

Fred Foslein
alexander

001454
Andrew Lampen
President

R.M. Gorder V.P.

Mr
Mason

ADDRESS OF THE HONORABLE

HUBERT H. HUMPHREY

PRODUCTION CREDIT ASSOCIATION

Minneapolis, Minnesota

Bank for
coops
Fed Land
Bank

FEBRUARY 19, 1970
Federal Intermediate
Credit Bank of St Paul
coops - 50,000 families

Farm
Credit Bank
in U.S.
Dec 1969 -

\$ 53 million
in loans in
1957
now
\$606 million
now

Economics -- once called the "dismal science" -- is
certainly living up to its gloomy nickname these days.

Here is what happened during the past year -- the first
~~year of the Nixon Administration~~

-- The cost of living rose faster than in any comparable
period in the last twenty years.

-- Interest rates hit their highest level in well over a
century.

-- Homebuilding all but ceased and -- as the President himself
admits -- we are in the midst of a housing recession.

001454

-- Labor productivity, after a decade of steady progress, started down.

-- Unit labor costs have jumped seven percent, the sharpest increase since the Korean War.

-- Corporate profits declined dramatically.

-- The stock market (the Dow-Jones index) -- has dropped almost 200 points.

-- Moreover, the news is getting worse. Inflation -- the wage - price spiral - is accelerating.

In December 1969 -- the last month of the decade -- the cost of living rose at an annual rate of over seven percent.

In the same month, the wholesale price index went up at an annual rate of 8.4 percent.

Between December and January, unemployment rose from 3.5 percent to 3.9 percent -- the biggest jump since the Republicans last held office.

The healthy economic growth of the ~~thirteen years~~ ^{8 years from 1961-69} ~~of the 1950's~~ ^{moving} is gone and we are into the sluggish economy of ~~the thirteen years~~ ^{of the 1950's}.

The President calls these depressing developments "slowing pains." I call them "sinking pains" -- they give me a sinking feeling in the pit of the stomach.

L The President disowns responsibility for all these events. He seeks to pin the blame on the Democrats.

a little Politics

That simply won't wash.

A president can't pass the buck upwards, downwards, or sideways. He most certainly can't pass it thirteen months backwards.

L Where prices are concerned, the President acts like a passerby who sees a hold up going on -- but doesn't think it is his business to call the police.

The President has sat in silence while prices and interest rates have gone up and up.

Most American corporations will act in the public interest and exercise restraint when the President asks for their help. There is considerable evidence to support this statement.

L Arthur Okun, former chairman of President ~~Johnson~~'s Council of Economic Advisors, has come up with some significant figures in this regard.

L He listed the key industries affected by "jawboning" -- the industries that President Johnson challenged to hold fast on wage - price guidelines.

L Okun's figures show that this moral pressure -- this "Jawboning" -- is effective. In 1968, for example, these key industries raised their wholesale prices by an average of only one percent.

During 1969 -- under the new ^Ulook-the-other way rules ~~set by~~ ~~President Nixon~~ -- those same industries jumped their prices an average of six percent.

~~Here is another example of Presidential inaction in the~~
~~inflation battle:~~

~~L~~ Last year ~~our Democratic~~ ^{the} Congress provided the President with the authority to impose selective credit controls.

Such controls, applied to business investment and inventory build up, could have been of real help. They could have eased the credit crunch for the building industry, for state and local governments, and for consumers.

~~But the President let this anti-inflation tool ~~lie~~ ^{go unused.} Apparently,
~~this~~ it was in conflict with the doctrinaire dogma to which he subscribed.~~

I say, let sleeping dogmas lie.

It's cold comfort this Administration is offering the American people: We get an increase in unemployment for --- --what?

----For an economy that will continue to stagnate;

----For a continuing inflation, perhaps at a

slightly lower rate;

----For curtailing vital medical research;

----For limiting our investment in the education

of our children.

L As one eminent Republican, John W. Gardner said,

"It is not enough to smile bravely and tighten the
belts of the poor."

Let's stop this phony shadow boxing. Let's
light into inflation with both fists.

To begin with, let's put an end to wasteful
expenditures in government and once again re-examine
the outlays for new weapons and other military costs.

The Defense Department is proceeding with 130 new strategic and tactical weapons systems. The final cost, by present projection, will be \$140 billion. And these figures -- already \$20 billion over original estimates -- are certain to rise further.

L The Defense budget - cut over \$5 billion by the 91st Congress - can and should be reduced.

L Next, we must enlist the responsible majority of business and labor leaders in the effort to bring the wage-price spiral under control.

L It's high time ^{*the Govt*} ~~this Administration~~ involved itself in price and wage movement in key sectors of the

economy. L It's time to take steps to resist increases which, in the light of profits, productivity, and the degree of competition in these sectors, appear to be unjustified, and contrary to the public interest.

We also need to take a hard look at the inflationary aspects of government policies with respect to procurement, ~~_____~~, anti-trust enforcement, trade restrictions and the like.

↳ Relying exclusively on monetary and fiscal policy - ~~as the President is doing~~ - is fighting inflation with one arm strapped behind our back -- particularly at a time when rising costs - rather than excessive demand -- are pushing prices up.

↳ We need price stability, not only for its own sake, but to get back to full employment, full production, and vigorous and sustained economic growth.

↳ The President himself has forecast a \$1.4 trillion Gross National Product in 1975 with federal revenues, at present tax rates, climbing to \$266 billion.

We need those dollars if we are to meet the pressing domestic needs of our nation ...

... If we are to make full use of our vast human potential;

... if we are to give each and every American as much education and training as he can usefully absorb;

... if we are to root out the structural faults in the American economy which historically have produced the costly trade-off between inflation and unemployment;

... if we are to effect basic reforms in our economic system and make stable growth a reality instead of a pious hope;

... if we are to make the necessary reforms in traditional institutions, public and private, that are failing to meet today's needs;

... if we are to make the instruments of government - local state and national - more responsive to the people;

...if we are to restructure certain sectors of the economy, such as health care and the construction industries, so they can deliver goods and services at prices people can afford to pay.

L A sophisticated economic policy adequate to the challenges of the 1970's must recognize the need to balance our economy and our society as well as our budget.

L It must be concerned with jobs and reasonable access to credit as well as concern about inflation.

L A sophisticated economic policy must ensure equity for all elements of our society - small as well as big business, home buyers as well as home builders, farmers as well as housewives, the unemployed, the self-employed and the salaried worker.

Farm
Credits
=

-11-

Above all, economic policy must ensure equity for those on fixed incomes, the pensioner, the elderly on Social Security, those who have saved for the day of retirement. These are the victims of inflation - and they are the ones least able to protect themselves.

With sustained and vigorous economic expansion, coupled with stringent economy in defense and other high expenditure areas, we can mobilize the necessary resources. We can do the jobs that need to be done.

We can make our air and our water clean again.

We can rebuild our cities and house our homeless.

We can make our streets safe to walk in, by day and by night.

We can carry out the far-sighted recommendations of the Kerner and Eisenhower Commissions.

We have, in our miraculously productive American economy, the means and the resources to treat these needs. We need the political will to use them -- and use them with intelligence, patience and determination.

It is our job as Americans to mobilize that will.



Minnesota Historical Society

Copyright in this digital version belongs to the Minnesota Historical Society and its content may not be copied without the copyright holder's express written permission. Users may print, download, link to, or email content, however, for individual use.

To request permission for commercial or educational use, please contact the Minnesota Historical Society.



www.mnhs.org