

REMARKS OF SENATOR BOB DOLE
DUN'S BUSINESS MONTH
MARCH 1, 1983--NOON--PIERRE HOTEL

SOMETIMES I THINK THAT OUR BUSINESS LEADERS MUST GET TIRED OF HEARING FROM POLITICIANS. POLITICIANS WOULD LIKE TO BELIEVE THAT YOU INVITE US TO SPEAK BECAUSE OF OUR WIT, ELOQUENCE, AND STATESMANLIKE BEHAVIOR. WASHINGTON IS NOT YET THAT FAR REMOVED FROM REALITY, HOWEVER. YOU WANT TO HEAR FROM POLITICIANS TO KNOW WHAT IS GOING ON; OR, FOR THE CYNICS AMONG YOU, TO FIND OUT WHAT WE ARE GOING TO DO TO YOU NEXT. BUT I HOPE WE NEVER REACH THE POINT WHERE YOU THINK THAT DECISIONS MADE IN WASHINGTON ARE MORE IMPORTANT THAN THE DECISIONS YOU MAKE, DAY IN AND DAY OUT. ALL WASHINGTON CAN DO IS AFFECT THE ECONOMIC CLIMATE IN WHICH YOUR DECISIONS ARE MADE. THE REAL PERFORMANCE IS UP TO THE BUSINESS COMMUNITY AND OUR WORKING PEOPLE.

PROGNOSIS FOR THE ECONOMY

SO FAR AS THE ECONOMIC CLIMATE IS CONCERNED, THERE ARE

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STRONGER REASONS THAN EVER FOR BELIEVING THAT WE HAVE A SUCCESS STORY ON OUR HANDS. IT IS NO LONGER JUST A MATTER OF ECONOMIC INDICATORS: WE ARE SEEING CONCRETE RESULTS.

ONE OF THE MOST HOPEFUL SIGNS IS THE RISE IN INDUSTRIAL PRODUCTION. OUTPUT WAS UP ONE-TENTH OF A PERCENT IN DECEMBER AND NINE-TENTHS OF A PERCENT IN JANUARY. AS FACTORY OUTPUT RISES, THE STAGE IS SET FOR BRINGING DOWN THE UNEMPLOYMENT RATE THAT IS STILL THE MAJOR BLOT ON OUR ECONOMY.

BUT FACTORIES ARE NOT THE WHOLE STORY. RECOVERY IN THE HOUSING INDUSTRY IS CRUCIAL, AND HOUSING STARTS WERE UP BY A RECORD 36 PERCENT IN JANUARY. THAT IS AN ANNUALIZED RATE OF 1.7 MILLION STARTS, AND IF IT CONTINUES IT WILL MEAN THE BEST YEAR FOR HOUSING SINCE 1979. ON THE CONSUMER SIDE, RETAIL SALES ARE UP 7.3 PERCENT FROM A YEAR AGO: A GOOD SIGN THAT THE NEGATIVE PSYCHOLOGY OF THE RECESSION IS BEGINNING TO DIMINISH. SO THESE ARE ALL GOOD REASONS FOR CAUTIOUS OPTIMISM.

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BUT THERE IS EVEN MORE REASON FOR OPTIMISM IF YOU LOOK AT THE ECONOMIC FUNDAMENTALS--THE PREVAILING CONDITIONS THAT ARE LIKELY TO INFLUENCE THE COURSE OF ECONOMIC RECOVERY.

THE BEST NEWS IS THAT THE INFLATION PSYCHOLOGY THAT HAS PLAGUED US FOR SO LONG IS BEGINNING TO DIMINISH, SLOWLY BUT SURELY. THE PRIME LENDING RATE, AT 10 1/2 PERCENT, IS LESS THAN HALF THE 21 1/2 PERCENT PREVAILING WHEN PRESIDENT REAGAN TOOK OFFICE. LONG-TERM BOND RATES ARE DOWN 3 POINTS FROM A YEAR AGO. INFLATION ITSELF WAS JUST 3.9 PERCENT IN 1982, A RATE NEARLY 70 PERCENT LOWER THAN THE 1980 RATE OF 12.4 PERCENT. THE JANUARY DECLINE IN UNEMPLOYMENT--A FOUR-TENTHS OF A PERCENT DROP--MAY BE A SIGN THAT THE ECONOMY IS REBOUNDED MORE QUICKLY THAN MANY EXPECTED. AT LEAST WE ALL HOPE SO. TO THIS PICTURE WE OUGHT TO ADD A FEW 'WILD CARDS' THAT MAY COME UP IN OUR FAVOR: PARTICULARLY THE DISARRAY IN OPEC THAT MAY BRING A

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REDUCTION IN AND STABILIZATION OF ENERGY COSTS AND SPEED THE PACE OF RECOVERY.

PROCEED WITH CARE

ALL THESE FACTORS--PLUS THE 300-POINT RISE IN THE STOCK MARKET SINCE LAST AUGUST, AND THE RISE IN LEADING INDICATORS FOR EIGHT OF THE LAST NINE MONTHS--SEEM TO SPELL GOOD NEWS FOR THE YEAR AHEAD. IT IS HIGH TIME WE WERE POSITIVE ABOUT THE ECONOMY. BUT IT IS ALSO VERY, VERY IMPORTANT TO TRY TO UNDERSTAND WHY WE ARE MAKING PROGRESS, AND TO AVOID POLICY CHANGES THAT WOULD UNDO EVERYTHING THAT HAS BEEN ACHIEVED SO FAR.

THE FACT IS THAT CONGRESS AND THE PRESIDENT HAVE SOME VERY TOUGH CHOICES AHEAD IN 1983. THE OUTYEAR DEFICITS THAT THREATEN SUSTAINED RECOVERY SIMPLY MUST BE DEALT WITH. WHAT IS MORE, THEY HAVE TO BE DEALT WITH IN A WAY THAT MAKES GOOD

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POLICY SENSE WITHOUT INTERFERING WITH THE BASIC PRINCIPLES
OF PRESIDENT REAGAN'S ECONOMIC RECOVERY PROGRAM.

THAT IS WHAT WE TRIED TO DO IN 1982 IN PASSING THE TAX
EQUITY AND FISCAL RESPONSIBILITY ACT. BY AND LARGE I THINK
WE SUCCEEDED. THAT WAS NOT A PERFECT BILL, NOR TO EVERYONE'S
LIKING, BUT IT WAS A FAIR AND REASONABLE COMPROMISE ON A PACKAGE
OF DEFICIT-REDUCTION MEASURES ON BOTH THE SPENDING AND REVENUE
SIDE. SOME REGRET THAT IT WAS NOT NEARLY ENOUGH: THAT APPRO-
PRIATIONS CAME IN SOMEWHAT OVER BUDGET, AND THAT THE LINGERING
 RECESSION AND CONTINUED DROP IN INFLATION THREW OFF THE ECONOMIC
FORECASTS WE WERE RELYING ON. BUT THAT DOESN'T MEAN THE EFFORT
WASN'T WORTHWHILE--HAD WE NOT ACTED ON THE DEFICIT LAST YEAR,
OUR DILEMMA WOULD BE THAT MUCH MORE ACUTE TODAY. AND HAVING
MADE DIFFICULT DECISIONS ONCE, MAYBE IT WILL BE EASIER THE
SECOND TIME AROUND. IT MAY EVEN BECOME A HABIT WITH CONGRESS.

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SO WHAT WE OUGHT TO DO IS TAKE A DEEP BREATH, TAKE A CLOSE
LOOK AT THE PROBLEMS BEFORE US, AND MOVE AHEAD.

NO BACKTRACKING

IF WE ARE SERIOUS ABOUT MAKING PROGRESS ON THE BUDGET,
THE FIRST THING WE HAVE TO DO IS AVOID ANY MOVES THAT WOULD
UNDO THE GAINS ALREADY MADE. THAT MEANS THE SPENDING CUTS
AND REVENUE INCREASES ALREADY IN PLACE HAVE TO BE KEPT INTACT.
IF WE LOSE GROUND ON THE 1981 OR 1982 RECONCILIATION CHANGES,
THE PROSPECTS OF BRINGING THAT DEFICIT DOWN TO TWO OR THREE
PERCENT OF GNP ARE NIL.

WE ALL HOPE THERE WILL NOT BE MUCH NEED TO EXPEND ENERGY
ON THIS KIND OF HOLDING ACTION: THAT CONGRESS CAN GET OFF
THE DIME AND TACKLE THE PROBLEMS WE SEE LOOMING IN 1985 AND
1986. AND YET WE ALREADY FIND OURSELVES FIGHTING DEFENSIVE
ACTION AGAINST THE ALL-OUT CAMPAIGN TO REPEAL INTEREST AND

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DIVIDEND WITHHOLDING. THIS KIND OF CAMPAIGN DIVERTS ATTENTION FROM THE VERY REAL PROBLEM OF THE DEFICIT; BUT IT APPEARS TO BE A MATTER THAT WILL HAVE TO BE RESOLVED BEFORE WE CAN MAKE ANY PROGRESS.

10 PERCENT WITHHOLDING

A LOT OF PEOPLE MUST BE TIRED OF HEARING ABOUT THE WITHHOLDING ISSUE, BUT IT IS A MATTER THAT CANNOT BE IGNORED. WITHHOLDING ON INTEREST AND DIVIDENDS IS NOT A NEW TAX, AND IT WILL NOT HURT HONEST TAXPAYERS. WITHHOLDING WILL REDUCE THE AMOUNT LOST TO FRAUD AND NEGLIGENCE AND RAISE ABOUT \$20 BILLION OVER THE NEXT 5 YEARS WITHOUT RAISING THE TAXES OF THE MAJORITY OF CONSCIENTIOUS TAXPAYERS. IF THIS IS NOT A FAIR WAY TO RAISE REVENUES, THEN SOMEONE OUGHT TO PROPOSE A BETTER IDEA. THE FACT IS THAT IF WE DO NOT INCREASE THE REVENUE TAKE FROM TAXPAYERS WHO ARE NOT PAYING WHAT IS ALREADY DUE, WE HAVE

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NO RIGHT TO EXPECT OTHERS TO FOOT THE BILL FOR REDUCING THE DEFICIT AND FUNDING THE NATIONAL GOVERNMENT.

WAGE WITHHOLDING HAS BEEN WITH US FOR NEARLY 40 YEARS, AND IT IS ACCEPTED AS A FAIR WAY TO BOLSTER OUR SYSTEM OF VOLUNTARY COMPLIANCE. IF WE CAN MATCH THE 99 PERCENT COMPLIANCE RATE FROM WAGE INCOME IN INTEREST AND DIVIDEND INCOME, WE WILL HAVE GONE A LONG WAY TOWARDS MAKING THE TAX SYSTEM FAIRER AND MORE PRODUCTIVE WITHOUT RAISING ANYONE'S TAX. SURELY THAT IS A GOAL WORTH PURSUING.

THE \$4 BILLION OR SO PER YEAR THAT WE WILL RAISE THROUGH WITHHOLDING WILL HAVE TO BE MADE UP SOMEWHERE IF WITHHOLDING IS REPEALED. ALREADY WE SEE PROPOSALS TO UNDO THE ESTATE TAX CHANGES, SAVINGS INCENTIVES, OR ENERGY DEVELOPMENT INCENTIVES PASSED AS PART OF THE 1981 TAX BILL. OTHER NEW TAXES ARE BEING SUGGESTED, INCLUDING ENERGY TAXES, SURTAXES, OR MODIFYING OR REPEALING THE THIRD YEAR OF THE TAX CUT, OR TAX INDEXING.

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MAKE NO MISTAKE ABOUT IT, WE ARE GOING TO HAVE TO RAISE REVENUES.
BUT IF WE LOSE A LARGE CHUNK OF THE REVENUES WE ALREADY HAVE,
THE RISK TO OTHER VALUABLE TAX INCENTIVES IS THAT MUCH GREATER.

WITHHOLDING IS FAIR; THE FORM FOR FILING FOR EXEMPTION
IS SIMPLE; THE COST TO THE TAXPAYER IS MINIMAL, ABOUT 50 CENTS
OF COMPOUND INTEREST ANNUALLY ON A \$1,000 ACCOUNT. SO LET
US LEAVE WITHHOLDING IN PLACE, IN THE INTEREST OF TAX EQUITY
AND OF GETTING ON WITH THE REAL BUDGET PROBLEM BEFORE US.

A DIFFICULT YEAR

EVEN WITHOUT THE WITHHOLDING BATTLE, THIS PROMISED TO
BE A DIFFICULT YEAR FOR CONGRESS. DEFICITS IN THE RANGE OF
\$200 BILLION OR MORE SIMPLY CANNOT BE TOLERATED IF WE WANT
TO KEEP ECONOMIC RECOVERY GOING WITHOUT RESORT TO THE OLD
INFLATION-STAGNATION ROLLER COASTER. SURELY THE COST--IN
UNEMPLOYMENT AND LOST PRODUCTION--OF GETTING OFF THAT ROLLER

COASTER HAS TAUGHT US A LESSON WE DO NOT WANT TO HAVE TO LEARN AGAIN.

I HAVE SAID THAT REVENUES DEMAND SCRUTINY. SO DOES THE DEFENSE BUDGET--WE CAN DO MORE BY BEING MORE EFFICIENT, BOTH FOR OUR COUNTRY'S SECURITY AND FOR OUR ECONOMIC WELL-BEING. EVERY TAX PROVISION AND BUDGET ITEM WE HAVE HAS BENEFITED FROM THE KIND OF STRICT SCRUTINY THAT HAS BEEN FORCED BY OUR FISCAL PROBLEMS. DEFENSE SPENDING CAN PROFIT FROM THE SAME KIND OF SCRUTINY, AND I HOPE WE CAN WORK WITH THE ADMINISTRATION TO ACHIEVE SAVINGS THAT WILL STRENGTHEN, NOT WEAKEN, OUR SECURITY.

ENTITLEMENTS SUCH AS MEDICARE ALSO DEMAND A CLOSE LOOK, AND THERE ARE SIGNS IN THE HOUSE AND THE SENATE, AS WELL AS IN THE ADMINISTRATION, THAT WE CAN MAKE PROGRESS IN THIS AREA. ONE OF THE MOST HOPEFUL SIGNS OF ALL IS THE BIPARTISAN AGREEMENT ON SOCIAL SECURITY FINANCING THAT IS MAKING ITS WAY THROUGH THE HOUSE WAYS AND MEANS COMMITTEE, AND WHICH THE FINANCE COMMITTEE WILL BEGIN ACTING ON IN THE NEXT FEW WEEKS. SOCIAL

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SECURITY HAS BEEN A BUGABOO FOR POLITICIANS FOR TOO LONG,
AND THIS INDICATION THAT WE CAN WORK TOGETHER IN A BIPARTISAN
WAY, AND AT THE HIGHEST LEVELS, IS A VERY GOOD SIGN INDEED.

THERE WILL BE A LOT OF DEBATE OVER THE BUDGET, AND A LOT
OF CONCERN THAT WE SHARE EQUITABLY THE BURDEN OF REDUCING
THE DEFICIT. BUT WE HAVE SHOWN IT CAN BE DONE, AND IT HAS
TO BE DONE AGAIN. OUR JOB IS TO DO IT IN A POSITIVE WAY:
TO PRESERVE INCOME TAX INDEXING AND LOWER TAX RATES, WHICH
BENEFIT ALL AMERICANS, PARTICULARLY THE LOWER AND MIDDLE INCOMES;
TO STRIKE A PROPER BALANCE BETWEEN DOMESTIC NEEDS AND NATIONAL
SECURITY; TO GUARD THE POOR AND DEFENSELESS AGAINST EXCESSIVE
CUTS WHEN OTHERS IN OUR SOCIETY ARE NOT PULLING THEIR WEIGHT.
WE CAN DO ALL THAT, AND IMPROVE THE BUSINESS CLIMATE FOR
YEARS AHEAD BY CUTTING THE DEFICIT AND KEEPING OUR COMMITMENT
TO A NON-INFLATIONARY RECOVERY. WE WILL NEED THE SUPPORT

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OF THE BUSINESS COMMUNITY, AGAIN AS IN THE PAST TWO YEARS.
WE ARE ALL IN THIS TOGETHER, AND I CANNOT STRESS TOO OFTEN
THAT IT IS YOUR ACTIONS, AND YOUR DECISIONS, THAT REALLY MAKE
THE DIFFERENCE. TOGETHER, I HOPE WE CAN MAKE A DECISIVE DIFFERENCE
FOR THE GOOD OF THE ECONOMY AND ALL OUR CITIZENS.