

REMARKS OF SENATOR BOB DOLE
THE PRODUCTIVE SOCIETY
DETROIT ECONOMIC CLUB
MONDAY, OCT. 1, 1979

IS THE AMERICAN DREAM RELEVANT? THE QUESTION IS AS REAL AS OUR CURRENT ECONOMIC SLUMP. IT IS AS REAL AS AN INFLATION RATE OF 13.2% FOR THE FIRST SIX MONTHS OF 1979, AS REAL AS UNEMPLOYMENT PREDICTED TO REACH 8% BY NEXT FALL, AS REAL AS THE HIGHEST INTEREST RATES IN AMERICAN HISTORY, AS REAL AS DECLINES IN BOTH SPENDABLE INCOME AND THE GROSS NATIONAL PRODUCT, AS REAL AS TAXES AND A NATIONAL DEBT SEEMINGLY HEADED FOR INFINITY.

THE AMERICAN DREAM IS NOTHING MORE THAN THE IDEA OF SOCIAL MOBILITY. IT IS THE IDEA UPON WHICH WE BUILT A GREAT REPUBLIC AND THE WORLD'S STRONGEST ECONOMY. IT IS AN IDEA WHICH, IF APPLIED WITH FREE MARKET POLICIES, CAN ONCE AGAIN REASSERT OUR PRE-EMINENT POSITION.

THE HUMAN FACTOR

THE LACK OF PRODUCTIVITY IN TODAY'S ECONOMY IS A FESTERING SORE IN A NATION THAT CAN ILL AFFORD SOCIAL DIVISION. IT ROBS A POOR FAMILY IN DETROIT, OF THE DIGNITY THAT COMES WITH SELF-SUPPORT. IT WOUNDS THE PURCHASING POWER OF A MIDDLE CLASS FAMILY. IT PENALIZES THE SMALL BUSINESSMAN, WHOSE VERY EXISTENCE IS THREATENED BY FEDERAL PAPERWORK REQUIREMENTS. IT UNDERMINES THROUGH EXCESS REGULATION THE GIANT CORPORATION, LIKE CHRYSLER, UPON WHOM HUNDREDS OF THOUSANDS OF LIVES DEPEND.

IT MOCKS THE AMERICAN DREAM. IT CONDEMNS MILLIONS OF OUR PEOPLE TO WELFARE OR UNEMPLOYMENT LINES AND MAKES OUR OLDER CITIES INTO BASTILLES OF DESPAIR.

EVER SINCE THE GREAT DEPRESSION THAT BEGAN 50 YEARS AGO THIS MONTH, AMERICANS HAVE TURNED TO GOVERNMENT IN TIME OF ECONOMIC UNCERTAINTY. NOW IT'S TIME FOR GOVERNMENT TO PUT ITS FAITH IN AMERICANS.

IN 1980, THE AMERICAN PEOPLE CAN CHOOSE BETWEEN TWO WHOLLY DIFFERENT APPROACHES TO ECONOMIC POLICY. WITH THE INCREASING LIKELIHOOD THAT SENATOR EDWARD KENNEDY WILL BE HIS PARTY'S PRESIDENTIAL NOMINEE, WE ARE POISED FOR A DEBATE OF HISTORIC PROPORTIONS.

LISTEN TO THE WORDS OF AUDREY FREEMAN, SENIOR ECONOMIC ANALYST OF THE CONFERENCE BOARD.

"WITH THE DECLINE OF RELIGION, THE FAMILY AND THE COMMUNITY, WORK MAY BE OUR ONLY SOCIAL CEMENT. IT KEEPS US SANE. WE HAMMER BOLTS INSTEAD OF EACH OTHER."

EVEN A CASUAL GLANCE AT RECENT UNEMPLOYMENT STATISTICS WILL SHOW HOW UNBALANCED IS THE TOLL TAKEN BY RECESSION. WORKING WOMEN, BLACKS AND OTHER MINORITIES, TEENAGERS AND BLUE COLLAR WORKERS - THESE ARE THE PEOPLE WHO SUFFER THE MOST.

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SENATOR KENNEDY CLAIMS THEIR ALLEGIANCE. HE CLAIMS THEIR SUPPORT FOR HIS ENERGY POLICIES WHICH ARE SO HEAVILY BASED UPON CONSERVATION RATHER THAN INCENTIVES FOR PRODUCTION. HE CLAIMS THEIR SUPPORT FOR A FEDERALIZED WELFARE SYSTEM, AND A CRADLE TO GRAVE HEALTH INSURANCE SYSTEM THAT EFFECTIVELY RATIONS HEALTH CARE IN AMERICA.

BUT THE GALLUP POLL IS POWERFUL MEDICINE. ITS SCENT LURES EVEN THE MOST DOCTRINAIRE OF WASHINGTON LIBERALS TOWARD ECONOMIC CONVERSION.

A FEW DAYS AGO, THE NEW KENNEDY ADDRESSED BUSINESSMEN IN NEW YORK. HE TALKED ABOUT THE IMPORTANCE OF CAPITAL FORMATION - BUT FAILED TO MENTION HE VOTED AGAINST LAST YEAR'S CAPITAL GAINS TAX CUT. HE SPOKE ABOUT PROTECTING THE MIDDLE CLASS - WITHOUT MENTIONING HIS OPPOSITION TO TAX INDEXING. HE EMERGED AS A FULL-BLOWN FRIEND TO THE PRIVATE SECTOR - BUT SOMEHOW FORGOT HIS CONTINUING CRUSADE TO ABOLISH PROPER BUSINESS TRAVEL AND EXPENSE DEDUCTIONS. SENATOR KENNEDY'S IDEA OF WORKING WITH THE PRIVATE SECTOR IS EMBODIED IN THE REGULATORY FIFTH WHEEL CALLED THE CONSUMER PROTECTION AGENCY.

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IF WE LET TED KENNEDY BE ALL THINGS TO ALL PEOPLE,
WE'RE IN FOR MORE OF THE SAME FRUSTRATED EXPECTATIONS
THAT HAVE RELEGATED PRESIDENT CARTER TO IRRELEVANCY.
A KENNEDY CANDIDACY WOULD PLACE THE AMERICAN ELECTORATE
IN A POSITION OF VOTING FOR NOSTALGIA IN AN AGE THAT
DEMANDS INNOVATION.

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A POSITIVE ECONOMIC ALTERNATIVE

BUT I DON'T THINK THE AMERICAN PEOPLE WANT THIS TO HAPPEN.

LET ME SPELL OUT A CONCRETE PROGRAM OF ECONOMIC ACTIONS THAT CAN RESTORE ECONOMIC GROWTH, CUT INFLATION, BOOST THE REBIRTH OF URBAN AMERICA, AND, MOST IMPORTANT OF ALL, REVERSE THE SLIDE TOWARD A DAY WHEN SOCIAL MOBILITY IS ONLY AN EMPTY SLOGAN, SALUTED LIKE THE FLAG WHEN IT GOES BY ON THE FOURTH OF JULY, BUT OTHERWISE CONSIGNED TO THE GLASS DISPLAY CASE OF HISTORY.


INFLATION HAS PROVEN TO BE AN ALMOST INTRACTABLE ENEMY OF ECONOMIC PROGRESS. BUT TO COMBAT INFLATION EFFECTIVELY, WE MUST FIRST REALIZE THE LIMITATIONS THAT EXIST UPON FEDERAL ACTION. WAGE AND PRICE CONTROLS WOULD BE THE WORST POSSIBLE WAY TO ACHIEVE ANY LASTING MODERATION IN THE PRICE SPIRAL. VOLUNTARY GUIDELINES AND PRESIDENTIAL FINGERPOINTING DO NOTHING TO STRIKE AT THE HEART OF THOSE FORCES WHICH FUEL THE INFLATIONARY CYCLE.

INSTEAD, WE SHOULD ADOPT A COMPREHENSIVE PROGRAM RELYING
UPON PRIVATE PRODUCTION TO EASE THE ENERGY CRISIS, AND
IMAGINATIVE TAX INCENTIVES TO BOOST BOTH SAVINGS AND
INVESTMENT TO OVERCOME THE TWIN EVILS OF INFLATION AND
UNEMPLOYMENT.

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ECONOMIC PRIORITIES

I BELIEVE THE NEXT ADMINISTRATION MUST TAKE SOME CONCRETE STEPS TOWARDS REBUILDING A PRODUCTIVE ECONOMY:



FIRST I FAVOR A CONSTITUTIONAL AMENDMENT TO CAP BOTH FEDERAL SPENDING AND TAXING AT 18% OF THE GNP. THIS IS NO BUDGETARY STRAIGHT JACKET. A SIMPLE VOTE BY 2/3 OF THE CONGRESS COULD PERMIT A DEFICIT IN TIME OF SPECIAL NEED. BUT TO SETTLE FOR ANYTHING LESS THAN SUCH AN AMENDMENT, IN THE FACE OF GROWING SPECIAL INTEREST GROUP POWER, WEAKENED POLITICAL PARTIES AND A MENTALITY THAT EQUATES A FEDERAL PRINTING PRESS WITH A STRONG CURRENCY, WOULD ONLY ENCOURAGE THE RELENTLESS TREND TOWARD CONCENTRATING COUNTER PRODUCTIVE LEVELS OF THE NATIONAL WEALTH IN WASHINGTON.

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FOR 19 OF THE LAST 20 YEARS, THE FEDERAL BUDGET HAS BEEN OUT OF BALANCE. WE HAVE PREFERRED TO BUY NOW AND PAY LATER - AND THAT PAYMENT INVARIABLY COMES IN THE PAINFUL FORM OF INFLATION. LIMITING THE AMOUNT OF WEALTH FLOWING TO WASHINGTON AND THE PHENOMONAL SUMS THE GOVERNMENT MUST BORROW TO PAY ITS DEBTS WOULD RELEASE BILLIONS OF DOLLARS FOR PRIVATE INVESTMENT. IT WOULD ALSO REASSERT OUR HISTORIC BELIEF IN A GOVERNMENT THAT PROMOTES PRIVATE PRODUCTION INSTEAD OF PUBLIC PATERNALISM.

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SECONDD, I BELIEVE REGULATORY REFORM MUST BE A MAJOR PRIORITY OF THE NEXT ADMINISTRATION. TODAY, OVER 100,000 PEOPLE WORKING IN 116 GOVERNMENT AGENCIES HAVE AS THEIR SOLE RESPONSIBILITY TELLING OTHER AMERICANS WHAT GOVERNMENT FORBIDS THEM TO DO. THE OFFICE OF MANAGEMENT AND BUDGET HAS ESTIMATED THE COST OF SUCH REGULATION AT \$2,000 PER AMERICAN FAMILY PER YEAR. THAT'S ENOUGH TO PAY THE AVERAGE FAMILY'S GROCERY BILL.

56 AGENCIES EXIST TO REGULATE BUSINESS. THEIR EFFORTS ADD \$666 TO THE COST OF AN AVERAGE CAR, AND FIFTEEN TO TWENTY FIVE HUNDRED DOLLARS TO A NEW HOME'S PRICETAG.

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I WANT TO REGULATE REGULATIONS. I WILL INTRODUCE NEXT WEEK IN THE SENATE A REGULATORY REFORM PROPOSAL TO REQUIRE A COST-BENEFIT ANALYSIS ON EVERY RULE AND REGULATION THAT IS PROPOSED. I WOULD ALSO REQUIRE THAT PRIVATE MEANS OF ACHIEVING THE SAME OBJECTIVE BE FULLY EVALUATED, AND ALL PROPOSED REGULATIONS BE SUBMITTED TO JUDICIAL REVIEW, MAKING CERTAIN THAT PRIVATE SECTOR INPUT IS NOT OVERLOOKED.

SOME OF OUR BEST INTENTIONED LAWS ACTUALLY BOOMERANG AGAINST THOSE THEY'RE DESIGNED TO HELP. I BELIEVE WE SHOULD PUSH VIGOROUSLY FOR REPEAL OF THE DAVIS-BACON ACT WHICH MANDATES WAGES ON ALL FEDERAL CONSTRUCTION PROJECTS - AND FOR MINIMUM WAGE DIFFERENTIALS, TO HALT A GROWING DISINCLINATION ON THE PART OF HARDPRESSED EMPLOYERS TO HIRE YOUNG PEOPLE AT WAGE LEVELS THAT CAN THREATEN THEIR OWN PROSPECTS FOR SURVIVAL.

FOURTH, WE MUST ALSO OVERHAUL TAX POLICY IN AMERICA. TODAY, THAT POLICY DISCOURAGES BOTH INVESTMENT AND SAVINGS. AMONG MAJOR INDUSTRIALIZED NATIONS, THE U.S. RANKS LAST IN SAVINGS AS A PERCENTAGE OF INCOME. IT IS NO COINCIDENCE THAT WE ALSO TRAIL IN INVESTMENT AND PRODUCTIVITY.

WE CALL OUR TAX SYSTEM PROGRESSIVE. YET NOWHERE DO OUR COUNTER PRODUCTIVE POLICIES OF RECENT YEARS IMPOSE A GREATER DRAG ON ECONOMIC GROWTH.

LAST YEAR, WE TOOK AN IMPORTANT STEP FORWARD, ADOPTING THE CAPITAL GAINS REDUCTION THAT SEN. KENNEDY URGED THE PRESIDENT TO VETO. LOOKING AHEAD, I WANT TO PASS A COMPREHENSIVE PACKAGE OF BUSINESS TAX CUTS TO REVERSE THE TREND TOWARD SLOWER BUSINESS GROWTH, FALLING RATES OF PRODUCTION, AND LAGGING RESEARCH AND DEVELOPMENT.

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OVER THE NEXT FIVE TO SEVEN YEARS, I BELIEVE WE CAN IMPLEMENT A SERIES OF BOLD, NEW TAX POLICIES WHICH HELP EASE INFLATIONARY PRESSURES AND ENCOURAGE INDIVIDUALS TO INVEST IN AMERICA'S FUTURE.

TO HELP INDIVIDUAL TAXPAYERS, I FAVOR:

- *A REDUCTION IN MARGINAL TAX RATES AT BOTH ENDS OF THE INDIVIDUAL SCALE.

- *AN INCREASE IN THE PERSONAL EXEMPTION BY \$250 FROM ITS PRESENT \$1000 TO \$1250.

- *AN INCREASE IN THE ZERO BRACKET AMOUNT TO GIVE ADDITIONAL INCENTIVES TO THE WORKING POOR.

- *AND MOST IMPORTANTLY, I WANT TO SEE OUR INCOME TAXES INDEXED IN ORDER TO SAFEGUARD A RAISE OR PROMOTION FROM INFLATION'S UNJUST PHENOMENON KNOWN AS "BRACKET CREEP."

I HAVE INTRODUCED LEGISLATION TO DO JUST THAT, ALONG WITH A BILL TO MAKE EVERY AMERICAN ELIGIBLE FOR AN INDIVIDUAL RETIREMENT ACCOUNT OF UP TO \$1500 A YEAR.

I AM ALSO DEEPLY CONCERNED ABOUT THE SERIOUS SHORTAGE OF INVESTMENT CAPITAL IN THIS COUNTRY. LITERALLY HUNDREDS OF BILLIONS OF DOLLARS ARE NEEDED IN THE PRIVATE SECTOR TO STRENGTHEN THIS NATION'S ABILITY TO COMPETE IN THE WORLD MARKETPLACE.

THE REDUCTION IN CAPITAL GAINS RATES APPROVED BY CONGRESS LAST YEAR WAS A STEP IN THE RIGHT DIRECTION. SO, TOO, WAS THE EXPANSION OF THE INVESTMENT TAX CREDIT AND THE MODEST REDUCTION IN CORPORATE INCOME TAXES.

OVER THE NEXT FIVE TO SEVEN YEARS, THE FOCUS OF OUR EFFORTS TO RESTORE OUR CAPITAL STOCKS SHOULD BE ON CAPITAL RECOVERY - DEPRECIATION. AMERICAN BUSINESS SIMPLY MUST BE ALLOWED TO RECOVER INVESTMENT COSTS MORE RAPIDLY. THIS IS PARTICULARLY TRUE DURING PERIODS OF HIGH INFLATION.

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I AM SPONSORING LEGISLATION WHICH PROVIDES A 10-5-3 SCHEME FOR DEPRECIATION - A 10-YEAR WRITE OFF FOR INDUSTRIAL BUILDINGS AND STRUCTURES, A 5-YEAR WRITE OFF FOR EQUIPMENT, AND A 3-YEAR WRITE OFF FOR AUTOMOBILES AND LIGHT TRUCKS.

MOREOVER, I BELIEVE A FURTHER REDUCTION IN THE TOP CORPORATE TAX RATE MAY BE ADVISABLE IN THE NOT-TO-DISTANT FUTURE, AS WELL AS SPECIAL TAX CREDITS TO ENCOURAGE RESEARCH AND DEVELOPMENT.

I WONDER IF WE CAN COUNT ON SENATOR KENNEDY'S SUPPORT FOR SUCH BOLD MEASURES TO RESTORE VIGOR TO OUR CAPITAL MARKETS. WOULD HIS NEWFOUND DEVOTION TO THE FREE ENTERPRISE SYSTEM EXTEND OF SUCH PREVIOUSLY TABOO CONCEPTS AS "PROFIT" OR "INCENTIVE"?

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FINALLY, I BELIEVE WE NEED AN ENERGY POLICY THAT EMPHASIZES MORE PRODUCTION AS WELL AS CONSERVATION. WE SIMPLY CANNOT CONSERVE OUR WAY OUT OF THE ENERGY CRISIS, THAT MEANS DE-EMPHASIZING GOVERNMENT'S ROLE IN THE ENERGY FIELD, AND GIVING TO THE PRIVATE SECTOR THE TOOLS TO DO ITS JOB.

I HAVE NO DOUBT THAT PRIVATE INDUSTRY CAN TAP THE VAST AMOUNTS OF COAL AND SHALE AND WIND AND WATER THAT EXIST IN THIS NATION. THEY CAN FIND A WAY TO EXTRACT AN ESTIMATED THREE HUNDRED BILLION BARRELS OF OIL THAT REMAIN TRAPPED IN PLACES AS UNLIKELY AS THE NEW RESERVES RECENTLY DISCOVERED OFF THE EAST COAST. DO YOU TRUST THE DEPARTMENT OF ENERGY TO DEVISE SUCH TECHNOLOGY? DO YOU BELIEVE THE SAME PEOPLE WHO MANUFACTURED GAS SHORTAGES AND A VIRTUAL SHUTDOWN OF THE NATION'S TRUCKING INDUSTRY EARLIER THIS YEAR CAN BY ITSELF DOUBLE OUR NATIONAL USE OF COAL BY THE YEAR 2000?

WE CAN PROCEED WITH UNIFORM DESIGN STANDARDS FOR NUCLEAR PLANTS. WE CAN MAKE EVERY PLANT UNDERGO STRINGENT SAFETY PRECAUTIONS. WE CAN BEGIN TO BREAK DOWN THE WALL OF SUSPICION AND HOSTILITY THAT SURROUNDS MUCH OF THE NUCLEAR INDUSTRY. THE ONLY THING WE CANNOT DO IS DENY OUR NEED FOR NUCLEAR POWER WHICH TODAY SUPPLIES 13% OF ALL AMERICA'S ELECTRICITY.

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WE CAN GET ON WITH THE TASK OF DEVELOPING SYNFUELS - NOT BY THROWING \$88 BILLION AT A CRASH PROGRAM, AS PRESIDENT CARTER HAS SUGGESTED - ONE NEED ONLY LOOK AT THE FIASCO OF THE STRATEGIC PETROLEUM RESERVE TO KNOW WHY WASHINGTON IS LESS CAPABLE THAN THE PRIVATE SECTOR AT MEETING THE SHORT-TERM ENERGY CRISIS, BUT BY PROVIDING FEDERAL TAX CREDITS AND ACCELERATED DEPRECIATION TO STIMULATE NEW PRODUCTION. THE OTHER DAY, THE FINANCE COMMITTEE VOTED AND I SUPPORTED A THREE DOLLAR TAX CREDIT FOR EACH BARREL OF OIL EQUIVALENT PRODUCED FROM AN ALTERNATIVE ENERGY SOURCE.

IN ADDITION, IT WAS MY AMENDMENT ADOPTED IN THE FINANCE COMMITTEE LAST WEEK WHICH EXEMPTED "NEWLY" DISCOVERED OIL FROM ANY WINDFALL PROFITS TAX. THAT'S THE ENCOURAGEMENT PRIVATE INDUSTRY NEEDS TO PRODUCE MORE DOMESTIC ENERGY.

OUR JUST CONCLUDED NATURAL GAS AGREEMENT WITH MEXICO IS A STEP IN THE RIGHT DIRECTION. IT'S SOMETHING WE SHOULD HAVE DONE LAST YEAR. NOW WE SHOULD CONVENE A NORTH AMERICAN ENERGY SUMMIT, END OUR PROHIBITION ON EXPORTING ALASKAN CRUDE, AND NEGOTIATE FAIR EXCHANGE AGREEMENTS FOR SWEET CRUDE WITH OTHER PRODUCERS. WE SHOULD INSIST ON A SO-CALLED "WINDFALL PROFITS" TAX WHICH CHANNELS CAPITAL BACK INTO THE SEARCH FOR NEW OIL AND GAS, NOT TO A UTOPIAN SYNFUEL PROGRAM OR THE BOTTOMLESS PIT OF THE FEDERAL TREASURY.

ALL OF THESE STEPS TAKEN TOGETHER CAN REVERSE THE DECLINE OF THE AMERICAN ECONOMY. THEY CAN AGAIN PROVIDE US WITH THE ECONOMIC FOUNDATION REQUIRED BY ANY GREAT WORLD POWER. THEY CAN RESTORE THE PSYCHOLOGICAL EDGE THAT WE SEEM TO HAVE LOST IN RECENT YEARS.

A DREAM THAT STILL LIVES

WE HAVE THE RESOURCES. WE HAVE THE TECHNOLOGICAL GENIUS. WE HAVE THE STAMINA AND THE DETERMINATION OF THE AMERICAN PEOPLE. WHAT WE LACK TODAY IS A COHERENT PLAN, AN ADMINISTRATION THAT BELIEVES IN PRODUCTION INSTEAD OF REGULATION, AND POLITICAL LEADERSHIP THAT UNDERSTANDS THE SOCIAL AND ECONOMIC BENEFITS OF A SUPPLY-BASED ECONOMY.

FOR ALL THE SETBACKS OF RECENT MONTHS, WE REMAIN THE
FREEST, MOST ADVANCED, MOST CAPABLE PEOPLE IN THE
WORLD. WE SHOULD LOOK UPON OUR CURRENT PROBLEMS, NOT AS
A CRISIS OF PERMANENT DURATION, BUT AS SPURS TO RENEWAL,
COMMENSURATE WITH OUR PROUD PAST,

THE AMERICAN DREAM STILL LIVES, I KNOW:
I'VE SEEN IT COME TRUE IN MY OWN LIFE, AND IT MOTIVATES MY
CONVICTION THAT THE BEST JUSTICE FOR ALL AMERICANS IS A JOB AND
A STAKE IN THEIR SOCIETY. IN THE COMING YEAR, WE WILL KNOW
IF THE AMERICAN PEOPLE SHARE THAT BELIEF, IF THEY STILL INSIST
ON A SOCIETY AS PRODUCTIVE AS IT IS COMPASSIONATE, AND A PRESIDENT
WHO COMBINES MORAL AUTHORITY WITH EXPERIENCED LEADERSHIP. IF
THEY BELIEVE, AS I BELIEVE, THEY CAN INSURE THAT THE DREAM
THAT MADE US GREAT WILL NEVER DIE.

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