

Mr Keeler
Sen Clark
Sentydings

Patrick Gordon Walker
Mr Cyrus Eaton
"Brief Time in Wash D.C."

mk - Mr. Walker
Tomorrow
Mrs Eaton
Birthday!

Beautiful Country
Fine Amer Wine
Semi-distinguished
Amer Hotel - Yellow
Great Recreation Area
West Virg - June 28

REMARKS BY VICE PRESIDENT

Hubert H. Humphrey
American Society of
CORPORATE SECRETARIES

GREENBRIAR, WEST VIRGINIA

June 28, 1965

LBJ - Trust me?
Clark &
Tydings here to
monitor me!

Today our economy is healthy, We are prosperous.

In a few days' time, we will enter our 53rd consecutive
month of economic expansion.

To our generation -- a generation which has known
depression and recession -- this present expansion
seems almost too good to be true. And today questions
are asked: How long can it last? How can we make
it last?

Today I will try to provide at least partial answers
to those questions.

Long speech
Barrows
Weekly
Moodie
Mandib!
Wall St Journal
Business
week

A.T.T.
Reamers
40 Billion
Long Distance
Mrs H

Barrows - Mrs Keeler - Cancel Mrs H. Handwritten rpt.

L Since the Employment Act of 1946 -- and I regard this as an historic turning point -- this nation has seen increasing agreement -- yes, growing consensus -- on economic objectives. These have been:

- ~~maximum~~ -- ~~full~~ employment,
 - economic growth,
 - price stability,
 - and, today, equilibrium in our balance of
- payments.

L The private sector, through its own initiative, ~~has~~ ~~done remarkably well during this period of expansion~~ in helping our economy move toward these objectives.

~~and the~~ ~~have played a~~ The federal government, ~~too, has~~ played a positive role. Budget, tax and monetary policy have been used effectively and flexibly to keep the expansion going - and always with an eye for balance and stability.

Today, then, entering our 53rd consecutive month
of expansion, we find public and private agreement *in many Areas,*

~~that Key to the -~~

-- The size of our productive capacity, the potential
output of our manpower, and plant capacity must
continually be measured and evaluated.

-- Total economic demand should be ^{*encouraged*} ~~adjusted~~ to make
full use of this productive capacity.

-- Investment must be encouraged to improve our
productivity.

Only by moving in a balanced way in all these areas
can we prevent waste of this nation's economic potential.

And, let me assure you, we cannot afford that
waste.

And this
is the
Pattern
Modern
econ.
theory
+
Practices

These programs are basic investments in our
national and international well-being.

② We need an expanding economy, ~~too~~, to provide
maximum opportunity for private enterprise -- so
that the full productive force of private energy,
private initiative and private investment can be Realized

✓ Today this Administration is committed to a
positive partnership for prosperity ^{+ progress} with the private
sector. } Partnership

and, We have acted on that commitment:

Govt Action!
We adopted the 7 per cent investment credit and
revised the depreciation guide lines. The latest
reports indicate businessmen will spend 12 per cent
more next year on plant and equipment than last year's
total.

↳ We cut 14 billion dollars from personal and corporate taxes. Total demand has pushed our GNP ~~surely~~ above 650 billion dollars in this quarter.

↳ So far the benefits from almost 53 months of expansion have been nothing short of phenomenal:

- GNP is running almost 30 per cent above four years ago. And we expect it to reach the 660 billion predicted for this year -- almost 6 per cent above last year;
- Consumption is up 27 per cent;
- Investment is up 39 per cent;
- Manufacturing production is up 38 per cent;
- Corporate profits after taxes are up 88 per cent;
- Personal income reached 517 billion dollars in May and is running over 27 per cent higher than in January 1961.

8A
Export! Trade!
Cooperative Business!!

which will call for continued work. It is a task which calls for aggressive, positive export promotion. It is a task which calls, above all, for an American economy competitive in world markets.

The price stability we have achieved over the last four years has allowed us to pursue expansionary policies.

(X) Consider the losses we would have sustained if we had not pursued these policies -- if our economy had slipped a year ago into a recession such as it has done four times since the end of World War II.

If the economy had followed the average pattern of the postwar recessions, our economic performance for the first quarter of this year would have fallen below what we actually achieved by the following amounts:

- Our rate of total national output would have been 39 billion dollars less;
- Our rate of corporate profits before taxes would

86
- 86 -

have been 18 billion dollars less;

-- Our rate of wages and salaries would have
been 20 billion dollars less;

-- Our federal budget ~~on a national accounts~~
~~basis~~ would be running at a deficit of more
than 15 billion dollars instead of approaching
balance.

∟ And again, most important of all, well over a
million people working today would be out of a job.

In addition to this, we are reducing the unemployment rate. According to our latest figures, it is 4.6 per cent -- down from a national average of 7.1 per cent in May 1961.

8A → ~~best~~ ^{best} All this has been done with price stability - the ~~greatest~~ price stability in the industrialized world.

Life Insurance Institute → ^{2.37} American consumers have over two dollars worth of financial assets - such as savings accounts and insurance policies - for every dollar of their debt. And I would remind you that the federal debt, in relative terms, is shrinking. In 1950, our federal debt was more than our GNP - by 3 billion dollars. Today our federal debt is only one-half as large as our GNP.

→ And then we come to the questions: Can prosperity last? How can we make it last?

→ Some people fear that our policies cannot stimulate enough demand to keep us moving ahead. Others fear that

demand has been stimulated too much and that we must put on the brakes to stop inflation.

↳ We accept neither of these views.

~~In the first instance,~~ This Administration is committed to the principle of maintaining sound economic expansion in balance with our economic goals.

↓ ~~will~~ point to the signing of the Excise Tax Bill by the President, ~~last week~~. This will result in a cut in taxes of more than four and one-half billion dollars.

↳ One and three-quarter billion of the cut is effective now, an equal amount will be effective on January 1 of next year, and further cuts will come later on.

↳ If ~~our~~ tax cuts are passed along to consumers in the form of lower prices -- as many companies are already doing ~~this~~ ^{this} will certainly help keep the expansion going.

↳ Now let me say a word about those who show some concern in the other direction.

Budget
↑
Fiscal
Policy
will be
used!

cut

∠ Inflation as you know can arise in two different ways:

(1) It may come from too many dollars chasing too few goods.

This is the classic type of inflation.

We don't have it now: The manufacturing industries are operating on the average about 4 per cent below businessmen's preferred rate of use of their capacity.

We still have an unemployment rate above what most economists would call a realistic interim goal of 4 per cent.

∠ Labor cost per unit of output has actually declined in manufacturing. It is now lower than a year ago or four years ago.

Furthermore, we have none of the usual inbalances which frequently accompany inflation. ~~there are~~

↙ -- There has been no unreasonable scramble to build-up inventories. Total inventories in relation to sales are lower now than when the expansion began.

↙ -- There are no excessive backlogs of unfilled orders.

↙ -- There are no serious bottlenecks of labor or of industrial capacity.

↙ -- American householders today have more than four times as much money in savings as they do in consumer debt. In the first quarter of this year, consumer debt increased by 9 1/2 billion dollars, compared with an increase in personal savings of 30 billion dollars. And delinquencies in bank loans have decreased in the past several months.

↙ These facts demonstrate a sound balance in our economy.
But this Administration is not complacent.

Signs of balance -- or imbalance -- are watched *for!*
~~for.~~

This government has, in effect, an economic
" early warning system. Data and information concerning
the economy is collected and refined by various government
agencies - and brought directly to the attention of the
President ^{*congress*} - so that economic policy instruments can be
used, if necessary, to head off trouble ahead.

*Early
Warning
System!*

No indications now point to an unstable boom or
classical inflation.

#2 The other danger of inflation comes from unreasonable
use of market power - when wages or profits rise too
quickly. ~~---~~

Most businesses and unions, in this expansion,
have not indulged in such excesses.

As a result, we have had a remarkable record of
price stability.

2 This price stability has protected the purchasing power of interest earnings, retirement benefits and insurance payments.

But, If this stability of prices is to continue, business and labor leaders alike must, ~~as they have~~, keep the public interest in mind. ~~I am confident they will~~

This economy at high degree of sensitivity.

See Discipline!!

2 To help them in this, the Wage-Price Guideposts have been carefully worked out by the Council of Economic Advisors.

2 Short-term advantages by either labor or business become meaningless if they bring about a wage-price spiral and its consequences.
 - in fact dangerous -

2 This can be avoided by keeping increases in wages and fringe benefits within the average gain in labor productivity. ~~This keeps average labor costs steady.~~

And this wage-price spiral can be avoided by keeping prices down -- raising them only in special circumstances where costs rise, and lowering them where ~~rapid~~ gains in productivity reduce costs. #

~~We must have relatively stable prices for domestic~~
now, a word on our
~~economic health and for our~~ balance of payments position

Int: monetary Policy!
Trade. { Think of what our balance of payments deficit would be if we were not running a healthy surplus in our exports over imports. Last year we had a favorable trade balance of 6.7 billion dollars. Our exports in March and April were running at an even better rate -- one which would give us a favorable trade balance of 8 1/2 billion dollars if continued throughout the year.

Exports { I am happy to announce today that in May, in large part because of this trade surplus, we showed a slight payments surplus. ~~But this is a long-term task~~

Balance of Payments

May

16
But our task is not merely to avoid recession.

We have set our sights much higher than that.

Our task is to continue the present expansion.

and This expansion can continue - even though it is
already longer than any other peacetime expansion in our
history.

Economic policy has developed to the point where

we realize that large swings in the business cycle are not a fact of nature.

↳ To achieve a continuing expansion, however, the evolving private-public partnership must work.

The key to this is confidence, and mutual respect and understanding.

↳ -- confidence on the part of consumers ⁱⁿ the underlying strength of ^{the} ~~any~~ economy.

↳ -- confidence by government in business, as demonstrated by programs to stimulate investment and by tax cuts.

-- confidence by business in government, and above all in other business men.

-- mutual respect and understanding among all Americans for each other. ↳ Yes, confidence, mutual

respect and understanding are what we will need to maintain our expansion and build on it.

Confidence

But Economic Growth ~~Has other purposes, ~~then~~~~

18

↳ We need national prosperity and economic expansion, not only for their own sake, but to provide for the needs of a growing nation . . . to make the millions of young men and women in the coming generation assets, not liabilities; taxpayers, not taxeaters . . . to meet technological change . . . to extend opportunity for productivity to those people and places in our country who do not now have that opportunity . ^{and} . to maintain our role of leadership in the world.

↳ Anything less than economic expansion and broadened prosperity will not do these things.

↳ Standing still means falling behind.

~~The best example is right here at home.~~

↳ As President Johnson pointed out in his recent speech at Howard University, the Negro American --

~~maintain our expansion and to build upon it. For we~~

are past the time in this nation when we talked of

"economic royalists" and "labor bosses." ~~of social~~

~~classes and special interest groups.~~ Today, in this

nation, we have built a peacetime unity never before

achieved. As Americans, we are working together.

↳ Together, in a free society, we can achieve what

man has always sought: A better life, a greater

opportunity, ~~a~~ ^{and} security ^{with freedom.} ~~from fear.~~ Our productivity

and energy can prove in history that free men can

accomplish what totalitarians can never do.

Example of our cooperation + its impact

~~Yes, our expanding economy can continue to~~

on the world - Example of Peoples Profit

~~expand and to provide growth and security.~~

~~Working together, we will succeed.~~

✓ Leadership = not the cloak of comfort
Role of Responsibility.

~~State is the~~

a man we seek to bring to full participation in our society -- has actually fallen behind the rest of the country economically during the past 20 years. The unemployment rate, median income, and mortality rate of the Negro American have all worsened in comparison to those of the white American during these years.

opportunity! Human Resources!

~~Today we seek to reverse this cycle, But to do so~~

We need programs of education, of medical care, of retraining. These programs can only be undertaken ~~in~~

and Paid for

in an expanding economy.

So, too, do we need programs to eradicate poverty . . .

to make our cities better places in which to live and work

. . . to preserve our natural resources. . . and, not

80% of Pop-to live there

least, to maintain a strong national defense and to assist

other free nations to defend themselves and find a

better life. *These Programs are basic investments in our National and international well-being.*

6/28/65

BT file

[June 28]

Mr. Connell: For your info.
American Society of Corporate Secretaries, Inc.

FOR RELEASE AFTER 9:30 p.m. JUNE 28, 1965

Dear Editor:

Attached, for your interest and possible use, is the complete text of Vice President Hubert H. Humphrey's major domestic economic policy address. It was delivered at 9:30 p.m. June 28 at the National Conference of the American Society of Corporate Secretaries, Inc., at The Greenbrier, White Sulphur Springs, West Virginia.

T. H. Keelor
President

(216) 861-2200
Cleveland, Ohio

REMARKS BY VICE PRESIDENT

Hubert H. Humphrey

AMERICAN SOCIETY OF CORPORATE SECRETARIES, INC.

THE GREENBRIER

WHITE SULPHUR SPRINGS, WEST VIRGINIA

JUNE 28, 1965

Today our economy is healthy. We are prosperous. In a few days' time, we will enter our 53rd consecutive month of economic expansion.

To our generation--a generation which has known depression and recession--this present expansion seems almost too good to be true. And today questions are asked: How long can it last? How can we make it last?

Today I will try to provide at least partial answers to those questions.

Since the Employment Act of 1946--and I regard this as an historic turning point--this nation has seen increasing agreement--yes, growing consensus--on economic objectives. These have been:

- full employment,
- economic growth,
- price stability,
- and, today, equilibrium in our balance of payments.

The private sector, through its own initiative, has done remarkably well during this period of expansion in helping our economy move toward these objectives.

The federal government, too, has played a positive role. Budget, tax and monetary policy have been used effectively and flexibly to keep the expansion going--and always with an eye for balance and stability.

Today, then, entering our 53rd consecutive month of expansion, we find public and private agreement that:

- The size of our productive capacity, the potential output of our

manpower, and plant capacity must continually be measured and evaluated.

-- Total economic demand should be adjusted to make full use of this productive capacity.

-- Investment must be encouraged to improve our productivity.

Only by moving in a balanced way in all these areas can we prevent waste of this nation's economic potential.

And, let me assure you, we cannot afford that waste.

We need national prosperity and economic expansion, not only for their own sake, but to provide for the needs of a growing nation . . . to make the millions of young men and women in the coming generation assets, not liabilities; taxpayers, not taxeaters . . . to meet technological change . . . to extend opportunity for productivity to those people and places in our country who do not now have that opportunity . . . to maintain our role of leadership in the world.

Anything less than economic expansion and broadened prosperity will not do these things.

Standing still means falling behind.

The best example is right here at home.

As President Johnson pointed out in his recent speech at Howard University, the Negro American--a man we seek to bring to full participation in our society--has actually fallen behind the rest of the country economically during the past 20 years. The unemployment rate, median income, and mortality rate of the Negro American have all worsened in comparison to those of the white American during these years.

Today we seek to reverse this cycle. But to do so we need programs of education, of medical care, of retraining. These programs can only be undertaken in an expanding economy.

So, too, do we need programs to eradicate poverty . . . to make our cities better places in which to live and work . . . to preserve our natural resources . . . and, not least, to maintain a strong national defense and to assist other free nations to defend themselves and find a better life,

These programs are basic investments in our national and international well-being.

We need an expanding economy, too, to provide maximum opportunity for private enterprise--so that the full productive force of private energy, private initiative and private investment can be felt.

Today this Administration is committed to a positive partnership for prosperity with the private sector.

We have acted on that commitment:

We adopted the 7 per cent investment credit and revised the depreciation guide lines. The latest reports indicate businessmen will spend 12 per cent more next year on plant and equipment than last year's total.

We cut 14 billion dollars from personal and corporate taxes. Total demand has pushed our GNP surely above 650 billion dollars in this quarter.

So far the benefits from almost 53 months of expansion have been nothing short of phenomenal:

- GNP is running almost 30 per cent above four years ago. And we expect it to reach the 660 billion predicted for this year--almost 6 per cent above last year;
- Consumption is up 27 per cent;
- Investment is up 39 per cent;
- Manufacturing production is up 38 per cent;
- Corporate profits after taxes are up 88 per cent;
- Personal income reached 517 billion dollars in May and is running

over 27 per cent higher than in January 1961.

In addition to this, we are reducing the unemployment rate. According to our latest figures, it is 4.6 per cent--down from a national average of 7.1 per cent in May 1961.

All this has been done with price stability--the greatest price stability in the industrialized world.

American consumers have over two dollars worth of financial assets--such as savings accounts and insurance policies--for every dollar of their debt. And I would remind you that the federal debt, in relative terms, is shrinking. In 1950, our federal debt was more than our GNP--by 3 billion dollars. Today our federal debt is only one-half as large as our GNP.

And then we come to the questions: Can prosperity last? How can we make it last?

Some people fear that our policies cannot stimulate enough demand to keep us moving ahead. Others fear that demand has been stimulated too much and that we must put on the brakes to stop inflation.

We accept neither of these views.

In the first instance, this Administration is committed to the principle of maintaining sound economic expansion in balance with our economic goals.

I will point to the signing of the Excise Tax Bill by the President last week. This will result in a cut in taxes of more than four and one-half billion dollars. One and three-quarter billion of the cut is effective now--an equal amount will be effective on January 1 of next year, and further cuts will come later on.

If our tax cuts are passed along to consumers in the form of lower prices--as many companies are already doing--we will certainly help keep the expansion going.

Now let me say a word about those who show some concern in the other direction.

Inflation as you know can arise in two different ways:

It may come from too many dollars chasing too few goods.

This is the classic type of inflation.

We don't have it now: The manufacturing industries are operating on the average about 4 per cent below businessmen's preferred rate of use of their capacity.

We still have an unemployment rate above what most economists would call a realistic interim goal of 4 per cent.

Labor cost per unit of output has actually declined in manufacturing. It is now lower than a year ago or four years ago.

Furthermore, we have none of the usual imbalances which frequently accompany inflation:

- There has been no unreasonable scramble to build up inventories. Total inventories in relation to sales are lower now than when the expansion began.
- There are no excessive backlogs of unfilled orders.
- There are no serious bottlenecks of labor or of industrial capacity.
- American householders today have more than four times as much money in savings as they do in debt. In the first quarter of this year, consumer debt increased by 9 1/2 billion dollars, compared with an increase in personal savings of 30 billion dollars. And delinquencies in bank loans have decreased in the past several months.

These facts demonstrate a sound balance in our economy. But this Administration is not complacent.

Signs of balance--or imbalance--are watched for.

This government has, in effect, an economic early warning system. Data and information concerning the economy is collected and refined by various government agencies--and brought directly to the attention of the President--so that economic policy instruments can be used, if necessary, to head off trouble ahead.

No indications now point to an unstable boom or classical inflation.

The other danger of inflation comes from unreasonable use of market power--when wages or profits rise too quickly.

Most businesses and unions, in this expansion, have not indulged in such excesses.

As a result, we have had a remarkable record of price stability.

This price stability has protected the purchasing power of interest earnings, retirement benefits and insurance payments.

If this stability of prices is to continue, business and labor leaders alike must, as they have, keep the public interest in mind. I am confident they will.

To help them in this, the Wage-Price Guideposts have been carefully worked out by the Council of Economic Advisors.

Short-term advantages by either labor or business become meaningless if they bring about a wage-price spiral and its consequences.

This can be avoided by keeping increases in wages and fringe benefits within the average gain in labor productivity. This keeps average labor costs steady.

And this wage-price spiral can be avoided by keeping prices down--raising them only in special circumstances where costs rise, and lowering them where rapid gains in productivity reduce costs.

We must have relatively stable prices--for domestic economic health and for our balance of payments position.

Think of what our balance of payments deficit would be if we were not running a healthy surplus in our exports over imports. Last year we had a favorable trade balance of 6.7 billion dollars. Our exports in March and April were running at an even better rate--one which would give us a favorable trade balance of 8 1/2 billion dollars if continued throughout the year.

I am happy to announce today that in May in large part because of this trade surplus we showed a slight payments surplus. But this is a long-term task which will call for continued work. It is a task which calls for aggressive, positive export promotion. It is a task which calls, above all, for an American economy competitive in world markets.

The price stability we have achieved over the last four years has allowed us to pursue expansionary policies.

Consider the losses we would have sustained if we had not pursued these policies--if our economy had slipped a year ago into a recession such as it has done four times since the end of World War II.

If the economy had followed the average pattern of the postwar recessions, our economic performance for the first quarter of this year would have fallen below what we actually achieved by the following amounts:

- Our rate of total national output would have been 39 billion dollars less;
- Our rate of corporate profits before taxes would have been 18 billion dollars less;
- Our rate of wages and salaries would have been 20 billion dollars less;
- Our federal budget on a national accounts basis would be running at a deficit of more than 15 billion dollars instead of approaching balance.

And again, most important of all, well over a million people working today would be out of a job.

But our task is not merely to avoid recession.

We have set our sights much higher than that.

Our task is to continue the present expansion.

This expansion can continue--even though it is already longer than any other peacetime expansion in our history.

Economic policy has developed to the point where we realize that large swings in the business cycle are not a fact of nature.

To achieve a continuing expansion, however, the evolving private-public partnership must work.

The key to this is confidence, mutual respect and understanding.

-- confidence on the part of consumers in the underlying strength of any economy.

-- confidence by government in business, as demonstrated by programs to stimulate investment and by tax cuts.

-- confidence by business in government, and above all in other business men.

-- mutual respect and understanding among all Americans for each other.

Yes, confidence, mutual respect and understanding are what we will need to maintain our expansion and to build upon it. For we are past the time in this nation when we talked of "economic royalists" and "labor bosses," of social classes and special interest groups. Today, in this nation, we have built a peacetime unity never before achieved. As Americans, we are working together.

Together, in a free society, we can achieve what man has always sought: A better life, a greater opportunity, a security from fear. Our productivity and

energy can prove in history that free men can accomplish what totalitarians can never do.

Yes, our expanding economy can continue to expand and to provide growth and security.

Working together, we will succeed.

RELEASE A.M. NEWSPAPERS
TUESDAY, JUNE 29, 1965

REMARKS BY THE HONORABLE HUBERT H. HUMPHREY
VICE PRESIDENT OF THE UNITED STATES
BEFORE THE NATIONAL CONFERENCE OF
THE AMERICAN SOCIETY OF CORPORATE SECRETARIES
THE GREENBRIER, WHITE SULPHUR SPRINGS, WEST VIRGINIA
MONDAY, JUNE 28, 1965, 9:00 P.M., EST.

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The private sector, through its own initiative, has done remarkably well during this period of expansion in helping our economy move toward these objectives.

The federal government, too, has played a positive role. Budget, tax and monetary policy have been used effectively and flexibly to keep the expansion going -- and always with an eye for balance and stability.

Today, then, entering our 53rd consecutive month of expansion, we find public and private agreement that:

- The size of our productive capacity, the potential output of our manpower, and plant capacity must continually be measured and evaluated.
- Total economic demand should be adjusted to make full use of this productive capacity.
- Investment must be encouraged to improve our productivity.

Only by moving in a balanced way in all these areas can we prevent waste of this nation's economic potential.

And, let me assure you, we cannot afford that waste.

We need national prosperity and economic expansion, not only for their own sake, but to provide for the needs of a growing nation . . . to make the millions of young men and women in the coming generation assets, not liabilities; taxpayers, not taxeaters . . . to meet technological change . . . to extend opportunity for productivity to those people and places in our country who do not now have that opportunity . . . to maintain our role of leadership in the world.

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In addition to this, we are reducing the unemployment rate. According to our latest figures, it is 4.6 per cent -- down from a national average of 7.1 per cent in May 1961.

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- There are no excessive backlogs of unfilled orders.
- There are no serious bottlenecks of labor or of industrial capacity.
- American householders today have more than four times as much money in savings as they do in debt. In the first quarter of this year, consumer debt increased by 9-1/2 billion dollars,

compared with an increase in personal savings of 30 billion dollars. And delinquencies in bank loans have decreased in the past several months.

These facts demonstrate a sound balance in our economy. But this Administration is not complacent.

Signs of balance -- or imbalance -- are watched for.

This government has, in effect, an economic early warning system. Data and information concerning the economy is collected and refined by various government agencies -- and brought directly to the attention of the President -- so that economic policy instruments can be used, if necessary, to head off trouble ahead.

No indications now point to an unstable boom or classical inflation.

The other danger of inflation comes from unreasonable use of market power -- when wages or profits rise too quickly.

Most businesses and unions, in this expansion, have not indulged in such excesses.

As a result, we have had a remarkable record of price stability.

This price stability has protected the purchasing power of interest earnings, retirement benefits and insurance payments.

If this stability of prices is to continue, business and labor leaders alike must, as they have, keep the public interest in mind. I am confident they will.

To help them in this, the Wage-Price Guideposts have been carefully worked out by the Council of Economic Advisors.

Short-term advantages by either labor or business become meaningless if they bring about a wage-price spiral and its consequences.

This can be avoided by keeping increases in wages and fringe benefits within the average gain in labor productivity. This keeps average labor costs steady.

And this wage-price spiral can be avoided by keeping prices down -- raising them only in special circumstances

where costs rise, and lowering them where rapid gains in productivity reduce costs.

We must have relatively stable prices -- for domestic economic health and for our balance of payments position.

Think of what our balance of payments deficit would be if we were not running a healthy surplus in our exports over imports. Last year we had a favorable trade balance of 6.7 billion dollars. Our exports in March and April were running at an even better rate -- one which would give us a favorable trade balance of 8-1/2 billion dollars if continued throughout the year.

I am happy to announce today that in May, in large part because of this trade surplus, we showed a slight payments surplus. But this is a long-term task which will call for continued work. It is a task which calls for aggressive, positive export promotion. It is a task which calls, above all, for an American economy competitive in world markets.

The price stability we have achieved over the last four years has allowed us to pursue expansionary policies.

Consider the losses we would have sustained if we had not pursued these policies -- if our economy had slipped a year ago into a recession such as it has done four times since the end of World War II.

If the economy had followed the average pattern of the postwar recessions, our economic performance for the first quarter of this year would have fallen below what we actually achieved by the following amounts:

- Our rate of total national output would have been 39 billion dollars less;
- Our rate of corporate profits before taxes would have been 18 billion dollars less;
- Our rate of wages and salaries would have been 20 billion dollars less;

- Our federal budget on a national accounts basis would be running at a deficit of more than 15 billion dollars instead of approaching balance.

And again, most important of all, well over a million people working today would be out of a job.

But our task is not merely to avoid recession.

We have set our sights much higher than that.

Our task is to continue the present expansion.

This expansion can continue -- even though it is already longer than any other peacetime expansion in our history.

Economic policy has developed to the point where we realize that large swings in the business cycle are not a fact of nature.

To achieve a continuing expansion, however, the evolving private-public partnership must work.

The key to this is confidence, and mutual respect and understanding.

- confidence on the part of consumers in the underlying strength of any economy.
- confidence by government in business, as demonstrated by programs to stimulate investment and by tax cuts.
- confidence by business in government, and above all in other business men.
- mutual respect and understanding among all Americans for each other. Yes, confidence, mutual respect and understanding are what we will need to maintain our expansion and to build upon it. For we are past the time in this nation when we talked of "economic royalists" and "labor bosses," of social classes and special interest groups. Today, in this nation, we have built a peacetime unity never before achieved. As Americans, we are working together.

Together, in a free society, we can achieve what man has always sought: A better life, a greater opportunity, a security from fear. Our productivity and energy can prove in history that free men can accomplish what totalitarians can never do.

Yes, our expanding economy can continue to expand and to provide growth and security.

Working together, we will succeed.

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