO SHOOT UP,
THAT MANY PRIVATE BORROWERS MAY BE CROWDED
OUT OF THE MARKET, THAT SAVINGS FUNDS MAY
ONCE MORE BE DIVERTED FROM MORTGAGE LENDERS,
AND THAT THE STOCK MARKET MAY TURN WEAK
AGAIN."

IN OTHER WORDS, IF WE MERELY TRY TO SPEND OUR WAY
OUT OF RECESSION, IT WON'T BE LONG BEFORE WE FIND OURSELVES
RIGHT BACK IN A RECESSION.

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HE WENT ON TO PROMISE THAT, EVEN IN THIS EVENTUALITY -- A \$100 BILLION DOLLAR OR MORE DEFICIT -- THE FED WILL PURSUE "A MODERATE PATH OF MONETARY EXPANSION" TO AVOID A NEW AND EVEN MORE VIRULENT ROUND OF INFLATION.

TIME IS NOW

THOUGH THE PRECISE AMOUNT HASN'T YET BEEN FIXED, AN ENORMOUS DEFICIT FOR FISCAL YEAR 1976 IS ALREADY AN UNAVOIDABLE REALITY. THE TIME FOR BRINGING THE FEDERAL BUDGET UNDER CONTROL -- AND FOR REGAINING A DEGREE OF CONTROL OVER OUR OWN FISCAL FUTURE -- IS RUNNING SHORT.

IF, AS I SAID EARLIER, THE ULTIMATE RESPONSIBILITY RESTS WITH THE CONGRESS FOR CONTROLLING SPENDING AND KEEPING THE SIZE OF THE DEFICIT AS LOW AS POSSIBLE, THEN LET ME STATE A COROLLARY TO THAT.

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I AM STILL A BELIEVER IN OUR SYSTEM. SO, IF THE RESPONSIBILITY RESTS WITH THE CONGRESS, THEN IT FOLLOWS THAT THE RESPONSIBILITY REALLY RESTS WITH YOU. THE CONGRESS WILL RESPOND TO YOUR PLEAS FOR BUDGETARY RESTRAINT, IF YOU MAKE THEM VOCALLY AND PERSUASIVELY ENOUGH.

CHANGING CIRCUMSTANCE

ONLY A DECADE OR SO AGO, PUBLIC DEBATE CENTERED ON THE QUESTION OF WHETHER WE COULD AFFORD TO LIVE WITH INFLATION OF 3 OR 4 PERCENT A YEAR IN ORDER TO ENJOY FULL EMPLOYMENT. NOW, WE ARE TRYING TO FIND WAYS TO GET BACK TO THE RELATIVE BLISS OF 3 OR 4 PERCENT INFALTION, AND WE ARE EVEN FURTHER FROM FULL EMPLOYMENT THAN BEFORE.

SO LONG AS WE ARE BEDEVILED BY THE TWIN ECONOMIC IRRITANTS OF INFLATION AND RECESSION, OUR CONCERN ABOUT UNEMPLOYMENT WILL PREVENT US FROM EXERCISING THE SEVERE RESTRAINT THAT WOULD OTHERWISE BE INDICATED AS A SOLUTION FOR INFLATION.

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THE ONLY ALTERNATIVE LEFT TO US THEN IS MODERATE
RESTRAINT OVER THE LONG HAUL.

SEVERE PRESSURES

THIS CONGRESS, LIKE CONGRESSES BEFORE IT, WILL
BE UNDER SEVERE PRESSURE TO PASS NEW SPENDING PROGRAMS.
IT MUST RESIST THAT PRESSURE. YOU MUST EXERCISE A COUNTER-
PRESSURE TOWARD SPENDING RESTRAINT, IN YOUR INTEREST AND
IN THE INTEREST OF YOUR COUNTRY.

LET ME QUOTE FROM ANOTHER OPTIMIST, IF I MAY,
MR. BEN WATTENBERG, WHOSE OBSERVATIONS ABOUT AMERICA HAVE
BEEN ENLIGHTENING US ABOUT OURSELVES FOR THE LAST FEW
YEARS. HE SAYS THAT "DEMOCRACIES WORK SLOWLY, ONLY AFTER
POLITICIANS COMPLAIN AND MOAN, AFTER PUNDITS AND THE
PUBLIC DENOUNCE LEADERSHIP, AFTER LEGISLATURES PICK NITS.
BUT THEY DO WORK.... WHILE OUR GOVERNMENT IS NOT ALWAYS
TERRIBLY SMART OR INNOVATIVE OR EFFICIENT, IT IS ALMOST
ALWAYS QUITE RESPONSIVE."

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GOVERNMENT'S RESPONSE TO YOUR STIMULUS FOR
SPENDING RESTRAINT WILL BE AS QUICK AND AS EFFECTIVE
AS YOUR CALL FOR RESTRAINT IS PERSUASIVE. AND THE FACTS
ARE ALL ON YOUR SIDE. THE NEED FOR RESTRAINT IN THE
SHORT TERM, SO THAT WE MIGHT HAVE PROSPERITY AND GROWTH
IN THE LONG TERM, IS COMPELLING.

I REPEAT, IF THE RESPONSIBILITY BELONGS TO THE
CONGRESS, THE PEOPLE'S REPRESENTATIVES, THEN THE
RESPONSIBILITY REALLY BELONGS TO YOU, THE PEOPLE.

AND, IN THE FINAL ANALYSIS, IT IS THAT FACT ABOUT THE
POPULAR NATURE OF OUR DEMOCRATIC SYSTEM THAT SUPPORTS AND
SUSTAINS MY OPTIMISM.

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- Mat Cousin

2. Hungary - Hello -

3. ~~Bear Slavery~~

Post President

- how I got into & out of