

REMARKS OF SENATOR BOB DOLE  
NATIONAL RESTAURANT ASSOCIATION  
WASHINGTON, D.C.  
SEPT. 27, 1979

IT'S A REAL PLEASURE FOR ME TO HAVE THIS CHANCE TO SPEAK ABOUT SOME OF THE ECONOMIC CONCERNS WHICH YOU AND I SHARE. FOR IN MANY WAYS, YOUR INDUSTRY MIRRORS THE NATIONAL ECONOMY ITSELF. THE RESTAURANT TRADE IN THIS COUNTRY IS A MULTI-BILLION DOLLAR ONE, A VAST STAPLE OF THE NATION'S ECONOMIC HEALTH. BUT FOR ALL ITS SIZE, YOUR'S IS A FRAGILE INDUSTRY, SUBJECT ALMOST OVERNIGHT TO INFLATIONARY PRESSURES OR ENERGY SHORTAGES OR RECESSIONARY DRAG. AND WHEN THE RESTAURANT TRADE CATCHES COLD, THE NATIONAL EMPLOYMENT AND SPENDING PICTURE IS SURE TO FEEL THE EFFECTS.

- 2 -

NO SEGMENT OF THE ECONOMY HAS AS VITAL A STAKE IN A FEDERAL ECONOMIC POLICY THAT ENCOURAGES PRODUCTION OVER REGULATION, JOB CREATION RATHER THAN MERE COMPENSATION FOR UNEMPLOYMENT, OR STABLE POLICIES AIMED AT FIGHTING THE TWIN SPECTERS OF HIGH PRICES AND MASS UNEMPLOYMENT.

LAST YEAR, PRODUCTIVITY IN THE NATION'S EATING AND DRINKING PLACES DECLINED BY 4.3%. THAT DROP IS NOW BEING MIRRORED THROUGHOUT THE ECONOMY. IT WILL NOT BE REVERSED AS LONG AS WE CONTINUE TO FOOL OURSELVES ABOUT WHAT THE FEDERAL GOVERNMENT CAN AND CANNOT DO TO STIMULATE ECONOMIC GROWTH AND PROVIDE JOBS FOR THOSE WHO NEED THEM MOST.

OF COURSE, SEN. KENNEDY THINKS IT CAN BE REVERSED BY BANNING THE 3 MARTINI LUNCH - HE AND 8 OTHER SENATORS HE PERSUADED TO JOIN HIM IN A SENATE VOTE ON THE MATTER. I THINK I HAVE SOME BETTER IDEAS, AND THEY BEGIN WITH AN ISSUE FUNDAMENTAL TO A STRONG ECONOMY.

- 3 -

A RELIABLE ENERGY SUPPLY AND A HEALTHY ECONOMY

FAST FOOD RESTAURANTS ARE BY NO MEANS ALONE IN THEIR VULNERABILITY TO SKYROCKETING ENERGY COSTS AND GASOLINE SHORTAGES. AND THE LONGRANGE OUTLOOK IS NOT BRIGHT, UNLESS WE REVERSE COURSE AND UNLEASH THE PRODUCTIVE CAPACITIES OF AMERICA'S ENERGY PRODUCERS. GOVERNMENT BY ITSELF CAN LOCATE NO NEW OIL OR GAS. BUT A HOSTILE GOVERNMENT CAN DISCOURAGE THE SEARCH FOR NEW OIL AND GAS THROUGH COUNTERPRODUCTIVE TAX POLICIES.

GOVERNMENT BY ITSELF LACKS THE TECHNOLOGY NECESSARY TO DIG THROUGH SIX THOUSAND FEET OF WATER OFF THE EAST COAST AND TAP RECENTLY DISCOVERED SUPPLIES. GOVERNMENT BY ITSELF CAN DO LITTLE OR NOTHING TO DOUBLE OUR USE OF COAL BY THE YEAR 2000. GOVERNMENT BY ITSELF CANNOT TAME THE WIND OR WAVES, OR FILTER SUNLIGHT TO HEAT OUR HOMES AND FACTORIES.



- 4 -

GOVERNMENT BY ITSELF CANNOT EXTRACT OIL FROM SHALE,  
OR HARVEST AN ESTIMATED THREE HUNDRED BILLION BARRELS OF  
OIL NOW LYING BENEATH THE SURFACE OF THE AMERICAN CONTINENT.

BUT A GOVERNMENT THAT BELIEVES IN PRODUCTION COULD ENCOURAGE  
THESE STEPS. IT COULD PROVIDE TAX INCENTIVES, AS WE ON  
THE FINANCE COMMITTEE DID JUST THE OTHER DAY, REBATING  
THREE DOLLARS ON EVERY GALLON OF OIL SAVED THROUGH  
ALTERNATIVE FUELS. IT CAN INSURE THAT STRINGENT SAFETY  
TESTS PREVENT ANY REPETITION OF THE THREE MILE ISLAND  
AFFAIR, AND MAKE CERTAIN THAT NUCLEAR POWER REMAINS A  
SAFE, RELIABLE SOURCE OF ENERGY IN OUR FUTURE.

TODAY, SOME 66 NUCLEAR PLANTS SUPPLY THE U.S. WITH 13%  
OF IT'S TOTAL ENERGY CONSUMPTION. EVEN IF WE WANTED TO,  
WE COULD NOT CLOSE DOWN THOSE PLANTS, UNLESS WE WISHED  
TO TOUCH OFF AN ECONOMIC DISASTER THAT WOULD MAKE THE  
GREAT DEPRESSION OF THE 1930S LOOK MILD BY COMPARISON.

- 5 -

SO WHAT SHOULD GOVERNMENT DO?

FOR STARTERS, IT CAN PASS AN EXCESS PROFITS TAX THAT GOES BACK INTO THE SEARCH FOR NEW OIL AND GAS - AND NOT INTO THE BOTTOMLESS PIT OF THE FEDERAL TREASURY. IF YOU BELIEVE IN THE MARKETPLACE, AS I DO, AND YOU AGREE WITH ME THAT PROFIT AND INCENTIVE ARE NOT WORDS TO BE AVOIDED IN POLITE CONVERSATION, THEN YOU'LL ALSO AGREE THAT ENERGY PRODUCERS NEED SUCH TOOLS TO HELP THEM DO THEIR JOB. WE'RE ASKING THEM TO UNDERTAKE ENORMOUS RISKS, AND PROMISING ONLY HIGHER TAXES IN RETURN. I THINK THAT'S THE WRONG WAY TO STIMULATE PRODUCTIVITY.

- 6 -

WE SHOULD ALSO RECOGNIZE THE REALITY THAT ALTERNATIVE FUELS, EXOTIC AND STILL EMBRYONIC IN THEIR DEVELOPMENT, ARE UNLIKELY TO PROVIDE US WITH MORE THAN 3% OF OUR NATIONAL NEED BY 1990. THUS, WE WILL BE FORCED TO RELY MORE THAN EVER UPON OIL AND GAS, COAL AND NUCLEAR POWER. THAT MEANS CLOSER CO-OPERATION WITH CANADA AND MEXICO, TWO GIANTS IN ENERGY PRODUCTION. IT MEANS ENDING THE PROHIBITION ON EXPORTING ALASKAN CRUDE, AND NEGOTIATING FAIR EXCHANGE AGREEMENTS FOR SWEET CRUDE WITH OTHER PRODUCERS. IT MEANS A FEDERAL ENERGY POLICY BASED ON COMPETITION WITHIN THE PRIVATE SECTOR, AIDED BY TAX INCENTIVES, ACCELERATED DEPRECIATION AND ADDITIONAL STIMULANTS TO RESEARCH AND DEVELOPMENT.

- 7 -

IT COULD WELL MEAN AT LEAST A TEMPORARY TRADE-OFF BETWEEN THE GOAL OF A PERFECT ENVIRONMENT AND ECONOMIC SUSTENANCE. BEAUTIFUL AS THE AMERICAN LANDSCAPE IS, MUCH AS WE VALUE CLEAN AIR AND WATER, THE SCENERY LOOKS A LOT BLEAKER IF VIEWED FROM AN UNEMPLOYMENT LINE.

FINALLY, WE SHOULD PROCEED WITH A SYNFUEL DEVELOPMENT PROGRAM THAT IS NOT FUNDED WITH \$88 BILLION IN TAXPAYER FUNDS, AS PRESIDENT CARTER HAS SUGGESTED, BUT WILL HOLD OUT INCENTIVES TO PRIVATE PRODUCTION. THIS IS THE APPROACH THAT COULD MEAN THE MOST NEW JOBS, THE GREATEST TECHNOLOGICAL PROGRESS, AND THE MOST ABUNDANT SOURCE OF SUPPLY.



I LOOK AT THE ENERGY CRISIS AS MORE THAN A CRISIS. I SEE IT AS AN OPPORTUNITY FOR NATIONAL SELF-RENEWAL, A RETURN TO THE SUPPLY ORIENTED ECONOMY THAT MADE US THE ENVY OF THE WORLD. I SEE, NOT POTENTIAL DISASTERS AHEAD, BUT POTENTIAL TRIUMPHS. AND THAT SHOULD BE THE CREDO OF ANY ADMINISTRATION CONFRONTING A NATION HUNGRY FOR LEADERSHIP.

WE LACK SUCH LEADERSHIP TODAY. WE HAVE A GOOD MAN IN THE WHITE HOUSE, WITH GOOD INTENTIONS. BUT WE NEED MORE: WE NEED A PRESIDENT WHO CAN MOVE BEYOND THE SKILLS REQUIRED TO WIN AN ELECTION, AND GAIN MASTERY OVER GOVERNMENT ITSELF. THAT MEANS A LEADER WHO CAN FUNCTION IN PRIVATE AS EFFECTIVELY AS BEFORE A TELEVISION CAMERA. IT MEANS EXPERIENCE, TEMPERED WITH THE KNOWLEDGE THAT GOVERNMENT AT ITS BEST IS ONLY A SPUR TO THE INDIVIDUAL TALENTS THAT ARE THE ULTIMATE RESOURCE OF ANY ECONOMY. GOVERNMENT EXISTS TO BOLSTER THOSE TALENTS, NOT HINDER THEM. IT SHOULD ENCOURAGE EXPANSION, NOT REGULATE CONTRACTION. IT SHOULD REDIRECT OUR FISCAL RESOURCES AWAY FROM ITS OWN BUREAUCRATIC HOUSE AND TOWARD THE PRIVATE SECTOR.



- 9 -

THE ULTIMATE JUSTICE, THE KIND THAT CARRIES WITH IT THE DIGNITY OF SELF-SUPPORT, COMES WITH A JOB AND ONLY THE PRIVATE SECTOR CAN CREATE THE JOBS THAT LAST. THAT MEANS DIFFERENTIALS IN THE MINIMUM WAGE - NOT JUST TO HELP RESTAURANTS TO COPE WITH RISING COSTS, BUT HELP POOR AND MINORITY KIDS TO FIND JOBS.

IT MEANS CONSTITUTIONAL CAPS ON BOTH FEDERAL SPENDING AND TAXATION, AN INDEXED TAX SYSTEM TO PROTECT THE LIVING STANDARDS OF MILLIONS OF MIDDLE CLASS AMERICANS, AND SIGNIFICANT REDUCTION OF THE CURRENT REGULATORY MAZE.

IT MEANS ANOTHER LOOK AT THE AMERICAN TAX SYSTEM, AND THE CONCEPT OF A VALUE ADDED TAX ENDORSED STRONGLY IN RECENT WEEKS BY MY FINANCE COMMITTEE COLLEAGUE RUSSELL LONG AND HOUSE WAYS AND MEAN CHAIRMAN AL ULLMAN.

VAT, AS MOST OF YOU KNOW, AND ALL OF YOU WILL COME TO KNOW, IS AN EXCISE TAX ADDED ON AT EACH STAGE OF PRODUCTION. IT DATES FROM 1954, WHEN THE FRENCH ADOPTED IT AS A FOOLPROOF WAY OF FOILING THE SCHEMES OF INCOME TAX EVADERS. TODAY, TWELVE EUROPEAN NATIONS HAVE SOME FORM OF VAT. IN THIS COUNTRY, THE STATE OF MICHIGAN ADOPTED A VARIATION OF VAT TO REPLACE ITS CORPORATE INCOME TAX AND OTHER BUSINESS TAXES IN 1975.

NOW, WE CAN ALL AGREE THAT OUR CURRENT TAX SYSTEM HAS ITS DRAWBACKS. THAT'S WHY I'M TRYING TO INDEX INCOME TAXES, CREATE NEW INCENTIVES FOR RESEARCH AND DEVELOPMENT, AND SPEED UP DEPRECIATION. BUT VAT IS A RADICAL STEP, WHICH OUGHT NOT BE TAKEN UNTIL AND UNLESS WE ANSWER AT LEAST FOUR MAJOR CONCERNS.

FIRST OF ALL, ANY VAT IMPLEMENTATION SHOULD BE LINKED TO ADOPTION OF A CONSTITUTIONAL AMENDMENT LIMITING THE OVERALL AMOUNT OF TAXES COLLECTED BY THE FEDERAL GOVERNMENT. THE LAST THING WE NEED IS A NEW LAYER OF TAXES SUPERIMPOSED ON OUR MANY OLD ONES. PROPONENTS OF VAT OFFER IT AS A REPLACEMENT FOR OTHER TAXES, INCLUDING SOCIAL SECURITY PAYROLL HIKE. BUT GOOD INTENTIONED PROMISES NOW ARE NO SUBSTITUTE FOR AN ASSURANCE WRITTEN IN THE LAWBOOKS.



- 12 -

SECOND, ANY VAT MUST BE STRUCTURED AND TIMED TO MINIMIZE ITS POTENTIAL INFLATIONARY IMPACT. BY RAISING BASE PRICES ON NEARLY EVERY CONSUMER GOOD OR SERVICE, SUCH A TAX RUNS THE RISK OF TRIGGERING A NEW INFLATIONARY SPIRAL. THUS, ANY CONSIDERATION OF VAT SHOULD POSTPONE ENACTMENT UNTIL A PERIOD OF RELATIVELY LOW WAGE AND PRICE DEMAND.

THIRD, VAT MUST BE STRUCTURED TO REDUCE ITS DISPROPORTIONATE IMPACT UPON THE POOR. THIS COULD BE ACHIEVED BY A REFUNDABLE TAX CREDIT ADMINISTERED THROUGH THE INCOME TAX SYSTEM, AND BY ELIMINATING ESSENTIALS LIKE FOOD, CLOTHING AND MEDICINE FROM THE TAX.

FINALLY, AND THIS IS A PROVISION I THINK ALL OF YOU CAN SYMPATHIZE WITH, ANY VAT SHOULD BE DESIGNED TO MINIMIZE BURDENSOME BOOKKEEPING REQUIREMENTS THAT PENALIZE THE NATION'S FARMERS. I AM ALSO CONCERNED THAT FARMERS, WHO HAVE COMPARATIVELY LITTLE CONTROL OVER THE PRICE THEY RECEIVE FOR THEIR PRODUCT, WOULD LACK THE POWER TO SHIFT FORWARD THE FULL COST OF A VAT IMPOSED ON THEM. EUROPEAN NATIONS HAVE OVERCOME THIS PROBLEM BY EXEMPTING FARMERS OR APPLYING A ZERO RATE TO FOOD PRODUCTS.

- 14 -

I DON'T MEAN TO DISMISS VAT. I THINK IT HAS ATTRACTIVE ASPECTS, PARTICULARLY IN CAPITAL FORMATION AND INCENTIVES FOR INDIVIDUALS TO SAVE AND BUSINESSES TO OPERATE MORE EFFICIENTLY. BUT THE TIME HAS NOT YET COME, IN MY OPINION, FOR THIS COUNTRY TO EMBARK ON SO PROFOUND A CHANGE OF COURSE IN ITS TAX POLICIES. BEFORE WE TAKE SUCH A ROAD, WE OWE THE AMERICAN PEOPLE A CAREFUL, PAINSTAKING CONSIDERATION OF VAT AS A POTENTIAL ALTERNATIVE TO THE CURRENT SYSTEM. THEN, AND ONLY THEN, CAN WE CONSIDER IT AS ANYTHING MORE THAN A VISIONARY CONVERSATION PIECE.

# # # # # # ## # ### # ##