

DRAFT for Senator Dole  
by Robert M. Smalley

Remarks of S B D  
The Michigan 1978 Eisenhower Silver Jubilee Dinner  
The Hyatt Regency Hotel  
Dearborn, Michigan  
April 4, 1978

Seventeen months ago we Republicans lost a national election, and just 15 months ago we turned over the government of our country to the newcomers in Washington.

That transition brought with it a breath of hope for many Americans, which much of the country seems to feel with the changing of any administrations.

Today, just 15 months later, the political landscape of America is strewn with the wreckage of those hopes. The President's ratings by the public have reversed from 67-to-21 positive a year ago to 58-41 negative today in the ABC-Harris Poll.

The temptation is strong for Republicans to look back and say, "I told you so," and to look ahead like hunters closing in for the kill.

The smell of victory is in the air.

But the change of these months has not only been in the public's perception of the President. So radical has been the change in our country's fortunes that it's hard to rise tonight with any sense of political satisfaction or jubilation.

Instead, I come before you as a very troubled American-- your partisan ally, with a growing sense of sadness and dismay

at what is happening in Washington, happening to our country, happening to us in the eyes of the world.

Michigan made a great gift to the nation in President Jerry Ford . . . and when his days in the White House were finished last year he left with the applause of America and the world. He had restored our spirit, our alliances and our economy.

He left us at peace, militarily strong and politically healed. The two-party system survives tonight because he doctored us through its darkest days.

But what has happened with all those high hopes and gilded promises in the days that followed?

### *P.R. Capital of the World*

1600 Pennsylvania Avenue has been turned into 1600 Madison Avenue, the public relations capital of the world.

And above all else, the halo on the White House has been tilted. The behavior of men around the President has put a new smudge where we were promised cleanliness.

They were not only going to clean the White House, they were going to reduce its staff -- yet now they have asked for legislation that would authorize the President to double it. They said they wanted to be ready for an emergency - quote - "...like World War Three or something" - enquote.

Maybe things are worse than we know.



## Foreign Policy in Disarray

But what we do know is this: that in the world around us our prestige has turned sour, and hardly a friendly country has been unhurt by us in one way or another.

Jerry Ford reached the zenith of detente at Vladivostok--and we have reached its low point today, which is also where we find our relations with Israel.

Yet in a tense and armed world we have given up the B-1 bomber, we are cutting back drastically on our Navy, and the neutron bomb reportedly will be abandoned.

And the administration that was going to stop selling arms abroad has wound up doing so in record quantities--especially to the explosive Middle East.

In our own hemisphere the Panama Canal is in danger of being given away by two of the poorest conceived treaties in our history, and a handful of men led by Senator Griffin are waging one of the greatest holdings actions in the history of the Senate to preserve it.

*Domestic Problems Increasing*  
At home we still don't have an energy program--nothing to increase our production of oil and gas--yet apparently we have turned our backs on the benefits and refinements of nuclear power.

The drop in the value of the dollar around the world has hit us all in the cost of living--our GI's can't even afford to keep their families in Europe any more--and the rate of inflation, which was hammered down by Gerald Ford,

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is now on a swing back up over the double digit level, with food price inflation at 15 percent today.

Finally in this unhappy litany, this administration has visited upon us such a social security tax increase, to begin next year, that the people of our country came close to the brink of tax revolt--and now the increase may have to be rescinded.

Not because of the right or wrong of the issue. But because of the poltiics of 1978.

None of this, I assure you, is recited with any pleasure. But all of it helps make a troubled American.

Yet it serves two useful purposes to review these parallel tracks of ineptitude and misdirection.

### *Moral obligation of a responsible majority*

First, as the responsible opposition, we have a moral obligation to the country to call an administration to account whenever principle or promise are compromised. The record today is one of both.

Second, the failures of the party that is dominantly in power--in the White House, the Senate, the Congress--make it abundantly clear that we need a creative, constructive, positive Republican force to influence the course of our country.

As strong as our obligation is to call the administration to account, we have an even stronger one to be positive



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in our proposals for solutions of the problems that face America.

### *Inflation & Taxation: Most Serious Problems*

The Four Horsemen that concern the American people today are the problems of inflation - taxation - unemployment - and excessive government regulation. The worst of these are inflation and taxation.

It would be irresponsible for our party to claim that we had some kind of an 'exclusive' to deal with inflation. But we know --from successful efforts to beat it down --what it takes to do so, and what is not being done today by this administration.

Jerry Ford beat double-digit into single-digit inflation by applying an old fashioned American virtue called discipline. He minimized government interference in the economy; government regulation of pricing and competition;

-- and above all he disciplined himself and his administration against all the special forces which drove up the cost of government, drove up the amount of money in circulation, drove up our national debt and the interest which goes with it -- and thereby drove up the cost of everything we buy.

His discipline may have cost him the election -- but he drove down inflation from double digit to six percent, and he gave us the formula to do it again.

By contrast, what do we have today?

Despite its package of proposals to "reform" everything in sight--the bureaucracy, welfare, taxation, civil service, social security and urban affairs--the Carter administration is adrift in regard to inflation.

There are, in fact, economists who claim that its policies on wages, price supports and imports already have increased inflation by at least one percent this year.

Neither at the White House nor on Capitol Hill have they exercised discipline to reduce the deficit spending which requires an increase in the money supply, nor have they reduced the growth of the money supply as a brake on wages and prices.

### *No Anti-Inflation Policy*

This is heavy medicine for this time of night--but simply stated, they have not created an anti-inflation policy; they have not created a national inflation constituency.

And they have not persuaded their own majorities in Congress to follow them in the way of hard restraints.

Instead, they are going together down the primrose path of easy choices. As an example:

On this road of easy virtue, the administration put pressure on the coal companies to offer a strike settlement that will increase the wage package by 38% over three years. 38 percent. It's a built-in, on-going increase in the cost of coal. Yet they cried foul at the first price increase that was designed to compensate for it.



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If this lack of discipline continues, we will face not only higher prices but a crunch on credit and a severe economic slowdown.

And if it takes Republicans to exercise fiscal discipline, then let's have more Republicans!

We must not let this administration lead us to bushel basket money! We must not let them do to us what Labor's inflation did to England in the middle of this decade.

Now everytime the printing presses get revved up to turn out the dollars a little faster, the tax bill gets a little harder for every American to pay.

When I was a kid, at this time of the Spring people had their minds on the baseball season. Today they have their minds on April 17th.

But April 17th is just the date when you have to pay for last year. As far as this year is concerned, we're all still working to pay our taxes--and we will be through May first.

Some of you may even be on the government rolls a little longer than that.

But May first is the day when the average American stops working for the government--federal, state or local--and starts working for himself.

In other words we're in a kind of quicksand. Like

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the man climbing the ladder who finds it sinking deeper with each rung he climbs.

### Pay Increases Illusionary

And this same illusion cuts in another way. Too often today's taxpayers find that everytime they receive a pay increase it turns out to be an illusion, because it pushes them into a higher tax bracket and confronts them with higher taxes. Either they wind up losing money, or what little is left of their raise is eaten up by inflation.

It's like the Red Queen said to Alice in Wonderland: "Here, you see, it takes all the running you can do to keep in the same place. If you want to go somewhere else, you must run twice as fast as that."

To take it out of the realm of fantasy, let me give you a brief example. If a \$14,000-a-year wage earner today received a ten percent increase each year through 1980 -- and if you figure he gets the tax cuts President Carter has proposed, which is doubtful -- and if you calculate inflation at only six percent a year -- you find that in 1980 his 10 percent pay raise has been whittled away to just 3 percent.

Or to put it another way, a taxpayer who earned \$15,000 last year would have to earn \$15,900 just to break even this year, even if inflation were only six percent -- and it's already above that.

But if he earned \$15,900 in 1978 his tax liability will be increased so much that in fact he will suffer a loss.



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Some economists are calling this "tax-flation".

Bob Griffin and I and some of the rest of us in the Senate are trying to do something about it.

### **Inflation Neutralizers**

We have introduced various pieces of legislation-- some called "inflation neutralizers", some called "Tax indexation"-- which would automatically adjust personal income tax rates according to increases or decreases in the cost of living.

With these adjustments, when a taxpayer is pushed into a higher bracket by a wage increase, his raise would not be eaten up by higher taxes and inflation.

This isn't a new idea with us. Indexing already is in effect in at least five major countries around the world.

But this year we have introduced a new bill which would also index the corporation surtax exemption and some other taxes affecting both business and individuals. We don't know what's going to happen to it, but hearings are scheduled later this month--and that's a sign of progress.

### **Tax Indexing .. A means of Keeping Up**

Indexing is not the final answer to the American tax problem--but it is a means of keeping up with the high cost of living, and at the same time knowing that your raise will not be taken back by the government in taxes.

Not long ago the Wall Street Journal ran an editorial called "The GOP on the Move".

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It gave the Senate's Republicans credit for their role in pointing out that the Carter energy package was an enormous tax increase. It gave Republicans credit for fighting against the taxation of fringe benefits. . . for their opposition to the social security tax increases that would hit the middle class hard . . . and for pushing the inflation adjustments in tax rates that I've just discussed.

To this I could add that Bob Griffin and others in the Senate have introduced a broad range of labor legislation to protect individual workers from unfair labor practices by employers or unions, and to protect their rights in regard to political contributions.

But all of these efforts, positive as they are, face the liklihood of going nowhere because of the two-to-one majority on both sides of Capitol Hill.

As the Journal said, The Loyal Opposition "can block programs if it sticks together, but cannot advance its own programs beyond the rhetorical stage."

*Need for responsible balance*

And so we stand at a point in the political history of our country when the need for responsible balance is greater than ever before.

The problems we face today are not problems for a one-party Congress or a one-party government.

They are not going to be solved by public relations



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over principle.

Our problems call for statesmanship instead of showmanship.

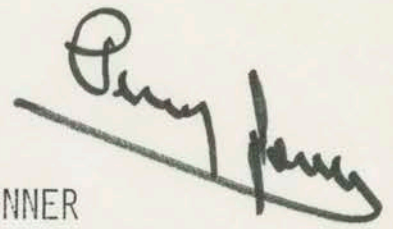
In a real sense what's at stake this year is not just congressional and senatorial seats.

- \* It's the direction of our nation;
- \* Our national commitment to free enterprise;
- \* It's fiscal sanity and limited government;
- \* It's the fundamental concept of checks and balances;
- \* It's our two-party system.

The question we face is whether our party will win enough to provide a responsible opposition.

I believe we can, thanks to people such as you. You have invested in America's future--and I am proud to be here and to say thank you, very much.

REMARKS OF SENATOR BOB DOLE  
THE MICHIGAN 1978 EISENHOWER SILVER JUBILEE DINNER  
THE HYATT REGENCY HOTEL  
DEARBORN, MICHIGAN  
APRIL 6, 1978

A handwritten signature in dark ink, appearing to read "Bob Dole", is written over a horizontal line.

SEVENTEEN MONTHS AGO WE REPUBLICANS LOST A NATIONAL ELECTION,  
AND JUST 15 MONTHS AGO WE TURNED OVER THE GOVERNMENT OF OUR  
COUNTRY TO THE NEWCOMERS IN WASHINGTON.

THAT TRANSITION BROUGHT WITH IT A BREATH OF HOPE FOR MANY  
AMERICANS, WHICH MUCH OF THE COUNTRY SEEMS TO FEEL WITH  
THE CHANGING OF ANY ADMINISTRATION.

TODAY, JUST 15 MONTHS LATER, THE POLITICAL LANDSCAPE OF  
AMERICA IS STREWN WITH THE WRECKAGE OF THOSE HOPES. THE  
PRESIDENT'S RATINGS BY THE PUBLIC HAVE REVERSED FROM 67 TO 21  
POSITIVE A YEAR AGO TO 58 TO 41 NEGATIVE TODAY IN THE ABC-HARRIS  
POLL.



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THE TEMPTATION IS STRONG FOR REPUBLICANS TO LOOK BACK AND SAY,  
"I TOLD YOU SO," AND TO LOOK AHEAD LIKE HUNTERS CLOSING IN FOR  
THE KILL.

THE SMELL OF VICTORY IS IN THE AIR.

BUT THE CHANGE OF THESE MONTHS HAS NOT ONLY BEEN IN THE PUBLIC'S  
PERCEPTION OF THE PRESIDENT. SO RADICAL HAS BEEN THE CHANGE  
IN OUR COUNTRY'S FORTUNES THAT IT'S HARD TO RISE TONIGHT WITH  
ANY SENSE OF POLITICAL SATISFACTION OR JUBILIATION.

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INSTEAD, I COME BEFORE YOU AS A VERY TROUBLED AMERICAN --  
YOUR PARTISAN ALLY, WITH A GROWING SENSE OF SADNESS AND DISMAY  
AT WHAT IS HAPPENING IN WASHINGTON, HAPPENING TO OUR COUNTRY,  
HAPPENING TO US IN THE EYES OF THE WORLD.

MICHIGAN MADE A GREAT GIFT TO THE NATION IN PRESIDENT JERRY  
FORD . . .AND WHEN HIS DAYS IN THE WHITE HOUSE WERE FINISHED  
LAST YEAR,HE LEFT WITH THE APPLAUSE OF AMERICA AND THE WORLD.  
HE HAD RESTORED OUR SPIRIT, OUR ALLIANCES AND OUR ECONOMY.

HE LEFT US AT PEACE, MILITARILY STRONG AND POLITICALLY HEALED.  
THE TWO-PARTY SYSTEM SURVIVES TONIGHT BECAUSE HE DOCTORED US  
THROUGH ITS DARKEST DAYS.



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BUT WHAT HAS HAPPENED WITH ALL THOSE HIGH HOPES AND GILDED  
PROMISES IN THE DAYS THAT FOLLOWED?

P.R. CAPITAL OF THE WORLD

1600 PENNSYLVANIA AVENUE HAS BEEN TURNED INTO 1600 MADISON  
AVENUE, THE PUBLIC RELATIONS CAPITAL OF THE WORLD.

AND ABOVE ALL ELSE, THE HALO ON THE WHITE HOUSE HAS BEEN TILTED.  
THE BEHAVIOR OF MEN AROUND THE PRESIDENT HAS PUT A NEW SMUDGE  
WHERE WE WERE PROMISED CLEANLINESS.

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THEY WERE NOT ONLY GOING TO CLEAN THE WHITE HOUSE, THEY WERE GOING TO REDUCE ITS STAFF -- YET NOW THEY HAVE ASKED FOR LEGISLATION THAT WOULD AUTHORIZE THE PRESIDENT TO DOUBLE IT. THEY SAID THEY WANTED TO BE READY FOR AN EMERGENCY -- ". . . LIKE WORLD WAR THREE OR SOMETHING".

MAYBE THINGS ARE WORSE THAN WE KNOW.

#### FOREIGN POLICY IN DISARAY

BUT WHAT WE DO KNOW IS THIS: THAT IN THE WORLD AROUND US OUR PRESTIGE HAS TURNED SOUR, AND HARDLY A FRIENDLY COUNTRY HAS BEEN UNHURT BY US IN ONE WAY OR ANOTHER.

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JERRY FORD REACHED THE ZENITH OF DETENTE AT VLADIVOSTOK --  
AND WE HAVE REACHED ITS LOW POINT TODAY, WHICH IS ALSO WHERE  
WE FIND OUR RELATIONS WITH ISRAEL.

YET IN A TENSE AND ARMED WORLD WE HAVE GIVEN UP THE B-1 BOMER.  
WE ARE CUTTING BACK DRASTICALLY ON OUR NAVY, AND THE NEUTRON  
BOMB REPORTEDLY WILL BE ABANDONED.

AND THE ADMINISTRATION THAT WAS GOING TO STOP SELLING ARMS  
ABROAD HAS WOUND UP DOING SO IN RECORD QUANTITIES -- ESPECIALLY  
TO THE EXPLOSIVE MIDDLE EAST.



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IN OUR OWN HEMISPHERE THE PANAMA CANAL IS IN DANGER OF BEING GIVEN AWAY BY TWO OF THE POOREST CONCEIVED TREATIES IN OUR HISTORY, AND A HANDFUL OF MEN LED BY SENATOR GRIFFIN ARE WAGING ONE OF THE GREATEST HOLDING ACTIONS IN THE HISTORY OF THE SENATE TO PRESERVE IT. LET ME ADD THAT THE CARTER PANAMA CANAL TREATIES ARE SIGNIFICANTLY DIFFERENT THAN THOSE UNDER NEGOTIATION WHEN PRESIDENT FORD LEFT OFFICE.

DOMESTIC PROBLEMS INCREASING

AT HOME WE STILL DON'T HAVE AN ENERGY PROGRAM -- NOTHING TO INCREASE OUR PRODUCTION OF OIL AND GAS -- YET APPARENTLY WE HAVE TURNED OUR BACKS ON THE BENEFITS AND REFINEMENTS OF NUCLEAR POWER.

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THE DROP IN THE VALUE OF THE DOLLAR AROUND THE WORLD HAS HIT US ALL IN THE COST OF LIVING -- OUR GI'S CAN'T EVEN AFFORD TO KEEP THEIR FAMILIES IN EUROPE ANY MORE -- AND THE RATE OF INFLATION, WHICH WAS HAMMERED DOWN BY GERALD FORD, IS NOW ON A SWING BACK UP OVER THE DOUBLE DIGIT LEVEL, WITH FOOD PRICE INFLATION AT 15 PERCENT TODAY.

FINALLY IN THIS UNHAPPY LITANY, THE ADMINISTRATION HAS VISITED UPON US SUCH A SOCIAL SECURITY TAX INCREASE, TO BEGIN NEXT YEAR, THAT THE PEOPLE OF OUR COUNTRY CAME CLOSE TO THE BRINK OF TAX REVOLT -- AND NOW THE INCREASE MAY HAVE TO BE RESCINDED.

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NOT BECAUSE OF THE RIGHT OR WRONG OF THE ISSUE. BUT BECAUSE  
OF THE POLITICS OF 1978.

NONE OF THIS, I ASSURE YOU, IS RECITED WITH ANY PLEASURE.  
BUT ALL OF IT HELPS MAKE A TROUBLED AMERICAN.

YET IT SERVES TWO USEFUL PURPOSES TO REVIEW THESE PARALLEL  
TRACKS OF INEPTITUDE AND MISDIRECTION.

MORAL OBLIGATION OF A RESPONSIBLE MAJORITY

FIRST, AS THE RESPONSIBLE OPPOSITION, WE HAVE A MORAL OBLIGATION  
TO THE COUNTRY TO CALL AN ADMINISTRATION TO ACCOUNT WHENEVER  
PRINCIPLE OR PROMISE ARE COMPROMISED. THE RECORD TODAY IS ONE  
OF BOTH.



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SECOND, THE FAILURES OF THE PARTY THAT IS DOMINANTLY IN POWER -- IN THE WHITE HOUSE, THE SENATE, THE CONGRESS -- MAKE IT ABUNDANTLY CLEAR THAT WE NEED A CREATIVE, CONSTRUCTIVE, POSITIVE REPUBLICAN FORCE TO INFLUENCE THE COURSE OF OUR COUNTRY.

AS STRONG AS OUR OBLIGATION IS TO CALL THE ADMINISTRATION TO ACCOUNT, WE HAVE AN EVEN STRONGER ONE TO BE POSITIVE IN OUR PROPOSALS FOR SOLUTIONS OF THE PROBLEMS THAT FACE AMERICA.

INFLATION & TAXATION : MOST SERIOUS PROBLEMS

THE FOUR HORSEMEN THAT CONCERN THE AMERICAN PEOPLE TODAY ARE THE PROBLEMS OF INFLATION, TAXATION, UNEMPLOYMENT, AND EXCESSIVE GOVERNMENT REGULATION. THE WORST OF THESE ARE INFLATION AND TAXATION.

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IT WOULD BE IRRESPONSIBLE FOR OUR PARTY TO CLAIM THAT WE HAD SOME KIND OF AN 'EXCLUSIVE' TO DEAL WITH INFLATION. BUT WE KNOW -- FROM SUCCESSFUL EFFORTS TO BEAT IT DOWN -- WHAT IT TAKES TO DO SO, AND WHAT IS NOT BEING DONE TODAY BY THIS ADMINISTRATION.

JERRY FORD BEAT DOUBLE-DIGIT INTO SINGLE-DIGIT INFLATION BY APPLYING AN OLD FASHIONED AMERICAN VIRTUE CALLED DISCIPLINE. HE MINIMIZED GOVERNMENT INTERFERENCE IN THE ECONOMY; GOVERNMENT REGULATION OF PRICING AND COMPETITION; -- AND ABOVE ALL HE DISCIPLINED HIMSELF AND HIS ADMINISTRATION AGAINST ALL THE SPECIAL FORCES WHICH DROVE UP THE COST OF GOVERNMENT, DROVE UP THE AMOUNT OF MONEY IN CIRCULATION, DROVE UP OUR NATIONAL DEBT AND THE INTEREST WHICH GOES WITH IT -- AND THEREBY DROVE UP THE COST OF EVERYTHING WE BUY.

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HIS DISCIPLINE MAY HAVE COST HIM THE ELECTION -- BUT HE DROVE DOWN INFLATION FROM DOUBLE DIGIT TO SIX PERCENT, AND HE GAVE US THE FORMULA TO DO IT AGAIN.

BY CONTRAST, WHAT DO WE HAVE TODAY?

DESPITE ITS PACKAGE OF PROPOSALS TO "REFORM" EVERYTHING IN SIGHT -- THE BUREAUCRACY, WELFARE, TAXATION, CIVIL SERVICE, SOCIAL SECURITY, AND URBAN AFFAIRS -- THE CARTER ADMINISTRATION IS ADRIFT IN REGARD TO INFLATION.

THERE ARE, IN FACT, ECONOMISTS WHO CLAIM THAT ITS POLICIES ON WAGES, PRICE SUPPORTS, AND IMPORTS ALREADY HAVE INCREASED INFLATION BY AT LEAST ONE PERCENT THIS YEAR.



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NEITHER AT THE WHITE HOUSE NOR ON CAPITOL HILL HAVE THEY EXERCISED DISCIPLINE TO REDUCE THE DEFICIT SPENDING WHICH REQUIRES AN INCREASE IN THE MONEY SUPPLY, NOR HAVE THEY REDUCED THE GROWTH OF THE MONEY SUPPLY AS A BRAKE ON WAGES AND PRICES.

NO ANTI-INFLATION POLICY

THIS IS HEAVY MEDICINE FOR THIS TIME OF NIGHT -- BUT SIMPLY STATED, THEY HAVE NOT CREATED AN ANTI-INFLATION POLICY; THEY HAVE NOT CREATED A NATIONAL INFLATION CONSTITUENCY.

AND THEY HAVE NOT PERSUADED THEIR OWN MAJORITIES IN CONGRESS TO FOLLOW THEM IN THE WAY OF HARD RESTRAINTS.

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INSTEAD, THEY ARE GOING TOGETHER DOWN THE PRIMROSE PATH  
OF EASY CHOICES. AS AN EXAMPLE:

ON THIS ROAD OF EASY VIRTUE, THE ADMINISTRATION PUT PRESSURE  
ON THE COAL COMPANIES TO OFFER A STRIKE SETTLEMENT THAT WILL  
INCREASE THE WAGE PACKAGE BY 38% OVER THREE YEARS. 38 PERCENT -  
IT'S A BUILT-IN, ON-GOING INCREASE IN THE COST OF COAL. YET  
THEY CRIED FOUL AT THE FIRST PRICE INCREASE THAT WAS DESIGNED  
TO COMPENSATE FOR IT.

IF THIS LACK OF DISCIPLINE CONTINUES, WE WILL FACE NOT ONLY  
HIGHER PRICES BUT A CRUNCH ON CREDIT AND A SEVERE ECONOMIC  
SLOWDOWN.

AND IF IT TAKES REPUBLICANS TO EXERCISE FISCAL DISCIPLINE, THEN  
LET'S HAVE MORE REPUBLICANS !

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WE MUST NOT LET THIS ADMINISTRATION LEAD US TO BUSHEL BASKET MONEY! WE MUST NOT LET THEM DO TO US WHAT LABOR'S INFLATION DID TO ENGLAND IN THE MIDDLE OF THIS DECADE.

NOW EVERYTIME THE PRINTING PRESSES GET REVVED UPTO TURN OUT THE DOLLARS A LITTLE FASTER, THE TAX BILL GETS A LITTLE HARDER FOR EVERY AMERICAN TO PAY.

✓WHE I WAS A KID, AT THIS TIME OF THE SPRING, PEOPLE HAD THEIR MINDS ON THE BASEBALL SEASON. TODAY THEY HAVE THEIR MINDS ON APRIL 17TH.

BUT APRIL 17TH IS JUST THE DATE WHEN YOU HAVE TO PAY FOR LAST YEAR. AS FAR AS THIS YEAR IS CONCERNED, WE'RE ALL STILL WORKING TO  
✓PAY OUR TAXES -- AND WE WILL BE THORUGH MAY FIRST.



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SOME OF YOU MAY EVEN BE ON THE GOVERNMENT ROLLS A LITTLE LONGER THAN THAT.

BUT MAY FIRST IS THE DAY WHEN THE AVERAGE AMERICAN STOPS WORKING FOR THE GOVERNMENT -- FEDERAL, STATE, OR LOCAL -- AND STARTS WORKING FOR HIMSELF.

IN OTHER WORDS, WE'RE IN A KIND OF QUICKSAND. LIKE THE MAN CLIMBING THE LADDER WHO FINDS IT SINKING DEEPER WITH EACH RUNG HE CLIMBS.

#### PAY INCREASES ILLUSIONARY

AND THIS SAME ILLUSION CUTS IN ANOTHER WAY. TOO OFTEN TODAY'S TAXPAYERS FIND THAT EVERYTIME THEY RECEIVE A PAY INCREASE IT TURNS OUT TO BE AN ILLUSION, BECAUSE IT PUSHES THEM INTO A HIGHER

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TAX BRACKET AND CONFRONTS THEM WITH HIGHER TAXES. EITHER THEY WIND UP LOSING MONEY, OR WHAT LITTLE IS LEFT OF THEIR RAISE IS EATEN UP BY INFLATION.

IT'S LIKE THE RED QUEEN SAID TO ALICE IN WONDERLAND: "HERE, YOU SEE, IT TAKES ALL THE RUNNING YOU CAN DO TO KEEP IN THE SAME PLACE. IF YOU WANT TO GO SOMEWHERE ELSE, YOU MUST RUN TWICE AS FAST AS THAT."

TO TAKE IT OUT OF THE REALM OF FANTASY, LET ME GIVE YOU A BRIEF EXAMPLE. IF A \$14,000 A YEAR WAGE EARNER TODAY RECEIVED A TEN PERCENT INCREASE EACH YEAR THROUGH 1980 -- AND IF YOU FIGURE HE GETS THE TAX CUTS PRESIDENT CARTER HAS PROPOSED, WHICH IS DOUBTFUL - AND IF YOU CALCULATE INFLATION AT ONLY SIX PERCENT A YEAR - YOU FIND THAT IN 1980 HIS 10 PERCENT PAY RAISE HAS BEEN WHITTLED AWAY TO JUST 3 PERCENT.

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OR TO PUT IT ANOTHER WAY, A TAXPAYER WHO EARNED \$15,000 LAST YEAR WOULD HAVE TO EARN \$15,900 JUST TO BREAK EVEN THIS YEAR, EVEN IF INFLATION WERE ONLY SIX PERCENT -- AND IT'S ALREADY ABOVE THAT.

BUT IF HE EARNED \$15,900 IN 1978 HIS TAX LIABILITY WILL BE INCREASED SO MUCH THAT IN FACT HE WILL SUFFER A LOSS.

SOME ECONOMISTS ARE CALLING THIS "TAX-FLATION".

BOB GRIFFIN AND I AND SOME OF THE REST OF US IN THE SENATE ARE TRYING TO DO SOMETHING ABOUT IT.



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### INFLATION NEUTRALIZERS

WE HAVE INTRODUCED VARIOUS PIECES OF LEGISLATION -- SOME CALLED "INFLATION NEUTRALIZERS", SOME CALLED "TAX INDEXATION" -- WHICH WOULD AUTOMATICALLY ADJUST PERSONAL INCOME TAX RATES ACCORDING TO INCREASES OR DECREASES IN THE COST OF LIVING.

WITH THESE ADJUSTMENTS, WHEN A TAXPAYER IS PUSHED INTO A HIGHER BRACKET BY A WAGE INCREASE, HIS RAISE WOULD NOT BE EATEN UP BY HIGHER TAXES AND INFLATION.

THIS ISN'T A NEW IDEA WITH US. INDEXING ALREADY IS IN EFFECT IN AT LEAST FIVE MAJOR COUNTRIES AROUND THE WORLD.

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BUT THIS YEAR WE HAVE INTRODUCED A NEW BILL WHICH WOULD ALSO INDEX THE CORPORATION SURTAX EXEMPTION AND SOME OTHER TAXES AFFECTING BOTH BUSINESS AND INDIVIDUALS. WE DON'T KNOW WHAT'S GOING TO HAPPEN TO IT, BUT HEARINGS ARE SCHEDULED LATER THIS MONTH--AND THAT'S A SIGN OF PROGRESS.

TAX INDEXING -- A MEANS OF KEEPING UP

INDEXING IS NOT THE FINAL ANSWER TO THE AMERICAN TAX PROBLEM -- BUT IT IS A MEANS OF KEEPING UP WITH THE HIGH COST OF LIVING, AND AT THE SAME TIME KNOWING THAT YOUR RAISE WILL NOT BE TAKEN BACK BY THE GOVERNMENT IN TAXES.

NOT LONG AGO THE WALL STREET JOURNAL RAN AN EDITORIAL CALLED "THE GOP ON THE MOVE."

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IT GAVE THE SENATE'S REPUBLICANS CREDIT FOR THEIR ROLE IN POINTING OUT THAT THE CARTER ENERGY PACKAGE WAS AN ENORMOUS TAX INCREASE. IT GAVE REPUBLICANS CREDIT FOR FIGHTING AGAINST THE TAXATION OF FRINGE BENEFITS . . .FOR THEIR OPPOSITION TO THE SOCIAL SECURITY TAX INCREASES THAT WOULD HIT THE MIDDLE CLASS HARD . . .AND FOR PUSHING THE INFLATION ADJUSTMENTS IN TAX RATES THAT I'VE JUST DISCUSSED.

TO THIS I COULD ADD THAT BOB GRIFFIN AND OTHERS IN THE SENATE HAVE INTRODUCED A BROAD RANGE OF LABOR LEGISLATION TO PROTECT INDIVIDUAL WORKERS FROM UNFAIR LABOR PRACTICES BY EMPLOYERS OR UNIONS, AND TO PROTECT THEIR RIGHTS IN REGARD TO POLITICAL CONTRIBUTIONS.



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BUT ALL OF THESE EFFORTS, POSITIVE AS THEY ARE, FACE THE LIKELIHOOD OF GOING NOWHERE BECAUSE OF THE TWO-TO-ONE MAJORITY ON BOTH SIDES OF CAPITOL HILL.

AS THE JOURNAL SAID, THE LOYAL OPPOSITION "CAN BLOCK PROGRAMS IF IT STICKS TOGETHER, BUT CANNOT ADVANCE ITS OWN PROGRAMS BEYOND THE RHETORICAL STAGE."

NEED FOR RESPONSIBLE BALANCE

AND SO WE STAND AT A POINT IN THE POLITICAL HISTORY OF OUR COUNTRY WHEN THE NEED FOR RESPONSIBLE BALANCE IS GREATER THAN EVER BEFORE.

THE PROBLEMS WE FACE TODAY ARE NOT PROBLEMS FOR A ONE-PARTY CONGRESS OR A ONE-PARTY GOVERNMENT.

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THEY ARE NOT GOING TO BE SOLVED BY PUBLIC RELATIONS OVER PRINCIPLES.

OUR PROBLEMS CALL FOR STATESMENSHIP INSTEAD OF SHOWMANSHIP.

IN A REAL SENSE WHAT'S AT STAKE THIS YEAR IS NOT JUST CONGRESSIONAL AND SENATORIAL SEATS.

IT'S THE DIRECTION OF OUR NATION;

OUR NATIONAL COMMITMENT TO FREE ENTERPRISE;

IT'S FISCAL SANITY AND LIMITED GOVERNMENT;

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IT'S THE FUNDAMENTAL CONCEPT OF CHECKS AND BALANCES;

IT'S OUR TWO-PARTY SYSTEM.

THE QUESTION WE FACE IS WHETHER OUR PARTY WILL WIN ENOUGH  
TO PROVIDE A RESPONSIBLE OPPOSITION.

I BELIEVE WE CAN, THANKS TO PEOPLE SUCH AS YOU. YOU HAVE  
INVESTED IN AMERICA'S FUTURE -- AND I AM PROUD TO BE HERE  
AND TO SAY THANK YOU, VERY MUCH.

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