

REMARKS BY SENATOR BOB DOLE  
LINCOLN DAY DINNER

Ashland, Kentucky  
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Tonight, we are reminded of our political heritage, of the creation of a great American political party at a time of national turmoil, and of a great leader who preserved our nation by unifying it. Just as Lincoln agonized over the proper course his splintered nation should follow, we ask ourselves tonight where we are as a nation, where we ought to go, what policies our cities, our states, and our nation should pursue. And, as Lincoln's Republicans, we know that if we are to meet our responsibilities to the American people, we must act together, motivated by what unites us and not inhibited by what divides us.

People Are Frustrated

If ever there was a time for Republican unity this is it. The American people are weary of big promises and broken commitments, of candidates big on raising expectations, but small on accomplishment. The people of this nation desperately search for leaders who share their sense of frustration, who want government off their backs and out of their pockets, who believe that the legitimate role of government as servant, not master, of the people is not an outdated notion.

But too, the people want a government that is responsive to the problems which beset us. They don't want to hear a lot of high-blown rhetoric about individuality and free enterprise and national strength. The vast majority of Americans already share our basic values, our philosophy.

Republican Philosophy at Work

If we are to respond to this opportunity, to this responsibility we must proclaim our Republican philosophy in specific terms, not resting our case on broad principles and sweeping generalities. We have to learn to communicate better with the American people, to spell out our philosophy in terms which appeal to the farmer in the midwest, the businessman in the south, the factory worker in the east, and the blacks and other Ethnic groups in our great American cities.

We have to go out and tell the American people where we stand on the important issues of the day and convince them that what we stand for best serves their interests. We must convince them -- and ourselves -- that the party of Lincoln can still lead the American people, that, properly constituted, government can be a friend, not a nemesis, to businessmen and consumers, to farmers and factory workers, to the young and to the old.

Republican Common Sense

The time is right for a healthy dose of Republican common sense in government, for restraints on government spending, for public policies which will ease the tax burden on working men and women, which will keep more money in the hands of the people and less in the belly of big government. And that's exactly what the Republican Party is all about.

### Need For Tax Relief

Year after year we have fought for significant income tax reductions for the American people. Yet the Majority Party and their President stubbornly resist our efforts. They have insisted that tax cuts weren't necessary, that the American people were not paying too much to satisfy the insatiable appetite of government. The President has said that families above median income levels should be paying higher, not lower, taxes.

He has already signed a law which sharply increases the social security tax burden on nearly everyone. And he persists in his drive to persuade Congress that we should pass another \$100 billion in energy taxes.

Yes, he has sent a so-called income tax reduction bill to Congress this year. But it offers only token relief to the American taxpayer. A great many Americans -- not just the well-to-do -- will actually pay higher taxes under the Administration's program.

The American people aren't fools. They know that small income tax "cuts" -- such as those now proposed by President Carter -- do little to ease their financial burdens.

In fact, within less than two years even if the proposed tax cuts are approved, most Americans will be paying more taxes than they are now. Few people realize that inflation is the reason for your skyrocketing tax bill.

It's no secret that prices continue to rise. The policies of the Carter Administration generated an increase in the price level of 6.8% last year, compared to 4.8% for the last year of the Ford Administration. The prospects for a reduction in the inflation rate are dismal. The January consumer price level rose at an annual rate of nearly 10% and the February wholesale price index -- indicating future inflation -- rose at an annual rate of almost 14%.

As prices and wages inflate, taxpayers will pay a greater percentage of their income in federal taxes. The principal reason for this paradox is that the fixed dollar amounts -- such as the tax rate boundaries and the \$750 personal exemption -- do not increase with inflation. A family who earns more money is pushed into a higher tax bracket and since these fixed dollar amounts fail to compensate for this rise -- the result is a tax liability that is increasing faster than inflation.

Let me give you an example how "tax inflation" works. Suppose a family earns \$15,000. The federal income tax on that level of income will be about \$1,400 or a 9% tax rate. However, a 7% rise in prices and wages will push the taxpayer into the next higher tax rate bracket. Hence, the family, although earning more income, will be paying \$200 more in taxes or at a tax rate of 11%. In effect, tax inflation has caused a decline in the family's real standard of living.

According to the Congressional Budget Office, tax inflation will generate \$45 billion in new taxes in 1983. I don't think that's fair. Government -- which brings on the inflation -- should be forced to suffer from inflation every bit as much as we do. That's why I have introduced legislation which would automatically adjust the tax laws to compensate for tax inflation.

This concept is called indexation. Under the legislation I have introduced, upward adjustment would be made to the tax rates, your personal exemption, and many tax credits. Hence, taxpayers would not be subjected to the tax increases generated by inflation. The proposal is simple and sensible. Indexation would insure that any increases in taxes would have to be enacted by Congress. No longer could government automatically extract higher taxes from the American people because of their fiscally irresponsible policies.

More money would be kept in the hands of the people who earn it, less in hands of government. Consumer spending would increase. Jobs would be created. And the taxpayer would be off the tax inflation treadmill.

Tax indexation is just one way we can put the Republican philosophy to work. It's constructive. It's positive. It's in the national interest. And it tells the American people that we're working actively for them, that we're concerned about the same things they are, that we're doing more than taking pot shots at ill-conceived Democratic policy, while offering no solutions of our own.

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### Leadership and Coal

I think that is the kind of leadership the American people are looking for. It's the kind of leadership that's missing in Washington today.

The lack of leadership from this Administration was never so obvious as it is in the current coal strike. For days and weeks and months, the President was content to watch as the strike drug on and on. On February 24th, I urged him to invoke the Taft-Hartley Act. But he hesitated. And now that he has finally acted, little is being done to enforce it.

Mark Twain told a particularly appropriate story about a man who, not being able to find any other fault with his coal, complained that there were too many prehistoric toads in it.

When we, as Republicans, as the loyal opposition, criticize the Administration, we must be sure that we focus on the coal, not the toads. We can't afford to be petty. If we are to lead, we must be prepared to offer positive alternatives, to come forth with sound, responsible solutions to local, state, and national problems. And on any number of issues we're doing just that.

### Tuition Tax Credit Provides Incentive

Congressional Republicans have been fighting for over two years to get a tuition tax credit enacted -- a simple, realistic program to provide financial relief for lower and middle-income tax payers struggling with the growing burdens of higher education costs.

President Carter and the House Democratic leadership have fought us every step of the way on this proposal. Now, when the President sees the overwhelming support for this plan, he has put forth his own tuition assistance program which is much more complex, less generous and will require hundreds, perhaps thousands, of bureaucrats to implement.

But I think we must do more. The government lacks a program to help people save the amount of money necessary to finance the costs of education. We must recognize that tight family budgets often force parents to neglect proper planning for their children's education in order to make ends meet.

That's why I have introduced legislation to create a special Educational Savings Bond Program, which will provide American families with the incentive and opportunity to save now for the future education of their children.

The plan is simple. Educational savings bonds sold by the government would accrue interest at 7% per year. However, the interest would be tax free when used to pay for the room, board, and college tuition.

An example may help explain the benefits of my proposal. Suppose parents buy a \$1000 Educational Savings Bond when their child is 8 years old. When the child is ready to go to college -- say age 18 -- the bonds would be worth \$2,000. The parent would not pay income tax on the \$1,000 interest earned, if the money is used to pay for college expenses.

The tuition tax credit and Education Savings Bond Program are tangible evidence of our Republican concern for the well-being of the American people. They demonstrate that despite changing attitudes about the value of college education, Republicans believe that the decision whether or not to attend college should not have to be made on economic grounds.

### Republicans in Leadership Role

The opportunities for Republicans to fill the leadership vacuum in Washington are there. The road back to our people is not a difficult one to find. And the credit and the virtue lie not in the finding, but in the seeking -- the reaching out.

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As we work to reassert our leadership role in Washington, we must remember our origins. We talk about being the Party of Freedom -- defending the free enterprise system, freeing people from government regulations, getting the government out of our private lives. This quality of tough self-assurance was the touchstone on which Lincoln tested his vision of America. It shaped and sustained him, and it was the capacity to act in harmony with the most deeply felt convictions of Americans on both sides of a difficult issue that earned him not merely his place in our history, but his place in our hearts. To restore America, we have only to restore contact with her people.

One among us best understood Lincoln. Carl Sandburg wrote his biography; he put it all down there -- The Prairie Years, The War Years, The Loving and Laughing and the Heartbreak -- put it all down so our children could understand and know Lincoln. Sandburg knew our people were a star any politician could follow safely, he knew they were wise in the long run than any single man. He knew what Lincoln knew, and wrote and taught what Lincoln lived and led by. And he wrote this line:

"This old anvil laughs at many broken hammers".

Today our national leadership breaks itself on the anvil of the American people, misled and confused, our people still know down deep what they are about, and where they want to go.

We in this Party can fill the leadership vacuum in Washington. We need not be afraid or inhibited by our minority status. Acting together, motivated by what unites us, the Republican Party can lead this nation, if we will.