

News from Senator

BOB DOLE



(R - Kansas)

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Remarks of Senator Bob Dole
NATIONAL ASSOCIATION OF REALTORS
New Orleans, Louisiana
Wednesday, November 14, 1979

I'm delighted to have this opportunity to be with all of you this morning, and to ponder together the outlook for the important industry you represent in the months ahead.

The outlook is not auspicious. Double-digit inflation fuels a tight money policy and the highest interest rates in American history, a weakened dollar, a sagging stock market, and a sluggish, recession-bound economy. We have dug ourselves an economic hole from which it will take several years -- and an effort of national will superior to any since the second World War -- to escape. But it can be done. And that's what I would like to outline this morning. Not just the problem as it exists -- we all know that -- but how we can overcome it in a way that lasts and fundamentally redirects the American economy.

The Fight Over Independent Contractors

One of the major issues I've been working on in the Senate Finance Committee has yet to be fully resolved. I speak of the independent contractor dispute, something most of you should be all too familiar with. As you know, the IRS would like to treat realtors and many other self-employed persons for tax purposes as something other than what they are -- independent contractors.

Last year the Revenue Act contained an amendment I sponsored which provided interim relief to the problem. This year, I have introduced legislation which has been endorsed by your association providing for a permanent solution to this chronic problem. However, the Treasury Department has been dragging its feet and has suggested instead a system of withholding which in my opinion is unacceptable.

It appears time is running out this year, and we will not achieve a justifiable solution to the independent contractor problem. But in order that we do not revert to the chaos of the past, I have introduced legislation to extend for another year the moratorium currently in effect. The House has already approved this action and the Senate Finance Committee will hopefully take the matter up in the near future. However, because of the importance of the issue, I'm prepared to attach my amendment to any bill I can find until we get an up or down vote in the Senate -- and a favorable one at that and I invite your vocal support for this measure. Please do not let up the pressure on those who represent you in the Congress.

(MORE)

Carry Over Basis

Congress is also on the way to repeal of the carry over basis. As most of you know, carry over basis was enacted as part of the 1976 Tax Reform Act. It was a decision that never should have happened. Carry over basis -- a principle which means essentially a capital gains tax at death -- is a disaster. No other single tax issue in recent years has created so much controversy. Last year, Congress decided to delay the effective date of carry over basis. However, I'm happy to report that the Senate Finance Committee recently voted 19-0 for outright repeal. The Repeal Amendment is now part of the so-called Windfall Profits Tax on oil companies now being considered by the Senate. Since this is a veto proof bill, I'm optimistic we will get rid of this ill-conceived provision once and for all.

Reforming the American Economy

In a larger sense, we should all take a fresh look at the relationship of the public and private sectors in this country. Ever since the Great Depression that began 50 years ago last 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 Kennedy will be his Party's Presidential nominee, we are poised for a debate of historic proportions.

It is a choice between centralization of power in Washington, or reliance upon local and state government. It is a choice between regulation and production, between encouragement of individual genius or an equal share of scarcity. It is a choice between a future, bright with promise, and the policies that have failed in the past.

Let me set forth my economic blueprint for the 80's.

An Inflation Battle Plan

What must we do to attack inflation at its roots? First of all, we should place a cap on both Federal spending and taxation. We can limit both to 18% of the GNP, through a constitutional amendment that would allow for flexibility in times of emergency, but will otherwise call a halt to the relentless spiral in the share of national wealth flowing to Washington.

The woods are full of born-again budget cutters and apostles of fiscal integrity. But when it comes down to making a firm commitment to responsible fiscal policy, these converts to the cause revert to their old mythology. They still believe the only path to helping the less fortunate is more administration, more governing, and, of course, more expenditure. Their missionary zeal for attacking social ills, while admirable in many ways, causes them to overlook the fact that they cause problems for the very citizens they are trying to help.

The evils of inflation and its causes have been much discussed and debated. We know that inflation penalizes most the least advantaged: the poor, the elderly, those on fixed incomes or with no immediate prospect of significant growth in income. Until now, the best we have managed to do is to concede the reality of the problem and index many of the transfer payments the government makes to our less advantaged citizens by providing automatic cost-of-living increases.

This, of course, treats some of the symptoms without attacking the disease. It also commits the government to spend at ever-higher levels in order to honor those cost-of-living payments.

(MORE)

It is seldom observed that a reduction in the inflation rate will reduce the burden on the Treasury of meeting cost-of-living increases, and thus make it easier to control expenditures in the future. It is strange indeed that those who believe in government action to solve all our problems shy away from the notion that the government can act to control inflation, which is our most serious problem. It is even stranger when you consider that inflation is the one problem the government is most responsible for causing in the first place.

The Need to Reform Regulation

What else can reduce inflationary pressures in the years to come? I believe that 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. Their efforts add \$666 to the cost of an average car, and \$15 to \$2500 to a new home's pricetag.

I want to regulate regulations. I have recently introduced 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.

Boosting Productivity and Jobs

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.

So, 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.

We must 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 Senator Kennedy urged the President to veto. Over the next 5 to 7 years, I believe we can go further to implement a series of bold, new tax policies which help ease inflationary pressures and encourage individuals to invest in America's future.

Moreover, I believe a further reduction in the top corporate tax rate may be advisable in the not-too-distant future, as well as special tax credits to encourage research and development.

We have fought many battles together -- in this session alone, everything from the independent contractor issue to carryover basis, tax reform and greater incentives to private production. The battles will not grow any easier in the days to come, and we must stand up whenever our vision of a productive America is threatened, as it will be, by election year promises of instant utopia.

(MORE)

I look forward to continuing our close association. Most of all, I hope we can instill our common point of view, not merely in the Congress, but in the Oval Office itself, where it can make the most historic difference.

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(Pete Gonten)

REMARKS OF SENATOR BOB DOLE
NATIONAL ASSOCIATION OF REALTORS

NEW ORLEANS, LOUISIANA

WEDNESDAY, NOVEMBER 14, 1979

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I'M DELIGHTED TO HAVE THIS OPPORTUNITY TO BE WITH ALL OF YOU THIS MORNING, AND TO PONDER TOGETHER THE OUTLOOK FOR THE IMPORTANT INDUSTRY YOU REPRESENT IN THE MONTHS AHEAD.

THE OUTLOOK IS NOT AUSPICIOUS. DOUBLE-DIGIT INFLATION FUELING^S A TIGHT MONEY POLICY AND THE HIGHEST INTEREST RATES IN AMERICAN HISTORY, A WEAKENED DOLLAR, A SAGGING STOCK MARKET, AND A SLUGGISH, RECESSION-BOUND ECONOMY. WE HAVE DUG OURSELVES AN ECONOMIC HOLE FROM WHICH IT WILL TAKE SEVERAL YEARS -- AND A EFFORT OF NATIONAL WILL SUPERIOR TO ANY SINCE THE SECOND WORLD WAR -- TO ESCAPE. BUT IT CAN BE DONE. AND THAT'S WHAT I WOULD LIKE TO OUTLINE THIS MORNING. NOT JUST THE PROBLEM AS IT EXISTS -- WE ALL KNOW THAT -- BUT HOW WE CAN OVERCOME IT IN A WAY THAT LASTS AND FUNDAMENTALLY REDIRECTS THE AMERICAN ECONOMY.

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THE FIGHT OVER INDEPENDENT CONTRACTORS

ONE OF THE MAJOR ISSUES I'VE BEEN WORKING ON IN THE SENATE FINANCE COMMITTEE HAS YET TO BE FULLY RESOLVED. I SPEAK OF THE INDEPENDENT CONTRACTOR DISPUTE, SOMETHING MOST OF YOU SHOULD BE ALL TOO FAMILIAR WITH. AS YOU KNOW, THE IRS WOULD LIKE TO TREAT REALTORS AND MANY OTHER SELF-EMPLOYED PERSONS FOR TAX PURPOSES AS SOMETHING OTHER THAN WHAT THEY ARE -- INDEPENDENT CONTRACTORS.

LAST YEAR THE REVENUE ACT CONTAINED AN AMENDMENT I SPONSORED WHICH PROVIDED INTERIM RELIEF TO THE PROBLEM. THIS YEAR, I HAVE INTRODUCED LEGISLATION WHICH HAS BEEN ENDORSED BY YOUR ASSOCIATION PROVIDING FOR A PERMANENT SOLUTION TO THIS CHRONIC PROBLEM. HOWEVER, THE TREASURY DEPARTMENT HAS BEEN DRAGGING ITS FEET AND HAS SUGGESTED INSTEAD A SYSTEM OF WITHHOLDING WHICH IN MY OPINION IS UNACCEPTABLE.

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IT APPEARS TIME IS RUNNING OUT THIS YEAR, AND WE WILL NOT ACHIEVE A JUSTIFIABLE SOLUTION TO THE INDEPENDENT CONTRACTOR PROBLEM. BUT IN ORDER THAT WE DO NOT REVERT TO THE CHAOS OF THE PAST, I HAVE INTRODUCED LEGISLATION TO EXTEND FOR ANOTHER YEAR THE MORATORIUM CURRENTLY IN EFFECT. THE HOUSE HAS ALREADY APPROVED THIS ACTION AND THE SENATE FINANCE COMMITTEE WILL HOPEFULLY TAKE THE MATTER UP IN THE NEAR FUTURE.

HOWEVER, BECAUSE OF THE IMPORTANCE OF THE ISSUE, I'M PREPARED TO ATTACH MY AMENDMENT TO ANY BILL I CAN FIND UNTIL WE GET AN UP OR DOWN VOTE IN THE SENATE -- AND A FAVORABLE ONE AT THAT AND I INVITE YOUR VOCAL SUPPORT FOR THIS MEASURE. PLEASE DO NOT LET UP THE PRESSURE ON THOSE WHO REPRESENT YOU IN THE CONGRESS.

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CARRY OVER BASIS

CONGRESS IS ALSO ON THE WAY TO REPEAL OF THE CARRY OVER BASIS. AS MOST OF YOU KNOW, CARRY OVER BASIS WAS ENACTED AS PART OF THE 1976 TAX REFORM ACT. IT WAS A DECISION THAT NEVER SHOULD HAVE HAPPENED. CARRY OVER BASIS - A PRINCIPLE WHICH MEANS ESSENTIALLY A CAPITAL GAINS TAX AT DEATH - IS A DISASTER. NO OTHER SINGLE TAX ISSUE IN RECENT YEARS HAS CREATED SO MUCH CONTROVERSY. LAST YEAR, CONGRESS DECIDED TO DELAY THE EFFECTIVE DATE OF CARRY OVER BASIS. HOWEVER, I'M HAPPY TO REPORT THAT THE SENATE FINANCE COMMITTEE RECENTLY VOTED 19-0 FOR OUTRIGHT REPEAL. THE REPEAL AMENDMENT IS NOW PART OF THE SO CALLED WINDFALL PROFITS TAX ON OIL COMPANIES NOW BEING CONSIDERED BY THE SENATE. SINCE THIS IS A VETO PROOF BILL, I'M OPTIMISTIC WE WILL GET RID OF THIS ILL-CONCEIVED PROVISION ONCE AND FOR ALL.

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REFORMING THE AMERICAN ECONOMY

IN A LARGER SENSE, WE SHOULD ALL TAKE A FRESH LOOK AT THE RELATIONSHIP OF THE PUBLIC AND PRIVATE SECTORS IN THIS COUNTRY. EVER SINCE THE GREAT DEPRESSION THAT BEGAN 50 YEARS AGO LAST 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 KENNEDY WILL BE HIS PARTY'S PRESIDENTIAL NOMINEE, WE ARE POISED FOR A DEBATE OF HISTORIC PROPORTIONS.

IT IS A CHOICE BETWEEN CENTRALIZATION OF POWER IN WASHINGTON, OR RELIANCE UPON LOCAL AND STATE GOVERNMENT. IT IS A CHOICE BETWEEN REGULATION AND PRODUCTION, BETWEEN ENCOURAGEMENT OF INDIVIDUAL GENIUS OR AN EQUAL SHARE OF SCARCITY. IT IS A CHOICE BETWEEN A FUTURE, BRIGHT WITH PROMISE, AND THE POLICIES THAT HAVE FAILED IN THE PAST.

LET ME SET FORTH MY ECONOMIC BLUEPRINT FOR THE 80'S.

AN INFLATION BATTLE PLAN

WHAT MUST WE DO TO ATTACK INFLATION AT ITS ROOTS? FIRST OF ALL, WE SHOULD PLACE A CAP ON BOTH FEDERAL SPENDING AND TAXATION. WE CAN LIMIT BOTH TO 18% OF THE GNP, THROUGH A CONSTITUTIONAL AMENDMENT THAT WOULD ALLOW FOR FLEXIBILITY IN TIMES OF EMERGENCY, BUT WILL OTHERWISE CALL A HALT TO THE RELENTLESS SPIRAL IN THE SHARE OF NATIONAL WEALTH FLOWING TO WASHINGTON.

THE WOODS ARE FULL OF BORN-AGAIN BUDGET CUTTERS AND APOSTLES OF FISCAL INTEGRITY. BUT WHEN IT COMES DOWN TO MAKING A FIRM COMMITMENT TO RESPONSIBLE FISCAL POLICY, THESE CONVERTS TO THE CAUSE REVERT TO THEIR OLD MYTHOLOGY. THEY STILL BELIEVE THE ONLY PATH TO HELPING THE LESS FORTUNATE IS MORE ADMINISTRATION, MORE GOVERNING, AND, OF COURSE, MORE EXPENDITURE. THEIR MISSIONARY ZEAL FOR ATTACKING SOCIAL ILLS, WHILE ADMIRABLE IN MANY WAYS, CAUSES THEM TO OVERLOOK THE FACT THAT THEY CAUSE PROBLEMS FOR THE VERY CITIZENS THEY ARE TRYING TO HELP.

THE EVILS OF INFLATION AND ITS CAUSES HAVE BEEN MUCH DISCUSSED AND DEBATED. WE KNOW THAT INFLATION PENALIZES MOST THE LEAST ADVANTAGED: THE POOR, THE ELDERLY, THOSE ON FIXED INCOMES OR WITH NO IMMEDIATE PROSPECT OF SIGNIFICANT GROWTH IN INCOME. UNTIL NOW, THE BEST WE HAVE MANAGED TO DO IS TO CONCEDE THE REALITY OF THE PROBLEM AND INDEX MANY OF THE TRANSFER PAYMENTS THE GOVERNMENT MAKES TO OUR LESS ADVANTAGED CITIZENS BY PROVIDING AUTOMATIC COST-OF-LIVING INCREASES.

THIS, OF COURSE, TREATS SOME OF THE SYMPTOMS WITHOUT ATTACKING THE DISEASE. IT ALSO COMMITS THE GOVERNMENT TO SPEND AT EVER-HIGHER LEVELS IN ORDER TO HONOR THOSE COST-OF-LIVING PAYMENTS.

IT IS SELDOM OBSERVED THAT A REDUCTION IN THE INFLATION RATE WILL REDUCE THE BURDEN ON THE TREASURY OF MEETING COST-OF-LIVING INCREASES, AND THUS MAKE IT EASIER TO CONTROL EXPENDITURES IN THE FUTURE. IT IS STRANGE INDEED THAT THOSE WHO BELIEVE IN GOVERNMENT ACTION TO SOLVE ALL OUR PROBLEMS SHY AWAY FROM THE NOTION THAT THE GOVERNMENT CAN ACT TO CONTROL INFLATION, WHICH IS OUR MOST SERIOUS PROBLEM. IT IS EVEN STRANGER WHEN YOU CONSIDER THAT INFLATION IS THE ONE PROBLEM THE GOVERNMENT IS MOST RESPONSIBLE FOR CAUSING IN THE FIRST PLACE.

THE NEED TO REFORM REGULATION

WHAT ELSE CAN REDUCE INFLATIONARY PRESSURES IN THE YEARS TO COME? I BELIEVE THAT 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. THEIR EFFORTS ADD \$666 TO THE COST OF AN AVERAGE CAR, AND \$15 TO \$2500 TO A NEW HOME'S PRICETAG.

I WANT TO REGULATE REGULATIONS. I HAVE RECENTLY INTRODUCED 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.

BOOSTING PRODUCTIVITY AND JOBS

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.

SO, 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.

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 SENATOR KENNEDY URGED THE PRESIDENT TO VETO.

OVER THE NEXT 5 TO 7 YEARS, I BELIEVE WE CAN GO FURTHER TO IMPLEMENT A SERIES OF BOLD, NEW TAX POLICIES WHICH HELP EASE INFLATIONARY PRESSURES AND ENCOURAGE INDIVIDUALS TO INVEST IN AMERICA'S FUTURE.

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

WE HAVE FOUGHT MANY BATTLES TOGETHER -- IN THIS SESSION ALONE, EVERYTHING FROM THE INDEPENDENT CONTRACTOR ISSUE TO CARRYOVER BASIS, TAX REFORM AND GREATER INCENTIVES TO PRIVATE PRODUCTION. THE BATTLES WILL NOT GROW ANY EASIER IN THE DAYS TO COME, AND WE MUST STAND UP WHENEVER OUR VISION OF A PRODUCTIVE AMERICA IS THREATENED, AS IT WILL BE, BY ELECTION YEAR PROMISES OF INSTANT UTOPIA.

I LOOK FORWARD TO CONTINUING OUR CLOSE ASSOCIATION. MOST OF ALL, I HOPE WE CAN INSTILL OUR COMMON POINT OF VIEW, NOT MERELY IN THE CONGRESS, BUT IN THE OVAL OFFICE ITSELF, WHERE IT CAN MAKE THE MOST HISTORIC DIFFERENCE.

John D. Dole

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