

OUTLINE OF REMARKS BY
SENATOR HUBERT H. HUMPHREY

INDUSTRIAL COLLEGE OF THE ARMED FORCES

FORT McNAIR, WASHINGTON, D. C.

FEBRUARY 26, 1974

I. THIS TOPIC IS EXCEPTIONALLY BROAD. IT MEANS:

- BUDGET AND SPENDING;
- TAXES, TAX REFORM;
- INTERNATIONAL ECONOMICS, SUCH AS TRADE AND TARIFF;
- ECONOMIC STABILIZATION
- NATIONAL DEBT MANAGEMENT
- FOOD AND AGRICULTURE POLICY;
- AND MUCH MORE.

II. THERE ARE A NUMBER OF REASONS FOR CONGRESSIONAL/EXECUTIVE
DIFFERENCES IN THE FORMULATION OF ECONOMIC POLICY:

1. IN PART, BECAUSE OF INSTITUTIONAL DIFFERENCES.

CONGRESS IS RESPONSIBLE FOR AUTHORIZING BROAD LEGAL AUTHORITY
TO UNDERTAKE CERTAIN ACTIVITIES. THE EXECUTIVE IS RESPONSIBLE
FOR IMPLEMENTATION AND MANAGEMENT OF THAT BROAD LEGAL
AUTHORITY. AS A RESULT, CONGRESS IS TO A GREAT EXTENT A
GENERALIST IN POLICY FORMATION. THE EXECUTIVE IS MORE DEEPLY
ENGAGED AND RESPONSIBLE FOR DETAILS.

2. BECAUSE OF THIS FUNDAMENTAL DIFFERENCE, AND ENORMOUS
GROWTH OF THE POWER OF THE PRESIDENCY, THE EXECUTIVE HAS
BECOME MUCH MORE POWERFUL IN THE FORMATION OF ECONOMIC POLICY
THAN HAS CONGRESS.

LET ME GIVE TWO SIMPLE DESCRIPTIONS OF HOW POLICY
FORMATION TAKES PLACE IN THE TWO DIFFERENT BRANCHES.

A. THE EXECUTIVE. DECISIONS ON ECONOMIC POLICY ARE
MADE IN THE CONTEXT OF HUGE INFORMATION SYSTEMS, LARGE STAFFS,
AND A HIERARCHICAL STRUCTURE THAT ALLOWS POLICY TO BE ADVANCED
IN A UNIFIED FASHION AFTER DECISIONS ARE MADE.

B. THE CONGRESS. FORMULATES ECONOMIC POLICY IN THE
CONTEXT OF LIMITED AND ARCHAIC INFORMATION SYSTEMS, RIDICULOUSLY
SMALL STAFFS, AND A SPLINTERED POWER STRUCTURE THAT PREVENTS
CONGRESS FROM SPEAKING WITH ONE VOICE.

OF COURSE, IT IS NAIVE TO EXPECT THE EXECUTIVE
AND CONGRESS TO BE EQUALLY EFFICIENT IN THE FORMATION OF
ECONOMIC POLICY.

↳ A LEGISLATURE IS ALMOST ALWAYS LESS EFFICIENT
THAN THE EXECUTIVE.

↳ IT MUST TAKE INTO ACCOUNT DIVERSE POINTS OF VIEW.

THE DECREASE IN EFFICIENCY MUST, OF COURSE, BE
WEIGHED AGAINST GREAT VALUE WE GAIN FROM DEMOCRATIC REPRESENTATION IN OUR CONGRESS.

↳ HAVING SAID THAT, HOWEVER, I BELIEVE CONGRESS COULD
MOVE MUCH FURTHER TOWARD INCREASING ITS EFFICIENCY IN THE
FORMULATION OF ECONOMIC POLICY,

↳ CONGRESS HAS REASSERTED ITSELF CONSIDERABLY IN
THIS AREA IN THE LAST TWO OR THREE YEARS. IT IS BECOMING MORE
EFFICIENT IN POLICY FORMULATION IN GENERAL, AND ECONOMIC
POLICY FORMULATION IN PARTICULAR.

THIS REASSERTION OF CONGRESSIONAL AUTHORITY HAS
COME ABOUT BECAUSE THE EXECUTIVE HAS GREATLY OVER-EXTENDED
ITS POWER RELATIVE TO CONGRESS.

LET ME ELABORATE BY DISCUSSING A FEW AREAS THAT
ILLUSTRATE CONGRESS' IMPROVED ROLE IN THE FORMULATION OF
ECONOMIC POLICY:

III. THE BUDGET

THE PRESIDENT, IN HIS BUDGET MESSAGE LAST YEAR, SEVERELY
CRITICIZED CONGRESS FOR NOT HAVING A MORE EFFICIENT SYSTEM FOR
EXAMINING THE BUDGET AND ESTABLISHING BUDGET TOTALS CONSISTENT
WITH THE ECONOMIC OUTLOOK.

TO A CONSIDERABLE EXTENT, THESE CHARGES WERE OVERSTATED
TO PUT THE MONKEY OF INFLATION ON CONGRESS' BACK.
NEVERTHELESS, THERE WERE DEFICIENCIES. SINCE THEN,
CONGRESS HAS MOVED SIGNIFICANTLY TO CORRECT THESE
DEFICIENCIES.

1. THE HOUSE HAS PASSED A BUDGET CONTROL BILL TO REFORM
THE CONGRESSIONAL BUDGET PROCESS. IT ESTABLISHES NEW BUDGET
COMMITTEES, RADICALLY ALTERING THE METHOD BY WHICH COMMITTEES
OF CONGRESS RELATE TO ONE ANOTHER IN DETERMINING OVERALL BUDGET
TOTALS.

2. THE SENATE RULES COMMITTEE JUST YESTERDAY REPORTED A
SIMILAR BUDGET REFORM BILL. THE SENATE BILL WOULD DO THE
FOLLOWING:

A. EARLY IN THE YEAR, CONGRESS WOULD ESTABLISH AN
APPROPRIATE LEVEL OF EXPENDITURES AND TAXES, AND THE NEEDED
SURPLUS OR DEFICITS TO MAINTAIN A STABLE ECONOMY.

B. CONGRESS WOULD DEBATE THE PRIORITIES OF THESE TOTALS
AND ADOPT TARGETS OR SUBTOTALS TO GIVE COMMITTEES OF CONGRESS
GUIDANCE IN THEIR WORK.

C. IT WOULD ESTABLISH A BUDGET COMMITTEE AND A
CONGRESSIONAL OFFICE OF THE BUDGET WITH EXPERTS TO ASSIST
CONGRESS IN THE FORMULATION OF THE BUDGET.

*Nat Growth
Divelop*

D. THE SENATE BILL ALSO WOULD BAN ANY IMPOUNDMENT FOR
FISCAL AND OTHER MISCELLANEOUS REASONS, ALLOWING RESTRICTIONS
ON SPENDING TO BE JUSTIFIED ONLY BY RATHER NARROW FINANCIAL
CONSIDERATIONS.

THESE REFORMS ARE OF HISTORIC IMPORTANCE. THEY
INDICATE THE DESIRE OF CONGRESS TO MAKE ITSELF MORE EFFECTIVE
IN ECONOMIC POLICY FORMULATION.

IV. INFLATION

THERE IS PERHAPS NO MORE IMPORTANT ECONOMIC PROBLEM THAT
THE NATION FACES TODAY THAN INFLATION.

YET, THIS ADMINISTRATION HAS NEVER PUT TOGETHER ANY
COMPREHENSIVE ANTI-INFLATION PROGRAM. CONGRESS HAS TRIED, AND
WILL CONTINUE TO TRY, TO CORRECT DEFICIENCIES IN THE ADMINI-
STRATION'S PROPOSALS TO MEET INFLATIONARY PRESSURES.

LET ME POINT OUT JUST A FEW OF THESE AND WHAT CONGRESS
HAS TRIED TO DO ABOUT THEM.

THE FIRST STEP IN CORRECTING THE PROBLEM IS TO BE HONEST ABOUT ITS NATURE AND MAGNITUDE. THE ADMINISTRATION CONSISTENTLY ARGUES THAT THE INFLATION PROBLEM IS NOT AS SERIOUS AS OTHERS BELIEVE IT IS. TO BRING OUT THE FACTS, I ASKED THE JOINT ECONOMIC COMMITTEE STAFF TO PREPARE A STUDY FOR ME SHOWING THE IMPACT OF INFLATION ON CONSUMERS.

SOME OF ITS MAJOR FINDINGS ARE:

-- THE RATE OF INFLATION IN 1973 WAS THE MOST SEVERE SINCE THE SECOND WORLD WAR;

-- THE 1973 RATE OF INFLATION INCREASED THE COST OF LIVING OF A MIDDLE INCOME FAMILY BY ABOUT \$1200;

-- INFLATION OCCURRED ACROSS THE BOARD: FOOD, FUEL, HOUSING, CLOTHING, TRANSPORTATION

-- THE REAL INCOME OF THE AVERAGE FAMILY DECLINED 1 PERCENT IN 1973.

-- INFLATION HIT THE POOR HARD, WITH PRICE INCREASES 1/3RD HIGHER FOR THE POOR THAN FOR MIDDLE INCOME FAMILIES.

A STUDY OF THIS KIND IS JUST ONE WAY THAT CONGRESS CAN INFLUENCE THE PUBLIC AND THE EXECUTIVE. SUCH STUDIES, STUDY HEARINGS, AND DISCUSSIONS IN CONGRESS GENERALLY LEAD TO POLICY POSITIONS AND RECOMMENDATIONS TO THE EXECUTIVE, AS WELL AS NEEDED LEGISLATION.

REGARDING INFLATION, I HAVE CONCLUDED THAT FOR SEVERAL REASONS WE CANNOT SIMPLY CONTINUE THE EXISTING CONTROL SYSTEM.

THE ADMINISTRATION NEVER FELT THIS PROGRAM WOULD WORK.

IT BADLY MISMANAGED THE PROGRAM WHICH NOW LACKS CREDIBILITY.

CURRENT ECONOMIC CONDITIONS (COMMODITY SCARCITIES, WAGE DEMAND BACKLOG, AND SO FORTH) ARE NOT VERY CONDUCIVE TO CONTINUED CONTROLS.

THE ADMINISTRATION PROPOSES TO CONTINUE THE COST OF LIVING COUNCIL (CLC) WITH VAGUE DUTIES AND LITTLE AUTHORITY. CONGRESS, I BELIEVE, WILL EXERT ITSELF IN THE ECONOMIC POLICY PROCESS BY SUBSTANTIALLY MODIFYING THIS PROPOSAL TO ADD MORE CLOUT TO THE CLC.

HERE ARE SOME THINGS I THINK CONGRESS SHOULD DO TO IMPROVE
THE ADMINISTRATION'S PROPOSAL.

1. THE PRESENT SYSTEM OF UNEVEN AND POORLY MANAGED CONTROLS
SHOULD BE PHASED-OUT SO AS NOT TO CREATE NEW ECONOMIC UNCER-
TAINITIES AND AN ACCELERATION OF INFLATION. CONGRESS SHOULD
AUTHORIZE A COMPREHENSIVE AND PERMANENT MECHANISM FOR THE
ADMINISTRATION OF A LARGELY VOLUNTARY SET OF PRICE-WAGE
POLICIES.

2. CONGRESS SHOULD ALSO AUTHORIZE A REVAMPED COST OF LIVING
COUNCIL, WITH LEGISLATION THAT SPECIFIES THE DUTIES AND
AUTHORITY OF THE NEW AGENCY.

IT IS NECESSARY TO:

-- PROVIDE AUTHORITY TO REIMPOSE PRICE AND WAGE CONTROLS
BY SELECTED SECTORS OF THE ECONOMY, IF THAT SHOULD BE NECESSARY.

-- PROVIDE AUTHORITY TO REQUIRE PRENOTIFICATION FOR
PRICE AND WAGE INCREASES IN INDUSTRIES THAT MAY HAVE SIGNIFI-
CANT IMPACT ON INFLATION, TO DELAY THOSE INCREASES FOR 30 DAYS,
AND TO HOLD PUBLIC HEARINGS WHEN NECESSARY.

-- DEVELOP EQUITABLE AND WORKABLE WAGE AND PRICE STAN-
DARDS RELATED TO PRODUCTIVITY AND COST OF LIVING INCREASES.

-- ESTABLISH A PRICE OMBUDSMAN OFFICE WITHIN CLC TO
REPRESENT CONSUMER INTERESTS.

-- DEVELOP AND OPERATE A PRICE-WAGE SYSTEM THAT PROVIDES
FULL INFORMATION AND COOPERATION TO LABOR, BUSINESS, CONSUMER,
AND FARM REPRESENTATIVES.

-- CREATE AN INFORMATION SYSTEM TO MONITOR INFLATIONARY
DEVELOPMENTS IN THE ECONOMY AND PROVIDE REGULAR INFLATION
WARNING REPORTS TO THE PRESIDENT, AND THE CONGRESS.

ALSO, THIS SYSTEM SHOULD PROVIDE INFORMATION ON LONGER
TERM PRICE DIFFICULTIES. THESE WOULD INCLUDE REVIEWS AND
REPORTS ON:

A. ACTIVITIES OF THE FEDERAL GOVERNMENT WHICH MAY HAVE
ADVERSE EFFECTS ON PRICES.

B. INDUSTRIAL CAPACITY, DEMAND, AND SUPPLY SHORTAGES

IN VARIOUS SECTORS OF THE ECONOMY,

C. EXPORT AND IMPORT FLOWS TO ENSURE THAT INTERNATIONAL

TRADE IS ENCOURAGED AND TAKES PLACE WITHIN A SYSTEM OF FULL

INFORMATION AND ORDERLY MARKETING THAT DOES NOT SEVERELY

DISRUPT PRICE STABILITY IN THE U.S.

D. WAGES, COSTS, PRODUCTIVITY, PRICES, SALES, PROFITS,

AND OTHER REPORTS.

V. CONCLUSION

IN CONCLUSION, CONGRESS AND THE EXECUTIVE SHOULD PARTICIPATE
AS PARTNERS IN THE FORMULATION OF OUR NATION'S ECONOMIC
POLICY.

↳ EACH HAS A UNIQUE PERSPECTIVE THAT MUST BE PRESERVED.

CONGRESS SHOULD, CAN, AND MUST BE MORE EFFICIENT IN ITS
PARTICIPATION. ↳ THE EXECUTIVE SHOULD, CAN, AND MUST BE MORE
RESPONSIVE AND OPEN IN ITS POLICY PROCESS.

↳ THE HOPEFUL SIGNS OF ACTION IN CONGRESS ON LEGISLATION TO
REFORM THE BUDGET PROCESS, IN ADDITION TO OTHER ACTIONS TO
IMPROVE CONGRESSIONAL EFFICIENCY, ARE IMPORTANT AND NEED TO BE
BUILT UPON.

THE COURTS, THROUGH THEIR ANTI-IMPOUNDMENT DECISIONS,
ARE BEGINNING TO HAVE AN IMPACT ON THE POLICY PROCESSES OF
THE EXECUTIVE BRANCH.

LET ME CLOSE WITH A FEW WORDS ABOUT THE EMPHASIS ON
EFFICIENCY, AND ON THE OTHER HAND, THE NEED TO PROTECT
OURSELVES FROM MAKING EFFICIENCY ITSELF THE MASTER.

L IN THE BIBLE, THE KORAN, THE TALMUD, THE CONSTITUTION,
IN THE GREAT SOCIAL DOCUMENTS OF THE WORLD, NOTHING IS SAID
ABOUT "EFFICIENCY." A GREAT DEAL IS SAID ABOUT LOVE, KINDNESS,
LIBERTY, HONOR, TRUST AND PROMOTING THE GENERAL WELFARE.

L THOSE ARE THE WORDS, THE SENTIMENTS, THE IDEALS THAT MAKE
A NATION AND ITS PEOPLE GREAT. THIS WE MUST ALL KEEP IN MIND
IN THIS PRECISE, TECHNOLOGICAL AGE OF OURS.

IF IN ENSHRINING "EFFICIENCY," WE DEBASE THESE SACRED
VALUES, THE WORLD WILL HAVE BEEN TURNED UPSIDE DOWN.

THESE NOBLE GOALS AND VALUES WILL HAVE BECOME SUBSERVIENT
TO THE MEANS OF ACHIEVING THEM. EFFICIENCY, THE ULTIMATE
VALUE IN THE WORLD OF MACHINES, CAN NEVER BE MORE THAN A
MEANS TO MORE IMPORTANT AND SIGNIFICANT GOALS IN THE
REAL WORLD.

#



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