

SPEECH BY
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AMERICAN BAKERS ASSOCIATION
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1980 - TOUGH TIME FOR FARMERS AND BUSINESSMEN

I DON'T NEED TO TELL YOU THAT 1980 HAS BROUGHT TOUGH TIMES FOR FARMERS AND BUSINESSMEN ALIKE.

IT IS HARD TO REMEMBER ANY YEAR WHEN SO MANY THINGS HAVE GONE WRONG.

I JUST DON'T KNOW HOW SOME BUSINESSMEN--ESPECIALLY FARMERS AND AGRICULTURALLY RELATED BUSINESSES--ARE HOLDING ON.

OUR LATEST ESTIMATES INDICATE REAL NET FARM INCOME (ADJUSTED FOR INFLATION) COULD BE DOWN AS MUCH AS 30 - 40% THIS YEAR. THIS IS AN UNBELIEVABLE DROP FOR A ONE-YEAR PERIOD.

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THE NAME OF THE GAME FOR EVERYONE IN BUSINESS IS PROFITABILITY. FARMERS NEED TO MAKE A PROFIT AND BAKERS NEED TO MAKE A PROFIT. YOU CANNOT SURVIVE WITHOUT PROFIT. PROFITABILITY IS ONE CONCEPT THE CARTER PEOPLE DON'T SEEM TO UNDERSTAND.

THE THEORY THAT FARMERS HAVE NINE LIVES AND CAN ALWAYS BOUNCE BACK IS NOT WORKING THIS YEAR AND WILL PROBABLY NOT WORK IN FUTURE YEARS. FARMERS NOW BUY MOST OF THEIR NEEDED SUPPLIES FROM OFF THE FARM. THEY MUST HAVE A POSITIVE CASH FLOW TO STAY ALIVE. WE CANNOT JUST ASSUME THAT THE FAMILY FARM HAS SURVIVED IN THE PAST AND WILL ALWAYS SURVIVE IN THE FUTURE. WE CANNOT TAKE THE SURVIVAL OF THE FAMILY FARM FOR GRANTED ANY LONGER.

THE FAMILY FARM MUST SURVIVE

I CERTAINLY BELIEVE IT IS IN THE BEST INTEREST OF BAKERS, IN THE BEST INTEREST OF ALL AGRICULTURE RELATED BUSINESSES, IN THE BEST INTEREST OF AMERICA AND IN THE BEST INTEREST OF THE WORLD THAT THE AMERICAN FAMILY FARM SURVIVE.

THE FAMILY FARM IS BASIC TO OUR ABUNDANT SUPPLY OF MODESTLY PRICED FOOD. FOOD IS THE BEST BARGAIN FOUND IN THE UNITED STATES.

WHEAT IS A REAL BARGIAN TODAY. WHEAT IS SELLING BELOW THE COST OF PRODUCTION OF MOST FARMERS. WHEAT IS CHEAP. THERE IS A PLENTIFUL SUPPLY OF WHEAT TODAY AT BARGAIN PRICES.

BARGAIN MAY NOT LAST FOREVER

BUT, THE BARGAIN MAY NOT LAST FOREVER. THE LIGHTS ARE GOING OUT ON MANY FARMS--NEVER TO BE TURNED ON AGAIN. THE "FOR SALE" SIGNS ARE GOING UP IN MY STATE OF KANSAS AND ALL ACROSS THE WHEAT BELT.

IF FAMILY FARMS CANNOT MAKE A PROFIT, THEY WILL CONTINUE TO DIE. AND WHEN THE FAMILY FARM DIES, THE STRUCTURE OF AGRICULTURE WILL BE CHANGED. IT WILL BE DOMINATED BY HUGE FARMS AND HUGE BUSINESSES. YOU CAN BE CERTAIN WHEN THAT HAPPENS, PRICES WILL GO UP. THEY WILL GO UP AND UP AND UP. THE BARGAINS YOU HAVE ENJOYED IN THE PAST WILL NO LONGER BE AVAILABLE.

BAKERS NEED A PLENTIFUL SUPPLY OF QUALITY WHEAT AT A REASONABLE PRICE. THAT CAN ONLY BE ACCOMPLISHED BY FAMILY FARMERS MAKING A PROFIT. IT IS IN ALL OUR BEST INTERESTS TO WORK TO SEE THAT WHEAT PRODUCERS RECEIVE AN EQUITABLE PROFIT FOR THE LABOR AND INVESTMENT. I GET WORRIED WHEN I FEEL THE PRODUCERS AND PROCESSORS ARE FIGHTING EACH OTHER. IF BREAD EVER GETS TO \$1.00 A LOAF, AS WAS RUMORED WHEN THE SOVIETS BOUGHT SO MUCH GRAIN A FEW YEARS AGO, IT WON'T BE BECAUSE OF THE PRICE OF A BUSHEL OF WHEAT. WHEAT ONLY REPRESENTS ABOUT 10% OF THE COST OF A LOAF OF BREAD.

GOVERNMENT MARKET INTERFERENCE

ONE OF MY BIGGEST CONCERNS, AND I KNOW ONE OF THE CONCERNS OF THOSE WHO BUY GRAIN, IS THE INCREASING TENDENCY OF THE FEDERAL GOVERNMENT TO INTERFERE IN THE MARKETPLACE.

DURING THE PAST YEAR, WE HAVE SEEN LEGISLATION INTRODUCED TO ESTABLISH A FEDERAL GRAINS BOARD, TO INCREASE THE POWERS OF THE COMMODITY FUTURES TRADING COMMISSION, AND TO SET UP INTERNATIONAL GRAINS AGREEMENTS AND INTERNATIONAL RESERVES.

I DO NOT SUPPORT THESE MOVES OR THE TREND TO HAVE THE GOVERNMENT INTERFERE IN THE MARKETPLACE.

WE SAW WHAT CAN HAPPEN WHEN THE GOVERNMENT EMBARGOED GRAIN TO THE SOVIET UNION AND THEN BOUGHT UP MILLIONS OF BUSHELS OF CORN CONTRACTS AND IN SOME CASES, ACTUALLY BOUGHT CORN AND WHEAT.

WE SAW EVIDENCE OF MISMANAGEMENT, POOR DECISION MAKING, CONFUSION IN THE GRAIN TRADE, IN USDA, AND ON THE PART OF THE FARMER WHO WANTED TO SELL GRAIN TO THE GOVERNMENT UNDER THEIR BID PROPOSALS.

I RECEIVE MANY CALLS IN MY OFFICE FROM GRAIN OFFICIALS, COMMODITY BROKERS AND FARMERS. THEIR CONCLUSION WAS THE SAME, THE GOVERNMENT GRAIN BUYING PROGRAM WAS A BIG MESS.

WHEAT INDUSTRY COUNCIL

I NOTICED IN YOUR BULLETIN OF AUGUST 15, 1980, THAT YOU HAVE SUBMITTED THE NAMES OF VERNON BAIRD AND LARRY BATTY TO USDA AS YOUR PRIMARY NOMINEES FOR TWO MEMBERS ON THE WHEAT INDUSTRY COUNCIL.

I AM PLEASED THAT USDA IS MOVING AHEAD WITH THE COUNCIL. I UNDERSTAND THE NAMES WILL BE FORWARDED TO THE SECRETARY ABOUT MID-SEPTEMBER FOR FINAL SELECTION.

AS YOU KNOW, THE COUNCIL WAS CREATED AS A PROVISION OF THE 1977 FARM BILL THROUGH AN AMENDMENT I OFFERED ON THE SENATE FLOOR. I AM HOPEFUL WE CAN GET THE COUNCIL INTO OPERATION SOON.

GOVERNMENT FARM PROGRAMS

THE 1977 FARM BILL HAS BEEN PROVEN TO BE A SOUND PIECE OF LEGISLATION. IT SETS UP THE TOOLS AND PROCEDURES BY WHICH THE SECRETARY OF AGRICULTURE AND

THE PRESIDENT CAN FINE-TUNE THE AGRICULTURAL ECONOMY AND RESPOND TO CHANGES IN WORLD MARKETS, ECONOMIC CONDITIONS, WEATHER CONDITIONS, AND THE OTHER FORCES THAT AFFECT AGRICULTURE.

I BELIEVE THE BIG PROBLEM DURING THE PAST THREE YEARS HAS NOT BEEN THE 1977 FARM BILL AND ITS AUTHORITIES. THE BIG PROBLEM HAS BEEN THE PEOPLE WHO HAVE IMPLEMENTED THE BILL.

THE PRESIDENT AND THE SECRETARY AND THEIR ADVISORS HAVE USED THE AUTHORITIES IN THE BILL TO KEEP FARM PRICES LOW AND SUPPLIES OF FARM PRODUCTS HIGH. THEY HAVE USED THE AUTHORITIES TO KEEP FARM INCOME LOW.

FARMERS AND BAKERS WORK TOGETHER

I HOPE THAT FARMERS AND BAKERS WILL WORK TOGETHER TO END THE MAN-MADE DISASTERS THAT ARE HURTING THE PROFITABILITY OF THE PRODUCER, THE MARKETER, AND THE RETAILER.

MAN-MADE DISASTERS SUCH AS DOUBLE-DIGIT INFLATION, DOUBLE-DIGIT INTEREST RATES, AND GRAIN EMBARGOES.

OUR FARMS ARE ON THE BRINK OF DISASTER--OUR BUSINESSES STAND ON THE BRINK OF FINANCIAL DISASTER--OUR FAMILIES ARE ON THE BRINK OF FINANCIAL DISASTER--AMERICA STANDS ON THE BRINK OF FINANCIAL DIASTER. THE CRISIS BEFORE US IS SERIOUS. THE BASIC STRUCTURE OF AN ECONOMIC SYSTEM COULD BE DESTROYED.

THE MISERY INDEX QUOTED BY CANDIDATE CARTER IN 1976 WAS NOTHING COMPARED TO THE MISERY INDEX WE NOW SUFFER UNDER PRESIDENT CARTER. CARTER'S ECONOMIC MISTAKES HAVE BEEN TRANSLATED INTO HUMAN MISERY FOR MILLIONS OF AMERICANS.

1976 ELECTION VERY COSTLY

THE ELECTION OF 1976 HAS TURNED OUT TO BE ONE OF THE MOST COSTLY IN THE HISTORY OF OUR COUNTRY. WE GAVE UP A LOW INFLATION RATE FOR A HIGH ONE--WE GAVE UP LOW INTEREST RATES FOR HIGH ONES--WE GAVE UP ECONOMIC STABILITY FOR ECONOMIC BANKRUPTCY. WE GAVE UP DECREASING GOVERNMENT INTERFERENCE IN THE PRIVATE SECTOR FOR FURTHER GOVERNMENT INVERSION INTO OUR LIVES.

PERVASIVE INFLUENCE OF GOVERNMENT

GOVERNMENT HAS ALREADY BECOME THE MOST PERVASIVE INFLUENCE ON BUSINESS AND IN OUR PERSONAL LIVES. RATHER THAN CONTINUE TO ENTRENCH IT EVEN FURTHER IN PRIVATE SECTOR, IT IS TIME WE STOPPED TO SEE HOW WE CAN LOOSEN ITS GRASP ON US ALL--PRODUCER AND CONSUMER ALIKE.

AS YOU HAVE GATHERED BY NOW, I FEEL QUITE STRONGLY THAT THERE IS VAST IMPROVEMENT TO BE MADE IN GOVERNMENT. TODAY IT IS TIME FOR AN OVERHAUL--TIME TO CUT THE FAT OUT OF THE BUDGET--REDUCE THE REGULATORY RED-TAPE WHICH STRANGLES BUSINESS--AND BEGIN TO REDUCE THE UNRESPONSIVENESS OF GOVERNMENT TOWARDS THE PRODUCTIVE ELEMENTS OF OUR ECONOMY. FOR WITHOUT A STRONG, GROWING, VIBRANT ECONOMY, THERE CAN BE LITTLE TO LOOK FORWARD TO IN YEARS TO COME.

ECONOMIC MISMANAGEMENT: GOING AGAINST THE GRAIN

THE BIGGEST CONCERN IN OUR COUNTRY TODAY IS THE STATE OF OUR ECONOMY--AND RIGHTLY SO. THERE IS NO DOUBT ABOUT IT--JIMMY CARTER'S ECONOMIC POLICIES ARE GOING AGAINST THE GRAIN.

IT HAS BEEN SAID THAT IF ALL THE WORLD'S ECONOMISTS WERE LAID END TO END THEY WOULD ALL POINT IN DIFFERENT DIRECTIONS.

THIS YEAR, AS IN EVERY OTHER ELECTION YEAR, THE GREAT PROGNOSTICATION GAME IS IN FULL BLOOM, BUT UNLIKE YEARS PAST, THERE IS TODAY A GENERAL CONSENSUS AND THAT CONSENSUS IS THAT OUR ECONOMY IS FOUNDERING. INFLATION IS ALL BUT OUT OF CONTROL, TAXES HAVE RISEN 76.3% SINCE 1975, PERSONAL SAVINGS ARE DOWN AND INTEREST RATES ARE UP. ALL OF THESE FACTORS ARE A DIRECT RESULT OF POOR ECONOMIC PLANNING BY THE CURRENT ADMINISTRATION, BUT THEY CAN BE CORRECTED.

I AM PLEASED TO SAY THAT IT WAS THE REPUBLICANS WHO STARTED THE ECONOMIC BALL ROLLING. THREE DAYS BEFORE THE TRADITIONAL LAUNCHING OF HIS BID FOR REELECTION, PRESIDENT CARTER FINALLY REALIZED THAT WITH INFLATION RAGING, AN ALARMING DECLINE IN ECONOMIC OUTPUT AND UNEMPLOYMENT AT ALMOST 8%, THE COUNTRY NEEDS A TAX CUT IN 1981. THIS IS PRECISELY WHAT GOVERNOR REAGAN AND NUMEROUS REPUBLICANS IN CONGRESS HAD BEEN SAYING FOR MONTHS. IF THE PRESIDENT AND THE DEMOCRATS IN CONGRESS HAD COOPERATED INSTEAD OF RESISTING OUR EFFORTS, WE COULD NOW HAVE A TAX CUT IN PLACE AND NOT MERELY MORE RHETORIC.

PANACEAS WILL NOT DO

UNFORTUNATELY, THE PRESIDENT, HAVING FINALLY DIAGNOSED OUR ECONOMY'S ILLS, RECOMMENDED THE WRONG MEDICINE. HIS PROPOSED TAX PROGRAM IS TOO SMALL TO OFFSET THE LARGE SOCIAL SECURITY TAX INCREASE DUE NEXT YEAR OR THE PREVIOUS INCREASE IN TAXES CAUSED BY INFLATION. VERY LITTLE OF THE \$86 BILLION IN TAX INCREASES SCHEDULED FOR NEXT YEAR IS ABATED BY HIS PROPOSAL.

I FOR ONE DO NOT BELIEVE THAT THE AMERICAN PUBLIC IS NAIVE ENOUGH TO REALLY BELIEVE THAT JIMMY CARTER IS BESTOWING A GIFT ON THEM WITH HIS TAX PROPOSAL. EVERYONE KNOWS THAT BECAUSE OF OUR TAX STRUCTURE, THEY MAY BE MAKING MORE-- BUT ENJOYING IT LESS.

WHAT IS NEEDED IS REAL TAX REFORM AND NOT MERELY A FEDERAL JUGGLING ACT OF TAXPAYERS DOLLARS.

THE CARTER PROPOSAL IS A STARK CONTRAST TO THE REPUBLICAN APPROACH TO SOLVING OUR ECONOMIC WOES. WHEREAS, CARTER'S LATEST PANACEA RELIES ON MORE GOVERNMENT SPENDING TO SOLVE PROBLEMS--ECONOMIC STAGNATION AND INFLATION--THAT WERE LARGELY CAUSED BY EXCESSIVE GOVERNMENT SPENDING IN THE FIRST PLACE, THE REPUBLICAN AND FINANCE COMMITTEE APPROACHES RELY ON FREE ENTERPRISE, INCREASES IN PRODUCTIVITY, AND SAVINGS AND INVESTMENTS TO GET AMERICA GOING AGAIN.

REPUBLICANS OFFER A PROGRAM OF HOPE FOR AMERICAN BUSINESS

I BELIEVE, AS I AM SURE YOU DO, THAT A STRONG, GROWING ECONOMY IS ESSENTIAL TO A FREE NATION. IT ASSURE A CONSTANTLY-HIGHER STANDARD OF LIVING AND UPWARD SOCIAL MOBILITY FOR ALL ITS CITIZENS. NO FREE ECONOMY CAN CONSISTANTLY GROW OR LONG REMAIN STRONG IF BUSINESS DOES NOT HAVE ACCESS TO SUFFICIENT CAPITAL FOR IMPROVEMENT IN EFFICIENCY AND EXPANSION. A COUNTRY WITH A TAX SYSTEM THAT ENCOURAGES CONSUMPTION AND DISCOURAGES INVESTMENT, SAVINGS, AND CAPITAL FORMATION IS ENGAGED IN A POLICY THAT WILL EVENTUALLY THREATEN THE ESSENCE OF ITS FREEDOM.

UNFORTUNATELY, THE UNITED STATES HAS FOR TOO LONG BEEN ON SUCH A COURSE. AMONG MAJOR INDUSTRIALIZED NATIONS, OUR COUNTRY RANKS LAST IN SAVINGS AS A PERCENT OF INCOME, LAST IN FIXED INVESTMENT AS A PERCENT OF GNP AND LAST IN PRODUCTIVITY GROWTH. IS IT ANY WONDER THAT WE HAVE UNCOVERED THE SECRET OF PROLONGED HIGH LEVELS OF INFLATION EVEN DURING TIMES OF LOW ECONOMIC GROWTH?

TO ADDRESS THESE PROBLEMS, THE SENATE FINANCE COMMITTEE OF WHICH I AM THE RANKING REPUBLICAN MEMBER, UNDERTOOK A MAJOR OVERHAUL AND IMPROVEMENT OF THE BUSINESS DEPRECIATION SYSTEM. UNDER THE FINANCE COMMITTEE BILL, ALL EQUIPMENT COULD BE WRITTEN OFF OVER TWO, FOUR, SEVEN, OR TEN YEARS. THIS REPRESENTS AT LEAST A 40 PERCENT SHORTENING OF THE DEPRECIATION PERIODS PROVIDED UNDER CURRENT LAW.

UNDER THE FINANCE COMMITTEE BILL, OWNER-OCCUPIED RETAIL AND INDUSTRIAL BUILDINGS COULD BE WRITTEN OFF OVER FIFTEEN YEARS AND ALL OTHER BUILDINGS OVER TWENTY YEARS.

I AM STRONGLY COMMITTED TO SIMPLIFICATION AND ACCELERATED DEPRECIATION FOR BUSINESS. I AM SURE YOU ALL REALIZE THAT THE ORIGINAL CAPITAL COST RECOVERY BILL, ALSO KNOWN AS "10-5-3," IS AN INTEGRAL PART OF THE ORIGINAL REPUBLICAN TAX CUT PACKAGE. THE FINANCE COMMITTEE DEPRECIATION APPROACH IS LESS GENEROUS THAN THE 10-5-3 PROPOSAL, BUT I BELIEVE IT IS STILL A VAST IMPROVEMENT OVER CURRENT LAW, AND WITH SOME SIGNIFICANT MODIFICATIONS, DESERVES SUPPORT.

THE PRESIDENT'S PROPOSAL IS A MAJOR STEP BACK EVEN FROM THE FINANCE COMMITTEE BILL. IT DOES NOT DEAL DIRECTLY WITH THE PROBLEM OF INFLATED REPLACEMENT COSTS, AND I BELIEVE IT IS TOO CAUTIOUS TO SIGNIFICANTLY CONTRIBUTE TO THE REVITALIZATION OF AMERICA.

THE CARTER PROPOSAL ALSO DOES NOTHING TO LOWER THE TAX ON CAPITAL GAINS. WE LEARNED LAST YEAR THAT A CAPITAL GAINS TAX REDUCTION DRAMATICALLY SPURS BUSINESS ACTIVITY AND IN FACT, INCREASES RATHER THAN DECREASES TOTAL TAX RECEIPTS. THE FINANCE COMMITTEE BILL LOWERS CAPITAL GAINS TAXES IN TWO WAYS.

FIRST, IT INCREASES THE CAPITAL GAINS EXCLUSION FROM 70 PERCENT TO 60 PERCENT. THIS, OF COURSE, HAS THE EFFECT OF REDUCING THE MAXIMUM CAPITAL GAINS RATE FROM 28 PERCENT TO 20 PERCENT.

SECOND, THE FINANCE COMMITTEE BILL LOWERS ALL INDIVIDUAL INCOME TAX RATES, WHICH FURTHER BRINGS DOWN THE EFFECTIVE CAPITAL GAINS TAX RATE FOR MOST AMERICANS. THE FINANCE COMMITTEE BILL HAS A NUMBER OF OTHER PROVISIONS DESIGNED TO SPUR CAPITAL FORMATION AND PRODUCTIVITY. SOME OF THESE WOULD BE OF PARTICULAR INTEREST TO MEMBERS OF THIS GROUP, FOR EXAMPLE THE SMALLER BUSINESS INCENTIVES. WE VOTED TO PHASE IN OVER THE NEXT TWO YEARS A DOUBLING OF THE CORPORATE TAX BRACKETS THAT THE MAXIMUM RATE IS NOT IMPOSED UNTIL THE CORPORATION HAS OVER \$200,000 IN INCOME. AT THE SAME TIME, THE COMMITTEE VOTED TO LOWER THE MAXIMUM CORPORATE RATE BY 2 PERCENT OVER TWO YEARS. THE COMMITTEE ALSO AGREED TO A NUMBER OF MEASURES TO INCREASE CAPITAL FORMATION AND PRODUCTIVITY SUCH AS A TAX CREDIT FOR INCREASED RESEARCH AND DEVELOPMENT EXPENDITURES AND AN EXPANSION OF THE INDIVIDUAL RETIREMENT PROVISIONS ACCOUNT.

VIRTUALLY EVERY MEMBER OF THE FINANCE COMMITTEE, ALONG WITH GOVERNOR REAGAN, BELIEVES THAT IT IS VITAL THAT WE MOVE FORWARD NOW ON THE KIND OF BOLD RE-STRUCTURING OF THE TAX SYSTEM THAT THE FINANCE COMMITTEE HAS UNDERTAKEN. I URGE THE MEMBERS OF THIS GROUP TO SUPPORT THIS EFFORT SO WE CAN GET AMERICA MOVING AGAIN.