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POLITICAL REQUIREMENTS FOR PROSPERITY

Remarks by Senator Hubert H. Humphrey (D., Minn.) before Congress of American Industry, sponsored by the National Association of Manufacturers, New York City, New York, on Wednesday, December 7, 1955, at 10:00 a.m.

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It is a privilege to be invited as one of the guest speakers at the 60th Congress of American Industry. You represent in considerable measure the economic lifeline of our dynamic American economy.

Let me at the outset give you a few words about my political and economic philosophy, in order that you may better understand the bill of particulars I intend outlining as essential political requirements for an expanding and prosperous economy.

I have great faith and confidence in the political judgment of the American people, and the economic know-how of American industry.

I believe in free and open competition in the market place of commodities, as well as in the market place of ideas. Political and economic freedom cannot endure long without the free exchange of ideas and material goods.

A balanced and orderly free society, however, requires not only competition, but cooperation, between the individuals and segments of that society. This cooperation must embrace not only private individuals and institutions, but also embrace the institutions of government.

The topic assigned for this discussion clearly indicates the widespread recognition of the importance of government in the American economic structure.

Government -- federal, state, and local -- (and I include all three levels) can act as a creative force, either through positive action or by negative and restraining influence.

Fortunately for the American people, the Constitution of the United States places a direct responsibility on the government to promote the general welfare. That general welfare relates to the economic welfare of each and every citizen.

The first obligation of government is to be just -- to assure equal opportunity for all. With this moral requirement of justice and equal opportunity, it has been necessary in the past, and it will be necessary in the future, for government to use its powers to curb the private exploitation of our human and natural resources, to regulate commerce in the interests of fair and honorable competition and to assist the under-privileged and those who are the victims of economic and social injustice.

There are those who term such action by government as interference with free enterprise. I respectfully suggest that they are either unmindful of the constitutional requirements of the government to promote the general welfare, or have willfully and wrongfully interpreted the rules of free enterprise to be synonymous with the code of the jungle.

Freedom is not license, nor is enterprise exploitation.

Free enterprise is a constructive force. It has a social obligation as well as a profit motive.

A political democracy or a constitutional republic cannot long endure when the social and economic needs of the citizenry are sacrificed or ignored. For that reason, the political requirements for prosperity must, above all, include social justice and equal opportunity.

Before looking ahead, it might be wise to look briefly at the past -- to place in perspective where we are today. As in most areas of life, there is little that is new -- but much to be learned from the past.

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We have found it necessary to regulate utilities in the public interest. We now accept the obligation of government to design and administer programs on behalf of conservation of our great land, water, mineral, and timber resources.

We discovered in the late 1800's that competitive enterprise could develop organic monstrosities in the form of monopolies and trusts. It became necessary for the government to adopt a body of law, such as the Sherman Act, the Clayton Act, and the Robinson-Patman Act, in order to preserve an orderly and responsible competitive enterprise system.

We have witnessed within the past half century unscrupulous speculation in the stock market which seriously threatened the solvency of our entire financial and industrial structure.

Government had to act, to protect the public interest, by establishing the Securities Exchange Commission.

Likewise, the laws and regulations pertaining to our monetary and credit institutions had to be strengthened and revised in order to protect the public from unwise, and, at times, unethical, financial manipulation. The government's response was establishment of a Federal Reserve System to assure an adequate credit for a growing economy, and a banking and monetary code to assure fiscal solvency and the confidence of depositors.

Social needs of the American people were recognized in passage of the Social Security Act, the Fair Labor Standards Law, and a wide variety of measures dealing with health, welfare, and education.

These are some of the lessons and experiences of the past.

But, these public policies also have served us well in recent days and the present. Rather than stifling private enterprise, they have encouraged wholesome development and expansion.

Legislative policies of the past 25 years have greatly assisted in building a strong base for the American economy.

This is a mass production economy, and mass production requires mass consumption.

This is a consumer's economy, and it can expand and remain prosperous only so long as it is geared to maximum purchasing power.

Every segment of the economy must be afforded an opportunity to share in prosperity.

Here, in my opinion, are the five major political requirements for that kind of prosperity:

First, we must coordinate programs and policies of federal, state, and local governments, and private groups, within the framework of a free, private, competitive economic system, to insure maximum employment, production, and purchasing power. This means a continuing, effective concern for balanced economic growth and stability; for increased productivity which relates itself not only in an expanding volume of goods and services, but also in a higher living standard and wages.

We have embodied this philosophy into public law -- the Employment Act of 1946. That act places upon government a responsibility to assure maximum production, maximum employment and maximum purchasing power. It calls for keeping our economy in balance. This is no idle gesture. It is but further expression of the constitutional mandate to promote the general welfare.

We need full employment and decent wage standards, not only to provide a rising living standard for workers and their families, but also to maintain the output of industry and provide the major incentive for capital goods expansion. Our machines are no more profitable in their capacity to turn out goods and services than the economic capacity of our consumers to pay for and use those same goods and services.

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Encouragement of responsible collective bargaining under law is an essential link to achieving the balance we seek under the Employment Act of 1946. Collective bargaining is labor's response to corporate business structure. We need both -- but both without abuse of privilege or power. We must expand and modernize such built-in safeguards to the economy as our programs of social security and unemployment compensation. Such programs, in effect, are part of our economic life insurance, for which principal and premiums alike must be constantly adjusted to keep pace with growth of our national production and population.

Second, we need a tax structure at federal, state, and local levels that not only meets the standards of social justice based on the principle of ability to pay, but also contributes toward our goal of economic growth and stability. Our Joint Committee on the Economic Report is right now conducting studies and hearings aimed at this very purpose, and I hope from such hearings will flow recommendations which can be enacted to meet this objective.

Personally, I feel that revision of our tax structure in line with these long-term objectives should include both greater allowances for families, thereby stimulating family purchasing power, and a more equitable structure for middle income groups, who under present laws find it extremely difficult to accumulate reserve capital.

Independent small business cannot grow and expand on credit alone -- even liberal credit. It must have the opportunity to reinvest earnings. I know of no better way to restrain the present trend toward monopoly and mergers -- a trend that has been accelerated in the past three or four years.

Unfortunately, the present tax laws are a mosaic of inequities, loopholes, and favoritism. I remind my friends in business that for every special privilege loophole written into our tax laws, someone else must pay the bill through a heavier burden of taxation. The government needs a certain amount of money for purposes of national security and government services. If a few are permitted to evade paying their just and fair share of this national bill, then others are compelled to pick up the check. A just and fair tax policy is more than mere tax reduction. It is tax equity.

Third, we must stop at once the sharp recession in American agriculture, and by well-directed and designed government policies restore agriculture to a position of equality in the economic scene.

We need to attack the farm problem on several fronts, including more adequate and effective income protection for farmers through the most workable combinations of price-supporting crop loans, purchases, and possibly production payments; expansion of both domestic and overseas surplus distribution efforts; use of some form of a Conservation Acreage Reserve land-rental plan as an incentive for production adjustments similar to the aid given wartime industry for conversion to peacetime markets; and improved and modernized credit facilities geared to modern mechanized farming's greater cash operating needs.

We must fully recognize the inter-dependence of all segments of our economy. There is no such thing as long-term prosperity in business and industry if agriculture continues to suffer from drastic income decline and growing indebtedness.

America's farmers are still one of the great potential markets in the world. I suggest that we spend as much time developing American markets as we do foreign markets. Both are important, but the potentialities of a stronger American market offer much greater opportunities to American industry for the immediate future. It is not trite to say that our problem is under-consumption, not over-production.

A "Point Five" program to assist the under-privileged and underdeveloped areas of America will yield every bit as constructive a result as a Point Four program in foreign areas.

Fourth, we need a liberal long-range credit structure with flexibility to meet short-range needs. We can no longer evaluate credit policies on the basis of standards acceptable a generation ago. The amount of outstanding credit must be related to gross national income and potential maximum production and employment. I am referring not only to commercial credit, but also to consumer and housing credit. Liberal credit terms for home construction may be justified not only in terms of our rapidly expanding economy, but equally so in terms of our rapidly growing population. There is yet another justification -- the social values of home ownership.

Consumer credit is the life-line of consumer goods production. Expanded consumer credit becomes dangerous only when the economy slackens, or irresponsibility creeps into its use. Credit, therefore, must be closely related to our objective of increased investment, maximum employment, and economic balance between industry, labor, and agriculture.

Fifth, we must have a continuing long-range development of our natural resources -- and encourage peacetime uses of atomic energy as newest of our resources. It is with natural resources in particular that government must play a paramount role. First of all, government is the only agency that can mobilize the manpower and technological resources of the nation to control the erosion of land, the protection of forests, the harnessing of the rivers for purpose of flood control, navigation and irrigation. Likewise, if these costs are to be offset in part, the building of hydro-electric facilities is sound economics. Such electrical energy is a new capital resource made available to the American people and to American enterprise, out of resources already belonging to all the people.

Atomic energy is our greatest untapped source of power and potential wealth. Because it is a government-developed resource, the government has a direct responsibility to simulate its peacetime uses for the benefit of all. The government must not jealously withhold such a resource, but instead share its great potentialities with private industry, with rural electric cooperatives, and with municipalities.

These, then are my basic criteria for political economic policies required for prosperity.

But economic policies alone do not assure a wholesome and healthy environment for an expanding economy.

We still have objectives of social justice to be fulfilled, and social values to consider.

Health, welfare, and education of our American citizens is basic to a dynamic and expanding economy. It would be short-sighted to seek a material prosperity in which such basic human needs were brushed aside.

There are often costs to maintaining full prosperity.

Yet there have been and still will be far higher costs to industry, as well as consumers for failing to maintain reasonably balanced growth in our economy.

The 1953-1954 recession, measured realistically by lost production and consumption, is estimated to have cost all Americans about \$30 billion. This is a loss which is never recovered. It is a mighty big chip out of the log of prosperity. During the ten years of the Great Depression and partial recovery, estimates of our accumulated economic loss, due largely to unemployment and industrial idleness along with agricultural decline, run as high as \$600 to \$700 billion, in 1954 prices.

It is these economic facts about which we need to be concerned, in considering what ever political and economic measures are required to assure prosperity.

A government policy of doing too little, too late -- of taking half-way measures when dramatic action is required -- is false economy.

The question is not so much how much we spend or what tax adjustments we make to insure prosperity, but rather that we do the right thing early enough, on a large enough scale, to obtain the results we need for our balanced objectives of maximum employment, maximum production, and maximum purchasing power.

In summary, the key to the success of any of these political requirements for prosperity is a constant alertness, a boldness of vision that refuses to be satisfied with any goals of the past as being satisfactory goals for the future, a determination to act aggressively and quickly on any of these related fronts when action is needed, and a willingness to accept change when change is called for rather than be chained to any dogma of the past.



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