

REMARKS OF VICE PRESIDENT

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In the past ten years the world has seen changes that once would have taken centuries.

In the past ten years our responsibilities of leadership have grown far heavier than any of us could have imagined. In the field of foreign relations, for example, the roster of the United Nations has risen by sixty countries.

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We have been drawn into the troubles of the Congo and of Southeast Asia. And in the Cuban missile crisis we surmounted the greatest challenge to our security in the post-war period. As the world has shrunk, we have found ourselves involved deeply in places that were remote to us ten years ago.

More than ever, the burden of world leadership has been thrust upon us. We have not asked for it, but we have accepted it.

Our success in meeting the challenge of world responsibility depends in large part on our success in building the Great Society at home -- a society of economic strength and abundance, but also of social justice and opportunity.

Basic to our domestic well-being is a strong and flourishing economy.

Ten days ago we reached an economic milestone in America. On the first of this month, our economy entered its 51st consecutive month of expansion -- making it the longest peacetime expansion in our history.

That expansion did not simply happen. It is the result of a creative partnership for prosperity of private initiative and government economic policy.

Let me review a few of the results:

In the five years prior to 1961, we had an average annual growth rate of only 2.3 percent in constant prices. Yet over the five year period from 1960 - 1965, our annual growth of real gross national product has averaged 4.2 percent -- and, measured from the recession low in early 1961, it has averaged

5.1 percent. At the same time we have achieved a record price stability unexcelled by any other major nation.

Profits have reached new highs each year since 1961 -- for a total gain from first-quarter 1961 to fourth-quarter 1964 of over 60 percent in profits after taxes. In the fourth quarter of 1960, the after-tax profit per dollar of sales of United States manufacturing concerns was 4 percent. By the fourth quarter of last year, it had grown to 5.4 percent -- a rise of one-third.

President Johnson reported last week that corporate after-tax profits for the first quarter of this year are estimated to be 36 billion dollars at a seasonally adjusted annual rate -- 4 billion dollars above the rate in the last quarter, and more than 4.8 billion

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dollars above the rate in the first quarter of last year.

Business investment in new plant and equipment is now more buoyant than during the '50's. This year's planned expenditures for plant and equipment, according to the latest McGraw-Hill survey, show a 15 percent increase over last year's. In manufacturing alone, the planned increase is 21 percent. The total 51.7 billion dollars planned for this year is almost double the level of ten years ago.

Unemployment is down from an average 6.8 percent in the first quarter of 1961 to an average 4.8 percent for the first quarter of this year -- and for married men unemployment averaged only 2.6 percent for this quarter.

Particularly significant is the gain of employment in the manufacturing industry -- 600,000 jobs from March 1964 to March 1965. This means we have succeeded in bringing total manufacturing employment back around the peak level of  $17\frac{1}{2}$  million established in 1953 -- despite the tremendous technological advances that we have made during that time in labor-saving devices.

Almost every indicator is up. The latest figures show industrial production, retail sales, construction, and profits all moving up.

These gains are primarily due to private initiative. But we in government, during these past four years, have done what we can to help.

Our economic policy has, in fact, pursued different, even disparate, goals at the same time -- to pursue strong and stable economic growth at home and progress in our balance of payments; to move ever closer toward full employment in our labor force and toward balance in our budget.

The distinguishing feature of government policies has been their heavy reliance upon fiscal policy -- particularly tax policy -- as a means of stimulating the private economy.

Our first step was to increase the incentives for greater investment in new plant and equipment.

The investment credit and depreciation reform of 1962, together with the cut in the corporate tax rate in the Revenue Act of 1964

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have raised the profitability of a typical investment in new equipment by more than one-third.

That boost to private investment was supplemented by a personal tax cut of more than 11 billion dollars -- at current income levels -- providing a massive increase in consumer demand.

I want to say a word about budget control. You know the importance of a no fat, well-managed budget, and let me assure you, so does President Johnson. Government expenditures are under the most stringent controls. In the administrative budget for fiscal '65 and '66, total expenditure increases averaged only one billion dollars, compared to an average 3 billion dollars over the previous ten years.



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Just two weeks ago, President Johnson reported to the nation that, as a result of rising federal revenues and reduced federal expenditures, the actual budget deficit for fiscal 1965 would be at least one billion below the 6.3 billion estimated in January.

Our government has never known a more effective campaign against waste, or a more effective search for efficiency, than the one which President Johnson has been personally conducting since the day he assumed office.

By its policies over the past four years and more, this Administration has demonstrated its faith in the vigor and viability of our free enterprise system -- and our faith in you who bear such great responsibility for the success of that system.

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And we will continue to demonstrate that  
faith.

We see an example of that faith in President  
Johnson's call for a voluntary program of self-  
restraint on the part of business and banking  
to help curb excessive outflow of private capital  
abroad.

When these outflows sent our balance of  
payments deficit soaring in the last quarter of  
1964, there were some who urged the President to  
institute direct government controls over these  
outflows. He was determined to avoid direct  
intrusion into the free market process.

Instead, he sought and he received and he followed the advice of bankers and businessmen themselves -- relying on their judgment, their initiative and their patriotism to meet a pressing national problem.

We will demonstrate that same faith in our profit system by the excise tax reductions scheduled to take effect in July of this year. These reductions will stimulate the private economy and furnish strong incentives for price reduction.

In this climate, I know your initiative and imagination will move our economy to new heights.

I know, too, that such initiative and ingenuity will be applied to greater investment in our human as well as our material resources. For, even in economic terms, investment in human resources is the most profitable we can make.

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For as we spend -- whether publicly or privately -- to enlarge opportunity for our citizens, we also enlarge their ability to pay taxes and contribute to an expanding economy. We need fewer tax-eaters and more taxpayers.

The War on Poverty is designed to help the 35 million Americans -- one out of every five of our people -- who live below the poverty line.

Those people have only 17 billion dollars in total annual income -- including welfare payments -- to get along on.

One thing is certain. Bigger and bigger welfare programs will not solve the problems of the poor. We must invest instead in programs which aim at making more of our citizens productive in our society. Those who produce can also consume. We seek to give all our citizens opportunity to do both.

That is what the war on poverty ... our education program ... our Manpower Retraining program, and other related programs are designed to do.

You in private industry have invested enormous amounts of time and money in developing human resources and you are continually enlarging those investments.

Across the country you are setting up Business Leadership Advisory Councils to work with our anti-poverty programs.

The American Bankers Association has set up a Bankers Council on Economic Opportunity to help in the war on poverty.

In these and other ways, private industry is taking the same initiative and energy that have created the most productive economy in the history of the world and are applying it to the task of developing more productive people.

Together, government and the private sector can continue in their partnership to more fully develop our nation's resources -- both material and human resources.

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As we do, we create an America which can be  
strong and prosperous at home, strong and  
capable of leadership in the world.

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