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January 23, 1970

TO: HHH  
FROM: Ted Van Dyk   
RE: "Issues and Answers" Sunday

At Carol's request, I have passed along some thoughts re this Sunday's broadcast. I thought it might be useful if I quickly amplified some of them on paper.

1. General Stance on State of the Union

- A. You should begin by praising what is good in the Nixon message:
- Promise of action re the environment;
  - Promise of action on crime;
  - Promise of action on inflation;
  - Promise of action in making instruments of government more responsive;
  - Promise of more careful definition of U.S. role in world.

You very much look forward to seeing the specific programs and proposals he will later put forward. Only then, really, will we be able to see how effective or ineffective his approaches will be. His intentions in these areas seem good.

B. You should express concern at things left out or barely mentioned:

- Housing;
- Education;
- Health;
- Civil liberties and privacy;
- Race relations.

These, too,--even more than clean air and water--are parts of the American environment.

Filth and fumes must be removed from our daily lives; open space must be preserved. But beyond this, there are millions of Americans today living (if you can call it that) in substandard housing; millions of children being shortchanged for life in rundown, second-class schools; millions of old people and poor people sick or dying because they cannot afford decent medical care; millions of Americans whose phones are being tapped, whose right to dissent is being threatened, whose dossiers are under government review without proper regard for due process; millions of Americans whose skin color or last name still keeps them outside the benefits and privileges of White America.

These things, too, are part of the American environment. If Mr. Nixon failed to mention them in his State of the Union Address, you hope he will offer programs to the

Congress. If he does not, you are confident that the Democratic leadership in the Congress will do so.

2. Inflation

A. Mr. Nixon's analysis of our inflationary situation is interesting to say the least. To attribute our present inflation solely to governmental budget deficits is William McKinley Economics, or--to give the benefit of the doubt--Barry Goldwater Economics.

B. The fact is that there are important sectors of our economy--especially in price-administered industries and service industries--where the President has failed to exert leadership toward restraint. By openly rejecting the "jawbone technique"--I prefer to call it the "backbone technique"--Mr. Nixon last year in fact encouraged irresponsibility leading to a new wage/price spiral.

C. The leading anti-inflationary weapon has become monetary policy. As a result, little people, retired people, the housing industry, retailers and others are carrying the weight of inflation on their backs while big business and banks carry on as usual. The present high interest rates are intolerable for anyone but lenders.

D. Now, in cutting the federal budget--which must be done--we must see what Mr. Nixon does. What will be cut? Will it be programs to develop our human resources... investments in a better country--such as programs for

health, education, housing, job training and improvement of the physical environment? Or will it be programs for weaponry, for space, for the pork-barrel, for special economic interests? We are talking here about choices which will determine the future direction of this country.

You believe that a cut of some 15 to 20 billions of dollars could and should be made right now in the swollen Pentagon budget without jeopardizing our security.

Secretaries McNamara and Clifford verify this. Some of that saving should be used to fight inflation. Other parts of it should be transferred right now to programs to meet clear domestic priorities.

(Tons of figures are available to make these points.)

3. Guam Doctrine

I suggest the following talking line by you:

Mr. Nixon's talk about reducing unwise or outdated overseas commitments is encouraging. I do hope, however, that he will spell out his thinking in greater detail.

For instance, in 1953, when the Eisenhower Administration took office--and faced similar pressures to reduce the federal budget--our foreign policy was neatly retailored to fit budgetary, rather than policy, priorities. "More bang for a buck," they said. But it later turned out that Mr. Dulles' "massive retaliation" concept was what

we were buying. In other words, we found ourselves with a frightening policy which said we intended to keep the peace by threatening the use of nuclear weapons. Now, in his Guam Doctrine, Mr. Nixon--and Mr. Agnew on his recent trip--talk about reducing America's physical presence in Asia. I agree with that. But the Guam Doctrine also contains dangerous overtones of the old "massive retaliation" doctrine.

The Guam doctrine says:

"First, the United States will keep all of its treaty commitments.

"Second, we shall provide a shield if a nuclear power threatens the freedom of a nation allied with us, or of a nation whose survival we consider vital to our security.

"Third, in cases involving other types of aggression we shall furnish military and economic assistance when requested in accordance with our treaty commitments. But we shall look to the nation directly threatened to assume the primary responsibility of providing the manpower for its defense."

The President's expressed formulation is, I think, an improvement over our past generalized declarations. Yet, under this formulation, it is entirely possible that

Vietnam could nonetheless have happened. The pledge to keep all treaty commitments, for instance, has within it a great deal of latitude--especially with a treaty so subject to varying interpretation as the SEATO Treaty. The second point, too, leaves much room for subjective interpretation. Just when and how are we to conclude that a nuclear power (assuming Communist China, in this case) is threatening the "freedom" of a nation allied to us? And what kind of shield are we pledged to provide in such cases? Just which Asian nations does Mr. Nixon define as being "vital to our security"? The third point, too, is ambiguous.

I became greatly concerned about this following Mr. Nixon's November 3 speech--which was threaded throughout with a Cold War vocabulary. That is why I want specific assurances--and I would think the Congress would too--that the Guam Doctrine is not an updated version of the Nixon-Dulles thinking that urged President Eisenhower to send American bombers into Dienbienphu. To the degree that we reduce our presence on the ground in Asia, I think it is good. But I do not want any implication made that--if trouble occurs--our nuclear deterrent might be used to fill the gap.

4. 1970 Elections

There is a clear danger that Mr. Nixon will reverse the usual trend and be able to forge a clear conservative working majority this fall.

Mr. Agnew's attacks on the media, on young people, on dissenters, and on the so-called Eastern Establishment are nothing less than a calculated, orchestrated attempt to polarize the country--and to polarize it behind the Nixon Administration.

This is a cynical and open use of political power. There is need for concern about the danger it will do to the long-term health of our democratic institutions. But for liberals and progressives there should also be an immediate concern over its affect on national public opinion. The Nixon-Agnew Administration is playing for votes this November--and, frankly, is being quite successful at it. The message is clear: Young people; people concerned about peace; black, Spanish-American and Indian American people; union members; people who are being punished by high interest rates and the rising cost of living--we all need to forget our past differences now and do everything we can on behalf of enlightened candidates this fall. The alternative may well be ascendancy of a conservatism that could last for some years.

5. Fred Harris

Suggested talking line:

Senator Harris was my nominee as chairman. Given the many problems our party faced at the end of last year, I think he has worked effectively. He has my confidence. He is carrying two heavy burdens of responsibility--one as a United States Senator, the other as Democratic National Chairman. But I believe he is carrying both well.

6. Johnson TV interview

Talking line:

Former President Johnson certainly is entitled to his opinions concerning my speech in Salt Lake City. But I remain firm in my opinion that the speech was proper and right. I proposed, you may remember, a Vietnamization of the war as a first order of business. In fact, I indicated that--if elected--I believed the majority of American combat forces could be withdrawn by the end of 1969.

The issue of a bombing halt was then, I believe, a secondary issue. Senator McCarthy took a similar position on that. The real question--then as now--continues to be the nature and depth of our role in that country. You know my position: That we have long since passed the time when the South Vietnamese should have been able to carry their own burden. That is why I approve a policy of Vietnamization, and that is why I have urged President Nixon to accelerate that process.



7. Your own plans

You will make a decision, and announce that decision, later this Spring. The decision is whether or not to seek a Senate seat in Minnesota. Period.

8. Desired response

In this program, you should project yourself as responsible, constructive and concerned. At the same time, however, you should leave no doubt that you consider the 1970 elections to be critical. Stir up the faithful. Leave this impression: If we are able to pull ourselves together, this is the man to do it.

Your target in this program: Liberals and others who have fallen back into complacency in the face of Nixon's apparent success.

Be strong, forthright and in-charge.

Good luck.

## ECONOMY AND INFLATION

Statement . . . . . As of December, cost of living increasing at an annual rate of 7.2 percent. This has been the most inflationary twelve months since the Korean War.

### Facts:

FED discount rate . . Increased 12.5% in one year (this is enormous)

1. Bank Prime Rate  
(from date of Nixon election) . . from 6% to 8.5% (over 40% increase)
2. Federally insured maximum on home mortgages -- This month Secretary Romney

### This week:

1. Federal Reserve Board raised ceiling on commercial banks depositor interest rates:  
Passbooks -- from 4 to 4.5%  
Certificates -- from 6.25 to 7.5  
(Billing it as a "rescue operation" for the banks, which claim to be losing depositors).
2. The next day, the Home Loan Bank Board raised Savings and Loan rates:  
Passbooks 4.75% to 5%  
Certificates 7.5% (the same as banks)  
(Savings and Loan spokesmen opposed the raise and "reluctantly" went along in order to meet the competition from the banks. Said it was necessary "to prevent massive shifting of funds" to banks. Such a shift would be a blow to the housing industry -- already hard hit by tight money -- because Savings and Loans put their money into mortgages, which commercial banks normally do not.)

### Also:

The banks stopped increasing the prime rate last June, when Congressman Patman began holding hearings.

Since then, banks have resorted to a new tactic: Increasing the "equity financing" required of borrowers.

### Meaning:

Unless a borrower already has a large deposit on hand in the bank, a substantial amount of the sum he borrows is held by the bank as a "deposit against the loan." This is called "points."

### What happens is:

A homebuilder borrows \$20,000. He actually gets \$18,000. But he pays interest on the full \$20,000.

Thus -- with points and interest rates -- in one year -- the Administration has knocked 20 percent out of the purchasing power of the homebuying dollar.

ECONOMY AND INFLATION (Cont.)

Necessary:

1. Credit controls, or we will have to face a wage-price-profit freeze.
2. Further decrease in the inflationary defense budget, already cut over \$5 billion by the Democratic Congress.

Miscellaneous:

The President did not mention that a good portion of the \$57 billion budget deficit from the past decade was the result of measures required to pull the nation out of the Eisenhower Recession, and substantially more was the bill for Vietnam.

RESPONSE: STATE OF THE UNION MESSAGE

By The Honorable Hubert H. Humphrey

Though the President's language was impressive, I was deeply concerned by the lack of specificity in the State of the Union message.

I support and I applaud his pledge to wage war on crime. His recognition of the seriousness of the environmental crises, though belated, is to be commended. Fortunately, much of the necessary legislation to assure clean air, clean water, open spaces, and park area is already the law of the land.

But for the past year the President has refused to request the funds we need to make these programs work.

What concerns me is not so much what the President said, but what he failed to say and what he failed to recognize.

For example, the imperative needs of our people in the fields of housing, education and health.

One year of the Nixon Administration has passed and the time for generalities is over. The words in the State of the Union message must be measured against the President's threat to veto the funds we desperately need for our schools, for our libraries, for our hospitals and for important medical research in cancer, heart disease, stroke, and other catastrophic illnesses.

It must be measured against this week's increase in bank and Savings and Loan interest rates, against an increase of over 40 percent in the prime lending rate in the fourteen months since President Nixon was elected.

We won't solve the problems of today's economy by blaming yesterday's leaders. The facts are that by the most recent computation, the cost of living is rising at an annual rate of 7.2 percent -- almost double the rise under President Kennedy and President Johnson. This has been the most inflationary twelve months since the Korean War.

And the President's message must be measured against the nation's housing needs -- with a goal of 2.6 million starts per year. Under President Nixon housing starts have dropped from 1.8 million at the beginning of the year to 1.2 million at year end.

With all respect for the President, the nation needs more than general conversation. What the nation needs is progressive leadership in these vital areas.

LIST OF SPEECHES FOR "ISSUES AND ANSWERS"

Canadian American Conference, Winnipeg, Manitoba - November 14, 1969

Pillsbury Company Centennial "The Indictment of the System  
and Society" - University of Minnesota - October 16, 1969

Winona Education Association, St. Mary's College, Winona,  
Minnesota - November 11, 1969

"A Matter of Priority"

Minnesota Society of Architects, St. Paul, Minnesota - November 6, 1969

St. Barnabas Hospital Groundbreaking Ceremonies - November 24, 1969

Businessmen's Luncheon, Dallas, Texas - December 2, 1969

Arthur G. Cohen Dinner, New York City - November 24, 1969

Kodak Park Management Club, Rochester, New York - December 9, 1969 Young Dem

Young Democrats Convention, Las Vegas, Nevada - December 13, 1969

University of Utah, Salt Lake City, Utah - January 20, 1970



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