

NEWS



Hubert H. Humphrey

HUMPHREY RESPONDS TO FORD'S
ENERGY, ECONOMIC MESSAGE
TONIGHT ON CBS-TV, 10 P.M.

232-Russell Office Building
(202) 224-3244

Contact: Betty South

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WASHINGTON, D.C., Jan. 22--Senator Hubert H. Humphrey tonight on nationwide CBS-TV provided the Democratic response to President Gerald Ford's energy and economic message of January 13. Humphrey's message was taped earlier in the day and broadcast at 10 p.m., EST.

Following is the text of his remarks:

REMARKS BY SENATOR HUBERT H. HUMPHREY
RESPONSE TO PRESIDENT'S ENERGY, ECONOMIC MESSAGE

January 22, 1975

Broadcast on CBS-TV

Good evening.

If it were possible for you to talk with me tonight, I think I know what you'd probably say.

"No more speeches, Mr. Humphrey. In the past months all we've heard are words. What we want is some action."

Well if that's your message to me, I hear you loud and clear.

Both Congress and the President have wasted valuable time in getting our economy soundly on the road to recovery. There's no sense denying it. And it's futile arguing over who's more to blame.

We can't change the past. But if you can stand one more speech, I believe you'll be surprised to learn what Congress is planning for the immediate future . . . the decisive action that is long overdue.

I can report broad agreement among Congress and the President as to the need for an individual and corporate tax cut -- to stimulate purchasing power, to accelerate business investment, to lower unemployment, to restore economic growth. Moreover, this tax cut can be a reality within four to six weeks -- and that's what we mean by action.

Until the President's remarks last week, our country was like a seriously ill person whose doctors in the Executive Branch and Congress could agree on neither the diagnosis of the illness nor the proper treatment. President Ford initially proposed a curious remedy -- his five-percent surtax. A tax increase in the midst of recession would have bled the country of its economic strength, weakening the patient still further.

Fortunately, Congress rejected this remedy. But while the doctors were arguing over the cure, the patient's health deteriorated rapidly.

At last, the doctors agreed on the source of the disease -- the most serious recession since World War II -- and at least part of the proper treatment -- a large dose of economic penicillin in the form of tax cuts to bring the patient back to full health and normal activity.

The first action of this Congress must be a tax reduction for individuals and business. This can and must be done in the next 30 days.

We have now only to decide on the size and frequency of the tax cut and -- most importantly -- who gets the benefits.

Under the President's tax cut plan, a family of four with an income of \$10,000 a year would receive only \$100. Under a bill I have introduced the same family of four would receive a tax cut of \$300.

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President Ford's tax cut puts 43 percent of the benefits into the hands of the richest 17 percent of the population. This is not only unfair, it is bad economics because it will not stimulate the economy. Congress will not accept the President's plan.

I recommend an overall tax cut of about \$20 billion. While some people may consider this too much, they should recall that in 1964 ~~the Congress~~ the Congress cut taxes by about \$12 billion -- when the economy was smaller and the recession less severe. In today's economy, that would be equal to a tax cut of about \$26 billion.

If economic penicillin is needed to combat the recession, then we should prescribe a dose large enough to help the patient. And we cannot afford to wait until May and September to get extra money into your pocketbook, as the President advocates. Instead, Congress should provide a reduction of withholding rates, retroactive to January 1, 1975, to increase your take-home pay and to keep it coming on a weekly basis.

The tax cut I have proposed would reduce taxes by 61 percent for those earning under \$5,000, by 32 percent for families with incomes ranging from \$5,000 to \$10,000, by 21 percent for those earning from \$10,000 to \$15,000, and by 16 percent for taxpayers with \$15,000 to \$20,000 incomes.

In addition to these individual tax cuts, business and farms need an increased investment tax credit -- to provide new buildings, new machinery and equipment, and most importantly, new jobs. On this issue the President and the majority of Democrats stand together.

Next, the Congress should turn its attention to tax reform to provide greater fairness in our tax structure. By this, I mean phasing out the oil depletion allowance, strengthening the minimum tax to ensure that the rich pay their share, and eliminating foreign tax preferences that send jobs and capital abroad. And there are many more.

People have a right to expect that the tax laws will be fair.

Prompt action on a tax cut is only the first step on the Congressional agenda. Six and one-half million persons are presently out of work and that number will surely increase. One thing is certain: a tax cut is of little direct help to a person without a job.

In Congress, Democrats and Republicans alike, are committed to putting more people to work, to getting them off unemployment lines and into jobs where they can support their families and pay their share of taxes.

What America needs are jobs, not "Win" buttons. What Americans want is work, not welfare.

On its own initiative, Congress passed an expanded public service employment program providing 300,000 jobs in hospitals, schools, day-care centers, and other public facilities. Since this program was passed in December, half a million more people have become unemployed.

This simply means that more must be done. Democrats propose that Congress immediately authorize an additional 500,000 public service jobs. And an additional 250,000 jobs for each one-half percentage point rise in the unemployment rate.

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Yes, I know that this will cost money, but it costs more to have people unemployed. When you're working, you're producing -- you're both a consumer and a taxpayer -- you're self-sufficient.

Unemployment is not only the loss of a job and income; it is being told you are not needed. This violates the promise of America.

The President has said that he will veto any new federal spending. He proposed that those on social security shall not receive more than a five percent increase in benefits, even though the cost of living has increased by 12 percent. Those on fixed incomes -- the elderly, the blind, and the disabled -- have suffered the most from inflation. To deny them an increase in benefits equal to the rise in the cost of living is wrong and unacceptable. The Congress will not permit it.

There is no sense punishing people who rely on a small social security check, or raising the price of food stamps for people who are already struggling to feed their families.

Congress is no less concerned than the President over the growth in federal spending and in controlling a large and wasteful bureaucracy. Last year, for example, we cut the President's budget requests by \$5 billion.

There is one basic reason for the record-breaking deficits that have accumulated since 1969.

On two occasions, in 1969-70 and 1973-74, former President Nixon attempted to control inflation by slowing down economic growth. During these deliberately-engineered recessions, as production declined, incomes also went down, profits fell, people lost their jobs and, as a result, federal tax receipts dropped sharply. Unemployed workers and businessmen and farmers operating at a loss don't pay taxes.

In these recession years, the federal deficit grew by leaps and bounds. In just this year and the next we can expect a federal deficit of \$80 billion. This is frightening.

The way to end these deficits is to get the economy moving -- to get people back to work and business to invest. And we can do this with a prompt tax cut, sensible federal spending, and ample credit with lower interest rates.

These are among the major items on the Congressional economic agenda. They will offer each of you a greater measure of security as America begins the long period of economic recovery. But lasting economic health is impossible unless wise actions are taken in several additional areas.

First, let me discuss money and credit. Tight money and high interest rates have not halted inflation. They have added to it. That's obvious to everyone. But they have choked off economic growth, brought homebuilding to a virtual halt, increased bankruptcies among businessmen and farmers, and created havoc in our capital markets.

Yet in his remarks last week, President Ford was totally silent on the money and credit policies that will make economic recovery possible. I propose that the President convene an emergency conference on monetary policy, attended by the Federal Reserve Board and representatives of business, labor, banking, farming, and the investment community.

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This conference should be convened for the express purpose of arriving at monetary policies that are fully consistent with the goal of economic recovery. Unless this is done, the desired economic effect of the tax cut and other economic recovery measures will be largely wasted.

I further propose that the President use the Credit Control Act of 1969 to channel credit into sectors of the economy now starved for funds, primarily housing, state and local government, small businesses, and agriculture.

Now let me say a word about housing.

There is no way out of a national recession while housing is in a depression. Today hundreds of thousands of skilled construction workers are out of their jobs and thousands of contractors are without work.

Yet America needs homes and many of our cities need massive reconstruction.

As early as 1949, Congress established a national goal of a decent home and a suitable living environment for every American family. To achieve these goals and rescue the housing industry, strong action is necessary.

First, Mr. President, release the funds that the Congress has provided for housing.

Second, Congress should consider establishing a National Housing Bank with sufficient funds to provide interest subsidies and other financing for low-and middle-income taxpayers. Third, the President should use the authority he now has under public law to allocate credit for housing.

Economic recovery also depends on a sound national energy policy that can be supported by every American. This will require a policy that is fair and a policy that works.

I recognize that President Ford and his advisers are grappling with a very difficult problem. Each course of action brings with it certain problems and difficulties. But on the basis of the evidence presented so far, the President appears to have chosen the least desirable set of alternatives. The President's plan would add to our inflation and deepen the recession with no assurance of substantially reducing energy consumption.

The President's energy plan will increase the price of imported oil. It removes price controls from domestic oil and gas and it places heavy new taxes on imported and domestic oil. This means higher prices.

There is simply no hard evidence that consumption of energy would be significantly reduced under the President's plan. But there is no doubt whatever as to its economic impact. A new wave of inflation would sweep through the economy.

In the past 18 months, the price of oil shot up from about \$4.50 per barrel to the current average of about \$9.50. President Ford's plan would increase oil prices by that much again -- to over \$14 per barrel.

The direct effects of this price increase add up to about \$45 billion, or \$15 billion more than the President's proposed tax reductions. Others estimate that the cost may be \$55 to \$60 billion. But whatever the figures, this simply means that you will be paying out a lot more in higher energy costs than you will be getting back in lower taxes.

(more)

For example, for a family of four earning \$15,000, the proposed \$220 tax reduction under the Ford plan will fall far short of the estimated \$800 more you will be paying for gasoline, heating oil, electricity, and natural gas. Not to mention the added costs for transportation, food, and even clothing. I don't believe your family can afford this extra \$580 that the President's plan asks you to pay.

Looked at another way, this will mean consumers and businesses will have to pay an additional 19% for gasoline, 28% for home heating fuel, 20% for diesel fuel, and 42% for jet fuel.

While your costs will increase, the energy industries will profit handsomely -- perhaps more than the President himself realizes. Coal and natural gas producers stand to gain at least \$12 billion per year in extra profits. The proposed windfall tax on oil producers will be phased out over several years, leaving \$2-\$3 billion in excess profits to the producers annually.

I can't believe the President and his advisors really thought through what his energy plan will do to consumers and the economy.

Before Congress agrees to travel down the road proposed by the President, we are going to examine the energy map for some alternate routes.

Any course of action will require sacrifice and inconvenience -- that's not the issue. But the sacrifices must be fair and they must move us toward the goal of increased energy conservation and independence.

Senator Henry Jackson, for example, suggests an alternate route that merits the most careful consideration. He proposed quarterly targets for gradual, but definite, reduction in oil imports. The steps to achieve these reductions are ranked in order of increasing severity, beginning with voluntary and mandatory conservation action, followed by import quotas, petroleum allocations and gasoline rationing.

If the measures enacted in one quarter fail to achieve their objective, the President is empowered to move to stronger programs to cut consumption in the next quarter. If the first steps succeed, the harsher remedies can be avoided.

This plan seems to make good sense, especially since this approach avoids the economic damage of the President's plan. Congress is at work considering this proposal and a full range of other alternatives.

Cutting energy demand is only half the battle. We must also support a balanced program of expanding domestic energy supplies. This could be done through a National Energy Production Board, similar to the War Production Board in World War II, that would accelerate research and development of new domestic energy sources.

Our goal is to develop a workable and fair energy policy that has the support of the American people. Not one that will increase the cost of living and add to unemployment and recession.

It is only by restoring economic growth that we will make progress against inflation, increase labor productivity, reduce overhead costs, and reduce interest and capital costs.

But we must also restore competition with a vigorous anti-trust policy.

Finally, we need a tough and selective program to short-circuit the inflationary spiral. The current Council on Wage and Price Stability is a toothless tiger that has no ability to

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restrain outrageous price and wage increases. We need an agency with subpoena power, the resources to hold extensive public hearings, the authority to delay price or wage increases up to 90 days, and, in extreme cases, to roll back prices and impose controls on a selective basis.

Recession fuels inflation and unchecked inflation brings about recession. It is a difficult task to deal with these twin afflictions, but I believe we can make genuine progress with the program I have outlined tonight.

I began these remarks with the analogy of our country as a person who had been taken seriously ill -- and that a diagnosis of the illness had finally been agreed upon by Congress and the President.

I'm sure we agree on another point: that we are not faced with a terminal illness. America is basically strong, quite capable of full recovery. But part of the treatment will be for all of us to understand the importance of work productivity, elimination of waste, and self-discipline.

These are unusual times -- we have both inflation and recession -- we have a Democratic Congress and a Republican President -- we have a trillion and a half dollar economy amidst growing unemployment and poverty.

These unusual times require new thinking and new answers.

As Lincoln once said:

"The dogmas of the quiet past are inadequate to the stormy present. The occasion is piled high with difficulty. We must rise with the occasion. As our case is new, we must think anew."

Part of our new thinking should be to put our political differences aside in developing a national economic policy.

What America wants and needs is not partisan argument, but political responsibility.

But we must also remember that government alone cannot provide us with the answers. It must be a partnership of government and the people. We can here and now resolve to put America back to work -- to conserve and develop our human and physical resources.

Our present difficulties offer us the opportunity to build a better America.

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(1975)

REMARKS BY SENATOR HUBERT H. HUMPHREY

RESPONSE TO PRESIDENT'S ENERGY, ECONOMIC MESSAGE

JANUARY 22, 1975

BROADCAST ON CBS-TV

L GOOD EVENING.

L IF IT WERE POSSIBLE FOR YOU TO TALK WITH ME TONIGHT, I
THINK I KNOW WHAT YOU'D PROBABLY SAY.

"NO MORE SPEECHES, MR. HUMPHREY. IN THE PAST MONTHS ALL
WE'VE HEARD ARE WORDS, WHAT WE WANT IS SOME ACTION."

L WELL, IF THAT'S YOUR MESSAGE TO ME, I HEAR YOU LOUD AND
CLEAR.

L BOTH CONGRESS AND THE PRESIDENT HAVE WASTED VALUABLE TIME
IN GETTING OUR ECONOMY SOUNDLY ON THE ROAD TO RECOVERY. THERE'S
NO SENSE DENYING IT. AND IT'S FUTILE ^{to} ARGUE ~~us~~ OVER WHO'S MORE
TO BLAME.

WE CAN'T CHANGE THE PAST. BUT IF YOU CAN STAND ONE MORE
SPEECH, I BELIEVE YOU'LL BE SURPRISED TO LEARN WHAT CONGRESS IS
PLANNING FOR THE IMMEDIATE FUTURE . . . THE DECISIVE ACTION THAT
IS LONG OVERDUE.

to unite I can
A ~~can~~ REPORT BROAD AGREEMENT AMONG CONGRESS AND THE PRESIDENT

AS TO THE NEED FOR AN INDIVIDUAL AND CORPORATE TAX CUT -- *designed*

to STIMULATE PURCHASING POWER, TO ACCELERATE BUSINESS INVESTMENT,

and
TO LOWER UNEMPLOYMENT *to* TO RESTORE ECONOMIC GROWTH *and* MOREOVER, THIS

TAX CUT CAN BE A REALITY WITHIN 30 Days ~~FOUR TO SIX WEEKS~~ *and then's*

~~WHAT WE MEAN BY ACTION.~~

UNTIL THE PRESIDENT'S REMARKS LAST WEEK, OUR COUNTRY WAS
LIKE A SERIOUSLY ILL PERSON WHOSE DOCTORS IN THE EXECUTIVE
BRANCH AND CONGRESS COULD ^{*not*} ~~NEITHER~~ ^{*either*} THE DIAGNOSIS OF THE
ILLNESS ^{*or*} ~~NOR~~ THE PROPER TREATMENT,

L PRESIDENT FORD INITIALLY PROPOSED A CURIOUS REMEDY -- HIS
FIVE-PERCENT SURTAX. A TAX INCREASE IN THE MIDST OF RECESSION
WOULD HAVE bled the country of its economic strength, WEAKENING
THE PATIENT STILL FURTHER.

L FORTUNATELY, CONGRESS REJECTED THIS REMEDY! BUT WHILE THE
DOCTORS WERE ARGUING OVER THE CURE, THE PATIENT'S HEALTH
DETERIORATED RAPIDLY.


L AT LAST, THE DOCTORS AGREED ON THE SOURCE OF THE DISEASE --
THE MOST SERIOUS RECESSION SINCE WORLD WAR II -- AND ^{agreed on} ~~AT LEAST~~
PART OF THE PROPER TREATMENT -- A LARGE DOSE OF ECONOMIC PENICILLIN
IN THE FORM OF TAX CUTS TO BRING THE PATIENT BACK TO FULL HEALTH
AND NORMAL ACTIVITY.

L THE FIRST ACTION OF THIS CONGRESS MUST BE A ^{major} TAX REDUCTION FOR INDIVIDUALS AND BUSINESS. THIS CAN AND MUST BE DONE IN THE NEXT 30 DAYS.

L WE HAVE NOW ONLY TO DECIDE ON THE SIZE AND FREQUENCY OF THE TAX CUT AND -- MOST IMPORTANTLY -- WHO GETS THE BENEFITS.

(Chart #1)

UNDER THE PRESIDENT'S TAX ~~CUT~~ PLAN, A FAMILY OF FOUR WITH AN INCOME OF \$10,000 A YEAR WOULD RECEIVE ONLY \$100. UNDER A BILL I HAVE INTRODUCED THE SAME FAMILY OF FOUR WOULD RECEIVE A TAX CUT OF \$300.


PRESIDENT FORD'S TAX CUT PUTS 43 PERCENT OF THE BENEFITS INTO THE HANDS OF THE RICHEST 17 PERCENT OF THE POPULATION. THIS IS NOT ONLY UNFAIR, IT IS BAD ECONOMICS BECAUSE IT WILL NOT STIMULATE THE ECONOMY.

CONGRESS WILL NOT ACCEPT THE PRESIDENT'S PLAN.

I RECOMMEND AN OVERALL TAX CUT OF ABOUT \$20 BILLION, WHILE SOME PEOPLE MAY CONSIDER THIS TOO MUCH, THEY SHOULD RECALL THAT IN 1964 PRESIDENT KENNEDY AND THE CONGRESS CUT TAXES BY ABOUT \$12 BILLION -- WHEN THE ECONOMY WAS SMALLER AND THE RECESSION LESS SEVERE. IN TODAY'S ECONOMY, THAT WOULD BE EQUAL TO A TAX CUT OF ABOUT \$26 BILLION.

IF ECONOMIC PENICILLIN IS NEEDED TO COMBAT THE RECESSION, THEN WE SHOULD PRESCRIBE A DOSE LARGE ENOUGH TO HELP THE PATIENT, AND WE CANNOT AFFORD TO WAIT UNTIL MAY AND SEPTEMBER TO GET EXTRA MONEY INTO YOUR POCKETBOOK, AS THE PRESIDENT ADVOCATES.

INSTEAD, CONGRESS SHOULD PROVIDE A REDUCTION OF ^{tax} WITHHOLDING RATES,
RETROACTIVE TO JANUARY 1, 1975, TO INCREASE YOUR TAKE-HOME PAY
AND TO KEEP IT COMING ON A WEEKLY BASIS.

THE TAX CUT I HAVE PROPOSED WOULD REDUCE TAXES BY 61 PERCENT
FOR THOSE EARNING UNDER \$5,000, BY 32 PERCENT FOR FAMILIES WITH
INCOMES RANGING FROM \$5,000 TO \$10,000, BY 21 PERCENT FOR THOSE
EARNING FROM \$10,000 TO \$15,000, AND BY 16 PERCENT FOR TAXPAYERS
WITH \$15,000 TO \$20,000 INCOMES.

IN ADDITION TO ~~THESE~~ INDIVIDUAL TAX CUTS, BUSINESS AND
FARMS NEED AN INCREASED INVESTMENT TAX CREDIT -- TO PROVIDE NEW
BUILDINGS, NEW MACHINERY AND EQUIPMENT, AND MOST IMPORTANTLY,
NEW JOBS. ON THIS ISSUE THE PRESIDENT AND THE MAJORITY OF
DEMOCRATS STAND TOGETHER.

NEXT, THE CONGRESS SHOULD TURN ITS ATTENTION TO TAX REFORM
TO PROVIDE GREATER FAIRNESS IN OUR TAX STRUCTURE, ~~BY THIS,~~

I MEAN PHASING OUT THE OIL DEPLETION ALLOWANCE, STRENGTHENING
THE MINIMUM TAX TO ENSURE THAT THE RICH PAY THEIR SHARE, AND
ELIMINATING FOREIGN TAX PREFERENCES THAT SEND JOBS AND CAPITAL
ABROAD, AND THERE ARE MANY MORE.

PEOPLE HAVE A RIGHT TO EXPECT THAT THE TAX LAWS WILL BE
FAIR.

↳ PROMPT ACTION ON A TAX CUT IS ONLY THE FIRST STEP ON THE
CONGRESSIONAL AGENDA. ↳ SIX AND ONE-HALF MILLION PERSONS ARE
PRESENTLY OUT OF WORK AND THAT NUMBER WILL SURELY INCREASE. ONE
THING IS CERTAIN: A TAX CUT IS OF LITTLE DIRECT HELP TO A PERSON
WITHOUT A JOB.

~~IN CONGRESS,~~ DEMOCRATS AND REPUBLICANS ALIKE, ARE COMMITTED TO PUTTING MORE PEOPLE TO WORK, TO GETTING THEM OFF UNEMPLOYMENT LINES AND INTO JOBS WHERE THEY CAN SUPPORT THEIR FAMILIES AND PAY THEIR SHARE OF TAXES.

WHAT AMERICA NEEDS ARE JOBS, NOT "WIN" BUTTONS. WHAT AMERICANS WANT IS WORK, NOT WELFARE.

ON ITS OWN INITIATIVE, CONGRESS PASSED AN EXPANDED PUBLIC SERVICE EMPLOYMENT PROGRAM PROVIDING 300,000 JOBS IN HOSPITALS, SCHOOLS, DAY-CARE CENTERS, AND OTHER PUBLIC FACILITIES. SINCE THIS PROGRAM WAS PASSED IN DECEMBER, HALF A MILLION MORE PEOPLE HAVE BECOME UNEMPLOYED.

THIS SIMPLY MEANS THAT MORE MUST BE DONE. DEMOCRATS PROPOSE THAT CONGRESS IMMEDIATELY AUTHORIZE AN ADDITIONAL 500,000 PUBLIC SERVICE JOBS, AND AN ADDITIONAL 250,000 JOBS FOR EACH ONE-HALF PERCENTAGE POINT RISE IN THE UNEMPLOYMENT RATE.

Yes, I KNOW THAT THIS WILL COST MONEY BUT IT COSTS MORE TO HAVE PEOPLE UNEMPLOYED! WHEN YOU'RE WORKING, YOU'RE PRODUCING -- YOU'RE BOTH A CONSUMER AND A TAXPAYER -- YOU'RE SELF-SUFFICIENT.

UNEMPLOYMENT IS NOT ONLY THE LOSS OF A JOB AND INCOME; IT IS BEING TOLD YOU ARE NOT NEEDED. THIS VIOLATES THE PROMISE OF AMERICA.

L THE PRESIDENT HAS SAID THAT HE WILL VETO ANY NEW FEDERAL
SPENDING. HE PROPOSED THAT THOSE ON SOCIAL SECURITY SHALL NOT
RECEIVE MORE THAN A FIVE PERCENT INCREASE IN BENEFITS, EVEN THOUGH
THE COST OF LIVING HAS INCREASED BY 12 PERCENT. L THOSE ON FIXED
INCOMES -- THE ELDERLY, THE BLIND, AND THE DISABLED -- HAVE
SUFFERED THE MOST FROM INFLATION. L TO DENY THEM AN INCREASE IN
BENEFITS EQUAL TO THE RISE IN THE COST OF LIVING IS WRONG AND
UNACCEPTABLE. L THE CONGRESS WILL NOT PERMIT IT,

L THERE IS NO SENSE PUNISHING PEOPLE WHO RELY ON A SMALL
SOCIAL SECURITY CHECK, OR RAISING THE PRICE OF FOOD STAMPS FOR
PEOPLE WHO ARE ALREADY STRUGGLING TO FEED THEIR FAMILIES.

CONGRESS IS NO LESS CONCERNED THAN THE PRESIDENT OVER THE GROWTH IN FEDERAL SPENDING AND IN CONTROLLING A LARGE AND WASTEFUL BUREAUCRACY. LAST YEAR, FOR EXAMPLE, WE CUT THE PRESIDENT'S BUDGET REQUESTS BY \$5 BILLION.

THERE IS ONE BASIC REASON FOR THE RECORD-BREAKING DEFICITS THAT HAVE ACCUMULATED SINCE 1969.

ON TWO OCCASIONS, IN 1969-70 AND 1973-74, FORMER PRESIDENT NIXON ATTEMPTED TO CONTROL INFLATION BY SLOWING DOWN ECONOMIC

GROWTH. DURING THESE DELIBERATELY-ENGINEERED RECESSIONS, AS PRODUCTION DECLINED, INCOMES ALSO WENT DOWN, PROFITS FELL, PEOPLE LOST THEIR JOBS AND, AS A RESULT, FEDERAL TAX RECEIPTS DROPPED SHARPLY. UNEMPLOYED WORKERS, BUSINESSMEN AND FARMERS OPERATING AT A LOSS DON'T PAY TAXES.

L IN THESE RECESSION YEARS, THE FEDERAL DEFICIT GREW BY LEAPS
AND BOUNDS. L IN JUST THIS YEAR AND THE NEXT WE CAN EXPECT A FEDERAL
DEFICIT OF \$80 BILLION. L THIS IS FRIGHTENING.

L THE WAY TO END THESE DEFICITS IS TO GET THE ECONOMY MOVING
-- TO GET PEOPLE BACK TO WORK AND BUSINESS TO INVEST, AND WE
CAN DO THIS WITH A PROMPT TAX CUT, SENSIBLE FEDERAL SPENDING,
AND AMPLE CREDIT WITH LOWER INTEREST RATES.

L THESE ARE AMONG THE MAJOR ITEMS ON THE CONGRESSIONAL ECONOMIC
AGENDA L THEY WILL OFFER EACH OF YOU A GREATER MEASURE OF SECURITY
AS AMERICA BEGINS THE LONG PERIOD OF ECONOMIC RECOVERY L BUT,
LASTING ECONOMIC HEALTH IS IMPOSSIBLE UNLESS WISE ACTIONS ARE
TAKEN IN SEVERAL ADDITIONAL AREAS.

FIRST, LET ME DISCUSS MONEY AND CREDIT. TIGHT MONEY AND
HIGH INTEREST RATES HAVE NOT HALTED INFLATION. THEY HAVE ADDED
TO IT. THAT'S OBVIOUS TO EVERYONE. THEY HAVE CHOKED OFF
ECONOMIC GROWTH, BROUGHT HOMEBUILDING TO A VIRTUAL HALT, INCREASED
BANKRUPTCIES ~~AMONG BUSINESSMEN AND FARMERS~~, AND CREATED HAVOC
IN OUR CAPITAL MARKETS.

YET IN HIS REMARKS LAST WEEK, PRESIDENT FORD WAS TOTALLY
SILENT ON THE MONEY AND CREDIT POLICIES THAT WILL MAKE ECONOMIC
RECOVERY POSSIBLE. I PROPOSE THAT THE PRESIDENT CONVENE AN
EMERGENCY CONFERENCE ON *Credit and interest rates,* ~~MONEY POLICY~~, ATTENDED BY THE
FEDERAL RESERVE BOARD AND REPRESENTATIVES OF BUSINESS, LABOR,
BANKING, FARMING, AND THE INVESTMENT COMMUNITY.

THIS CONFERENCE SHOULD BE CONVENED FOR THE EXPRESS PURPOSE
OF ARRIVING AT ~~MONEY~~ POLICIES THAT ARE FULLY CONSISTENT
WITH THE GOAL OF ECONOMIC RECOVERY. UNLESS THIS IS DONE, THE
DESIRED ECONOMIC EFFECT OF THE TAX CUT AND OTHER ECONOMIC
RECOVERY MEASURES WILL BE LARGELY WASTED.

I FURTHER PROPOSE THAT THE PRESIDENT USE THE CREDIT CONTROL
ACT OF 1969 TO CHANNEL CREDIT INTO SECTORS OF THE ECONOMY NOW
STARVED FOR FUNDS, PRIMARILY HOUSING, ~~STATE AND LOCAL GOVERNMENT,~~
SMALL BUSINESSES, AND AGRICULTURE.

NOW LET ME SAY A WORD ABOUT HOUSING.

L THERE IS NO WAY OUT OF A ~~NATIONAL~~ RECESSION WHILE HOUSING IS
IN A DEPRESSION. L TODAY HUNDREDS OF THOUSANDS OF SKILLED
CONSTRUCTION WORKERS ARE OUT ~~OF THEIR~~ JOBS AND THOUSANDS OF
CONTRACTORS ARE WITHOUT WORK.

L YET AMERICA NEEDS HOMES AND MANY OF OUR CITIES NEED MASSIVE
RECONSTRUCTION.

L AS EARLY AS 1949, CONGRESS ESTABLISHED A NATIONAL GOAL OF
A DECENT HOME AND A SUITABLE LIVING ENVIRONMENT FOR EVERY
AMERICAN FAMILY. L TO ACHIEVE THESE GOALS AND RESCUE THE
HOUSING INDUSTRY, STRONG ACTION IS NECESSARY.

L FIRST, MR. PRESIDENT, RELEASE THE FUNDS THAT THE CONGRESS
HAS PROVIDED FOR HOUSING.

L SECOND, CONGRESS SHOULD CONSIDER ESTABLISHING A NATIONAL
HOUSING BANK WITH SUFFICIENT FUNDS TO PROVIDE INTEREST SUBSIDIES
AND OTHER FINANCING FOR LOW-AND MIDDLE-INCOME TAXPAYERS. ^{#THIRD} THE

PRESIDENT SHOULD USE THE AUTHORITY HE NOW HAS UNDER PUBLIC LAW
TO ALLOCATE CREDIT FOR HOUSING.

L ECONOMIC RECOVERY ALSO DEPENDS ON A SOUND NATIONAL ENERGY
POLICY THAT CAN BE SUPPORTED BY EVERY AMERICAN. THIS WILL REQUIRE
A POLICY THAT IS FAIR AND A POLICY THAT WORKS.

I RECOGNIZE THAT PRESIDENT FORD AND HIS ADVISERS ARE
GRAPPLING WITH A VERY DIFFICULT PROBLEM. EACH COURSE OF ACTION
BRINGS WITH IT CERTAIN PROBLEMS AND DIFFICULTIES. BUT ON THE
BASIS OF THE EVIDENCE PRESENTED SO FAR, THE PRESIDENT APPEARS
TO HAVE CHOSEN THE ^{worst} ~~LEAST DESIRABLE~~ SET OF ALTERNATIVES.

THE PRESIDENT'S PLAN WOULD ADD TO OUR INFLATION AND DEEPEN THE RECESSION WITH NO ASSURANCE OF SUBSTANTIALLY REDUCING ENERGY CONSUMPTION.

THE PRESIDENT'S ENERGY PLAN WILL INCREASE THE PRICE OF IMPORTED OIL. IT REMOVES PRICE CONTROLS FROM DOMESTIC OIL AND GAS AND IT PLACES HEAVY NEW TAXES ON IMPORTED AND DOMESTIC OIL. THIS MEANS HIGHER PRICES.

THERE IS SIMPLY NO HARD EVIDENCE THAT CONSUMPTION OF ENERGY WOULD BE SIGNIFICANTLY REDUCED UNDER THE PRESIDENT'S PLAN. BUT THERE IS NO DOUBT WHATEVER AS TO ITS ECONOMIC IMPACT. A NEW WAVE OF INFLATION WOULD SWEEP THROUGH THE ECONOMY.

IN THE PAST 18 MONTHS, THE PRICE OF OIL SHOT UP FROM ABOUT \$4.50 PER BARREL TO THE CURRENT AVERAGE OF ABOUT \$9.50. PRESIDENT FORD'S PLAN WOULD INCREASE OIL PRICES BY THAT MUCH AGAIN -- TO OVER \$14 PER BARREL.

THE DIRECT EFFECTS OF THIS PRICE INCREASE ADD UP TO ABOUT \$45 BILLION, OR \$15 BILLION MORE THAN THE PRESIDENT'S PROPOSED TAX REDUCTIONS. OTHERS ESTIMATE THAT THE COST MAY BE \$55 TO \$60 BILLION. BUT WHATEVER THE FIGURES, THIS SIMPLY MEANS THAT YOU WILL BE PAYING OUT A LOT MORE IN HIGHER ENERGY COSTS THAN YOU WILL BE GETTING BACK IN LOWER TAXES.

(Chart #2)

FOR EXAMPLE, FOR A FAMILY OF FOUR EARNING \$15,000, THE PROPOSED \$220 TAX REDUCTION UNDER THE FORD PLAN WILL FALL FAR SHORT OF THE ESTIMATED \$800 MORE YOU WILL BE PAYING FOR GASOLINE, HEATING OIL, ELECTRICITY, AND NATURAL GAS, NOT TO MENTION THE ADDED COSTS FOR TRANSPORTATION, FOOD, AND EVEN CLOTHING. I DON'T BELIEVE YOUR FAMILY CAN AFFORD THIS EXTRA \$580 THAT THE PRESIDENT'S PLAN ASKS YOU TO PAY.

LOOKED AT ANOTHER WAY, THIS WILL MEAN CONSUMERS AND BUSINESSES WILL HAVE TO PAY AN ADDITIONAL 19% FOR GASOLINE, 28% FOR HOME HEATING FUEL, 20% FOR DIESEL FUEL, AND 42% FOR JET FUEL.

WHILE YOUR COSTS WILL INCREASE, THE ENERGY INDUSTRIES WILL PROFIT HANDSOMELY -- PERHAPS MORE THAN THE PRESIDENT HIMSELF REALIZES. COAL AND NATURAL GAS PRODUCERS STAND TO GAIN AT LEAST \$12 BILLION PER YEAR IN EXTRA PROFITS. THE PROPOSED WINDFALL TAX ON OIL PRODUCERS WILL BE PHASED OUT OVER SEVERAL YEARS, LEAVING \$2-\$3 BILLION IN EXCESS PROFITS TO THE PRODUCERS ANNUALLY.

I CAN'T BELIEVE THE PRESIDENT AND HIS ADVISORS REALLY THOUGHT THROUGH WHAT HIS ENERGY PLAN WILL DO TO CONSUMERS AND THE ECONOMY.

BEFORE CONGRESS AGREES TO TRAVEL DOWN THE ROAD PROPOSED BY THE PRESIDENT, WE ARE GOING TO EXAMINE THE ENERGY MAP FOR SOME ALTERNATE ROUTES.

ANY COURSE OF ACTION WILL REQUIRE SACRIFICE AND INCONVENIENCE -- THAT'S NOT THE ISSUE, BUT THE SACRIFICES MUST BE FAIR AND THEY MUST MOVE US TOWARD THE GOAL OF INCREASED ENERGY CONSERVATION AND INDEPENDENCE.

SENATOR HENRY JACKSON, FOR EXAMPLE, SUGGESTS AN ALTERNATE ROUTE THAT MERITS THE MOST CAREFUL CONSIDERATION. HE PROPOSED QUARTERLY TARGETS FOR GRADUAL, BUT DEFINITE, REDUCTION IN OIL IMPORTS. THE STEPS TO ACHIEVE THESE REDUCTIONS ARE RANKED IN ORDER OF INCREASING SEVERITY, BEGINNING WITH VOLUNTARY AND MANDATORY CONSERVATION ACTION, FOLLOWED BY IMPORT QUOTAS, PETROLEUM ALLOCATIONS AND GASOLINE RATIONING.

IF THE MEASURES ENACTED IN ONE QUARTER FAIL TO ACHIEVE THEIR OBJECTIVE, THE PRESIDENT IS EMPOWERED TO MOVE TO STRONGER PROGRAMS TO CUT CONSUMPTION IN THE NEXT QUARTER. IF THE FIRST STEPS SUCCEED, THE HARSHER REMEDIES CAN BE AVOIDED.

THIS PLAN SEEMS TO MAKE GOOD SENSE, ESPECIALLY SINCE THIS APPROACH AVOIDS THE ECONOMIC DAMAGE OF THE PRESIDENT'S PLAN. CONGRESS IS AT WORK CONSIDERING THIS PROPOSAL AND A FULL RANGE OF OTHER ALTERNATIVES.

CUTTING ENERGY DEMAND IS ONLY HALF THE BATTLE. WE MUST ALSO SUPPORT A BALANCED PROGRAM OF EXPANDING DOMESTIC ENERGY SUPPLIES.

THIS COULD BE DONE THROUGH A NATIONAL ENERGY PRODUCTION BOARD, SIMILAR TO THE WAR PRODUCTION BOARD IN WORLD WAR II, THAT WOULD ACCELERATE RESEARCH AND DEVELOPMENT OF NEW DOMESTIC ENERGY SOURCES.

OUR GOAL IS TO DEVELOP A WORKABLE AND FAIR ENERGY POLICY THAT HAS THE SUPPORT OF THE AMERICAN PEOPLE. NOT ONE THAT WILL INCREASE THE COST OF LIVING AND ADD TO UNEMPLOYMENT AND RECESSION.

IT IS ONLY BY RESTORING ECONOMIC GROWTH THAT WE WILL MAKE PROGRESS AGAINST INFLATION, INCREASE LABOR PRODUCTIVITY, REDUCE OVERHEAD COSTS, AND REDUCE INTEREST AND CAPITAL COSTS.

BUT WE MUST ALSO RESTORE COMPETITION WITH A VIGOROUS ANTI-TRUST POLICY.

FINALLY, WE NEED A TOUGH AND SELECTIVE PROGRAM TO SHORT-CIRCUIT THE INFLATIONARY SPIRAL. THE CURRENT COUNCIL ON WAGE AND PRICE STABILITY IS A TOOTHLESS TIGER THAT HAS NO ABILITY TO RESTRAIN OUTRAGEOUS PRICE AND WAGE INCREASES. WE NEED AN AGENCY WITH SUBPOENA POWER, THE RESOURCES TO HOLD EXTENSIVE PUBLIC HEARINGS, THE AUTHORITY TO DELAY PRICE ~~OR~~ WAGE INCREASES UP TO 90 DAYS, AND, IN EXTREME CASES, TO ROLL BACK PRICES ^{AND} ~~TO~~ IMPOSE CONTROLS ON A SELECTIVE BASIS.

RECESSION FUELS INFLATION AND UNCHECKED INFLATION BRINGS ABOUT RECESSION. IT IS A DIFFICULT TASK TO DEAL WITH THESE TWIN AFFLICTIONS, BUT I BELIEVE WE CAN MAKE GENUINE PROGRESS WITH THE PROGRAM I HAVE OUTLINED TONIGHT.

I BEGAN THESE REMARKS WITH THE ANALOGY OF OUR COUNTRY AS
A PERSON WHO HAD BEEN TAKEN SERIOUSLY ILL -- AND THAT A DIAGNOSIS
OF THE ILLNESS HAD FINALLY ~~BE~~^{been} AGREED UPON BY CONGRESS AND THE
PRESIDENT.

I'M SURE WE AGREE ON ANOTHER POINT: THAT WE ARE NOT FACED
WITH A TERMINAL ILLNESS. AMERICA IS BASICALLY STRONG, QUITE
CAPABLE OF FULL RECOVERY. BUT PART OF THE TREATMENT WILL BE FOR
ALL OF US TO UNDERSTAND THE IMPORTANCE OF WORK, PRODUCTIVITY,
ELIMINATION OF WASTE, AND SELF-DISCIPLINE.

THESE ARE UNUSUAL TIMES -- WE HAVE BOTH INFLATION AND
RECESSION -- WE HAVE A DEMOCRATIC CONGRESS AND A REPUBLICAN
PRESIDENT -- WE HAVE A TRILLION AND A HALF DOLLAR ECONOMY AMIDST
GROWING UNEMPLOYMENT AND POVERTY.

THESE UNUSUAL TIMES REQUIRE NEW THINKING AND NEW ANSWERS.

AS LINCOLN ONCE SAID:

"THE DOGMAS OF THE QUIET PAST ARE INADEQUATE TO THE STORMY PRESENT. THE OCCASION IS PILED HIGH WITH DIFFICULTY. WE MUST RISE WITH THE OCCASION. AS OUR CASE IS NEW, WE MUST THINK ANEW."

PART OF OUR NEW THINKING SHOULD BE TO PUT OUR POLITICAL DIFFERENCES ASIDE IN DEVELOPING A NATIONAL ECONOMIC POLICY.

WHAT AMERICA WANTS AND NEEDS IS NOT PARTISAN ARGUMENT, BUT POLITICAL RESPONSIBILITY.

BUT WE MUST ALSO REMEMBER THAT GOVERNMENT ALONE CANNOT PROVIDE US WITH THE ANSWERS. IT MUST BE A PARTNERSHIP OF GOVERNMENT AND THE PEOPLE.

WE CAN HERE AND NOW RESOLVE TO PUT AMERICA BACK TO WORK --

TO CONSERVE AND DEVELOP OUR HUMAN AND PHYSICAL RESOURCES.

OUR PRESENT DIFFICULTIES OFFER US THE OPPORTUNITY TO
BUILD A BETTER AMERICA.

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