

REMARKS BY SENATOR HUBERT H. HUMPHREY
CONVENTION OF INDEPENDENT INSURANCE AGENTS
Hartford, Connecticut
March 4, 1975

I am pleased to have this opportunity to meet with you today and to share with you some of my ideas on the economic and energy situation in the U.S.

I am sure all of you would agree that I have assumed the chairmanship of the Joint Economic Committee in the midst of one of the most difficult and complex economic periods in our nation's history.

But I do not share the pessimism of the President's Annual Economic Report. Things don't have to be as bad as they predict.

I strongly believe that there are certain positive steps which can be taken now to reverse the current decline, generate increased output and income, and get many millions of Americans back into productive jobs.

I will spell out these major steps in a moment. But first I want to indicate briefly the current economic situation and where the experts say we are headed in the near future.

I will not dwell on the current statistics too long. They are as well known as they are disturbing and depressing. Unemployment rose by a full percentage point last month to 8.2 percent; that means 7 1/2 million workers jobless. Also, the recent three month increase in unemployment is the largest since the Great Depression.

Accompanying this sharp slump in employment was an equally serious drop in our nation's output. And this drop spells lower per worker production and declining productivity. The sad fact is that worker productivity in the fourth quarter of 1974 was 3.7 percent below that of one year earlier.

The real GNP declined at a 9.4% annual rate in the fourth quarter, bringing the total decline for 1974 to five percent.

At the same time, prices continue to soar.

The GNP deflator, the most comprehensive measure of price changes for the entire economy, rose at an annual rate of 14.4 percent in the fourth quarter of 1974.

I wish I could now switch things around and say that the outlook for this dismal state of affairs is to be dramatically turned around. Unfortunately, none of the forecasts available, including the Administration's, allow for such optimism.

The Administration has forecast that unemployment will average 8.1 percent in 1975 and 7.9 percent in 1976. Just two weeks ago, Alan Greenspan told our Committee that he expected unemployment to peak at around 8.5 percent by mid-year.

Regrettably, even this two-week old forecast appears to be a serious understatement. Moreover, the Administration forecasts that unemployment will not dip below 6% in this decade.

For 1975, the Administration foresees a decline in real GNP of 2.3 percent, and this assumes that the economy will begin an upturn in the second half of the year.

A fact that I find truly shocking is that the growth path forecast by the Administration for the next two years would result in a real output level in 1976 that is actually below the 1973 level.

It is anticipated that the recovery after mid-year will come from housing and consumer spending, rather than business investment which is expected to decline nine percent in real terms during the year even with a higher investment tax credit.

And the Administration says we are in for another year of double-digit inflation, with the GNP deflator rising 10.8 percent.

We are facing an economic crisis, and it demands our primary attention. Nearly every non-Administration witness who has appeared before the Joint Economic Committee in the last four weeks, as part of our annual economic hearings, has said that recession is our Number One problem. It is tragic that the Administration's economic-energy program does not fully recognize this critically important fact.

The President's budget stressed cutting taxes to stimulate the economy, while restraining spending to control inflation. Thus, we have the \$12 billion rebate on the one hand, and the request to reduce spending by \$17 billion on the other hand.

I must add that the bulk of that spending cut comes from what could be called "human expenditures," including placing a 5.5 percent ceiling on Social Security payments.

This is unacceptable.

From an economic standpoint, this strategy does not make sense. The net stimulative impact of the President's budget is minimal. And, if the energy proposals are included, the net impact is restrictive. This is because the direct costs alone of the President's proposals are currently estimated at \$45-50 billion, while only \$30 billion of the taxes are scheduled to be returned to the economy. This package is unacceptable, in light of the economy's need for a large stimulus.

Let me be blunt about it; it is inadequate, ill-considered, and inequitable.

This disenchantment with the President's program is not confined to Democrats or liberal economists. Business leaders who have testified before the JEC have expressed disagreement with the basic thrust of the Administration's program.

One particularly significant statement was made by Henry Ford II. "In my judgment," he said, "the American people will not and should not accept policies that would lead to nearly seven percent unemployment as late as 1978, as the Administration has projected."

The alternative program which I have proposed includes the following elements:

(1) A \$10 billion tax rebate on the 1974 tax liability of individuals.

(2) A \$20 billion reduction in personal income taxes, targeted primarily toward low and moderate income families. This will be for calendar years 1975 and 1976.

(3) An increase in the investment tax credit to 10 percent.

(4) Increases in social security and retirement programs, in line with the cost of living, offset partially by reductions in the proposed 18 percent rise in military spending.

(5) A public service employment program designed to employ one million persons.

(6) An 8 to 10 percent increase in the money supply.

The effect of this economic program has been analyzed and compared with the President's program by two of the top economic forecasters in the country (Chase and Wharton) as well as by the Council of Economic Advisers. Their conclusions deserve your attention.

The results I will now cite come straight from an analysis by the President's Council of Economic Advisers, which was recently provided to the JEC.

First, the unemployment rate would be .5 to .8 percentage points lower under my proposal.

Second, the real GNP would be 1 1/2 to 2 percentage points above the levels forecast under the President's program, by the end of 1976. This means roughly \$30 billion in goods and services that would be available to use and build on in the future.

What happens to prices?

Mr. Greenspan said: "We believe that price behavior will not be modified immediately by either monetary or fiscal stimuli, if resources are substantially underemployed." And, of course, they are.

Dr. Rees, the Director of the Council on Wage and Price Stability, also confirmed this. In his testimony last week before the JEC he said:

"Even if appropriate monetary and fiscal policy combined with the natural recuperative forces of the economy produces an upturn in economic activity in the second half of 1975, I would expect the rate of inflation still to be declining at the end of the year. The slack and excess capacity that are checking the rise in prices will not be immediately removed by an upturn."

The one "cost" involved with this set of proposals is that the budget deficit would rise by about \$20 billion. I find it extremely unfortunate that the deficit is so poorly understood. The main point is that it can only be understood relative to the size of the economy, which of course sustains it. Viewed in this way, as a percentage of Gross National Product, the significance of the federal debt has been shrinking and is actually at its smallest percentage in 42 years.

I just can't buy, and I hope you won't either, all the talk about being "horrified" by the size of the deficit.

What "horrifies" me is the tremendous waste of human and capital resources presently taking place by our failure to sustain economic growth. During the three years 1974, 1975 and 1976, our country will lose the staggering sum of over \$600 billion in goods and services by not operating at even a 4 percent level of unemployment.

If we were operating on 4 percent unemployment, we wouldn't have to worry about a deficit. Instead, we would enjoy a \$17 billion surplus in FY 1975 and a \$12 billion surplus in FY 1976.

As for the President's energy package, virtually all Democrats and many Republicans reject it.

The President's target of reducing oil imports by 1 million barrels a day by the end of this year is simply not acceptable. It would deepen recession and increase the cost of living. Moreover, I am not convinced that his program would meet the Administration's arbitrary goal.

What we need is a program to achieve a reduced rate of increase in energy demand and an increase in energy supply over the next decade. We must not needlessly punish the American people.

The broad strategy of the Democratic program, announced during the past week, includes four major elements:

- (1) A comprehensive, mandatory conservation program.
- (2) The creation of a National Energy Production Board to expand domestic supplies, and create emergency stockpiles.
- (3) The creation of a new energy trust fund to finance this program.
- (4) The establishment of a stand-by program of allocation and rationing to protect the U.S. against future embargoes.

It has been estimated that the conservation program alone could save 500 thousand barrels of oil a day in the first year, more than 5 million barrels by 1980, and a very considerable 11 million barrels per day by 1985.

I firmly believe that a National Energy Policy should be one that the Administration and Congress present to the American people; for the success of any program depends on the willingness of the American people to support it.

Unilateral action, confrontation politics, will not work.

I will conclude my remarks with a topic that is often neglected, yet it is absolutely vital to the success of any economic recovery program. I am referring to monetary policy.

Many of the witnesses coming before our Committee have talked about monetary policy.

The Administration officials were generally quite cautious, suggesting that a substantial increase in the money supply would rekindle inflationary fires. I can understand this position, but I do not buy it.

I am much more in tune with the many non-Administration witnesses, whose message came through loud and clear: "We need a more expansive monetary policy, more credit available, and lower interest rates."

Allow me to quote two of the witnesses to make it clear that this call is not just from liberal economists or Democrats.

Dr. Paul McCracken, when speaking of the need for money supply growth to support the economy recovery said, "That would seem to mean a rate of expansion certainly not less than eight percent for M1, probably closer to ten percent."

Henry Ford II said, "I believe that the monetary growth rate should be raised to the range of 6 to 8 percent for a short period in order to make up for the lack of appropriate growth over the past seven months."

Saying "lack of appropriate growth" is putting it much too mildly. During December and January, when the economy was taking its deepest plunge in terms of output and employment, the money supply actually decreased sharply. In fact, since last June the annual growth rate has averaged only about one percent.

I, once again, find myself in full agreement with Henry Ford, who told the JEC: "I do not understand how the Federal Reserve can permit a sharp contraction in the money supply at a time of sharply rising prices and sharply declining economic activity. This, it seems to me, is a sure formula for a longer and deeper recession."

That point needs to be driven home. There is simply no way this recession can be reversed until more money begins to flow into the economy.

Senator Proxmire and I have introduced a Senate resolution in which we were joined by Senator Buckley and sixteen other cosponsors, directing the Federal Reserve to increase the money supply rapidly enough this year to promote economic recovery. Even though the Fed is an independent agency, it is the creature of the Congress, and I now feel that it is time the creator had some input into the actions of the creature.

The resolution basically does three things:

First, it directs the Federal Reserve Board of Governors to take appropriate action in the first half of 1975 to increase the money supply at the rates necessary to promote economic recovery.

Second, it directs the Federal Reserve Board of Governors to maintain a steady long-term monetary policy commensurate with the full potential of the economy, maximum employment and stable prices.

Finally, the Resolution requires the Federal Reserve to consult with Congress on money and credit policy at semi-annual hearings before this committee and the committee on Banking in the other House.

As you can see from these three provisions, we don't want to dictate to the Fed. We do want to consult. The Fed must join the team in the battle against recession, if it is to fulfill its responsibility to the American people.

I have outlined for you the steps I feel should be taken to get the economy on track again and to restore the confidence of the American people. I will continue in the Congress, and before the public, to push for these measures which will reverse the recession quickly and decisively this year and lay the foundation for a strong, growing, American economy in the future.

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CONVENTION OF INDEPENDENT INSURANCE AGENTS

HARTFORD, CONNECTICUT

MARCH 4, 1975

I AM PLEASED TO HAVE THIS OPPORTUNITY TO MEET WITH
YOU TODAY AND TO SHARE WITH YOU SOME OF MY IDEAS ON THE
ECONOMIC AND ENERGY SITUATION IN THE U.S.

I AM SURE ALL OF YOU WOULD AGREE THAT I HAVE ASSUMED
THE CHAIRMANSHIP OF THE JOINT ECONOMIC COMMITTEE IN THE MIDST
OF ONE OF THE MOST DIFFICULT AND COMPLEX ECONOMIC PERIODS IN OUR
NATION'S HISTORY.

BUT I DO NOT SHARE THE PESSIMISM OF THE PRESIDENT'S
ANNUAL ECONOMIC REPORT. THINGS DON'T HAVE TO BE AS BAD AS THEY
PREDICT.

I STRONGLY BELIEVE THAT THERE ARE CERTAIN POSITIVE STEPS
WHICH CAN BE TAKEN NOW TO REVERSE THE CURRENT DECLINE, GENERATE
INCREASED OUTPUT AND INCOME, AND GET MANY MILLIONS OF AMERICANS
BACK INTO PRODUCTIVE JOBS.

I WILL SPELL OUT THESE MAJOR STEPS IN A MOMENT. BUT FIRST I WANT TO INDICATE BRIEFLY THE CURRENT ECONOMIC SITUATION AND WHERE THE EXPERTS SAY WE ARE HEADED IN THE NEAR FUTURE.

I WILL NOT DWELL ON THE CURRENT STATISTICS TOO LONG. THEY ARE AS WELL KNOWN AS THEY ARE DISTURBING AND DEPRESSING. UNEMPLOYMENT ROSE BY A FULL PERCENTAGE POINT LAST MONTH TO 8.2 PERCENT; THAT MEANS 7 1/2 MILLION WORKERS JOBLESS. ALSO, THE RECENT THREE MONTH INCREASE IN UNEMPLOYMENT IS THE LARGEST SINCE THE GREAT DEPRESSION.

ACCOMPANYING THIS SHARP SLUMP IN EMPLOYMENT WAS AN EQUALLY SERIOUS DROP IN OUR NATION'S OUTPUT. AND THIS DROP SPELLS LOWER PER WORKER PRODUCTION AND DECLINING PRODUCTIVITY. THE SAD FACT IS THAT WORKER PRODUCTIVITY IN THE FOURTH QUARTER OF 1974 WAS 3.7 PERCENT BELOW THAT OF ONE YEAR EARLIER.

THE REAL GNP DECLINED AT A 9.4% ANNUAL RATE IN THE FOURTH QUARTER, BRINGING THE TOTAL DECLINE FOR 1974 TO FIVE PERCENT.

AT THE SAME TIME, PRICES CONTINUE TO SOAR.

THE GNP DEFLATOR, THE MOST COMPREHENSIVE MEASURE OF PRICE CHANGES FOR THE ENTIRE ECONOMY, ROSE AT AN ANNUAL RATE OF 14.4 PERCENT IN THE FOURTH QUARTER OF 1974.

I WISH I COULD NOW SWITCH THINGS AROUND AND SAY THAT THE OUTLOOK FOR THIS DISMAL STATE OF AFFAIRS IS TO BE DRAMATICALLY TURNED AROUND. UNFORTUNATELY, NONE OF THE FORECASTS AVAILABLE, INCLUDING THE ADMINISTRATION'S, ALLOW FOR SUCH OPTIMISM.

THE ADMINISTRATION HAS FORECAST THAT UNEMPLOYMENT WILL AVERAGE 8.1 PERCENT IN 1975 AND 7.9 PERCENT IN 1976. JUST TWO WEEKS AGO, ALAN GREENSPAN TOLD OUR COMMITTEE THAT HE EXPECTED UNEMPLOYMENT TO PEAK AT AROUND 8.5 PERCENT BY MID-YEAR.

REGRETTABLY, EVEN THIS TWO-WEEK OLD FORECAST APPEARS TO BE A SERIOUS UNDERSTATEMENT. MOREOVER, THE ADMINISTRATION FORECASTS THAT UNEMPLOYMENT WILL NOT DIP BELOW 6% IN THIS DECADE.

FOR 1975, THE ADMINISTRATION FORESEES A DECLINE IN REAL GNP OF 2.3 PERCENT, AND THIS ASSUMES THAT THE ECONOMY WILL BEGIN AN UPTURN IN THE SECOND HALF OF THE YEAR.

A FACT THAT I FIND TRULY SHOCKING IS THAT THE GROWTH
PATH FORECAST BY THE ADMINISTRATION FOR THE NEXT TWO YEARS
WOULD RESULT IN A REAL OUTPUT LEVEL IN 1976 THAT IS
ACTUALLY BELOW THE 1973 LEVEL.

IT IS ANTICIPATED THAT THE RECOVERY AFTER MID-YEAR WILL
COME FROM HOUSING AND CONSUMER SPENDING, RATHER THAN BUSINESS
INVESTMENT WHICH IS EXPECTED TO DECLINE NINE PERCENT IN REAL
TERMS DURING THE YEAR EVEN WITH A HIGHER INVESTMENT TAX CREDIT.

AND THE ADMINISTRATION SAYS WE ARE IN FOR ANOTHER YEAR OF
DOUBLE-DIGIT INFLATION, WITH THE GNP DEFLATOR RISING 10.8
PERCENT.

WE ARE FACING AN ECONOMIC CRISIS, AND IT DEMANDS OUR
PRIMARY ATTENTION. NEARLY EVERY NON-ADMINISTRATION WITNESS
WHO HAS APPEARED BEFORE THE JOINT ECONOMIC COMMITTEE IN
THE LAST FOUR WEEKS, AS PART OF OUR ANNUAL ECONOMIC HEARINGS,
HAS SAID THAT RECESSION IS OUR NUMBER ONE PROBLEM. IT IS
TRAGIC THAT THE ADMINISTRATION'S ECONOMIC-ENERGY PROGRAM DOES
NOT FULLY RECOGNIZE THIS CRITICALLY IMPORTANT FACT.

THE PRESIDENT'S BUDGET STRESSED CUTTING TAXES TO STIMULATE
THE ECONOMY, WHILE RESTRAINING SPENDING TO CONTROL INFLATION.
THUS, WE HAVE THE \$12 BILLION REBATE ON THE ONE HAND, AND THE
REQUEST TO REDUCE SPENDING BY \$17 BILLION ON THE OTHER HAND.

I MUST ADD THAT THE BULK OF THAT SPENDING CUT COMES FROM
WHAT COULD BE CALLED "HUMAN EXPENDITURES," INCLUDING PLACING
A 5.5 PERCENT CEILING ON SOCIAL SECURITY PAYMENTS.

THIS IS UNACCEPTABLE.

FROM AN ECONOMIC STANDPOINT, THIS STRATEGY DOES NOT MAKE SENSE. THE NET STIMULATIVE IMPACT OF THE PRESIDENT'S BUDGET IS MINIMAL. AND, IF THE ENERGY PROPOSALS ARE INCLUDED, THE NET IMPACT IS RESTRICTIVE. THIS IS BECAUSE THE DIRECT COSTS ALONE OF THE PRESIDENT'S PROPOSALS ARE CURRENTLY ESTIMATED AT \$45-50 BILLION, WHILE ONLY \$30 BILLION OF THE TAXES ARE SCHEDULED TO BE RETURNED TO THE ECONOMY. THIS PACKAGE IS UNACCEPTABLE, IN LIGHT OF THE ECONOMY'S NEED FOR A LARGE STIMULUS.

LET ME BE BLUNT ABOUT IT; IT IS INADEQUATE, ILL-CONSIDERED, AND INEQUITABLE.

THIS DISENCHANTMENT WITH THE PRESIDENT'S PROGRAM IS NOT CONFINED TO DEMOCRATS OR LIBERAL ECONOMISTS. BUSINESS LEADERS WHO HAVE TESTIFIED BEFORE THE JEC HAVE EXPRESSED DISAGREEMENT WITH THE BASIC THRUST OF THE ADMINISTRATION'S PROGRAM.

ONE PARTICULARLY SIGNIFICANT STATEMENT WAS MADE BY HENRY FORD II. "IN MY JUDGMENT," HE SAID, "THE AMERICAN PEOPLE WILL NOT AND SHOULD NOT ACCEPT POLICIES THAT WOULD LEAD TO NEARLY SEVEN PERCENT UNEMPLOYMENT AS LATE AS 1978, AS THE ADMINISTRATION HAS PROJECTED."

THE ALTERNATIVE PROGRAM WHICH I HAVE PROPOSED INCLUDES THE FOLLOWING ELEMENTS:

- (1) A \$10 BILLION TAX REBATE ON THE 1974 TAX LIABILITY
OF INDIVIDUALS.
- (2) A \$20 BILLION REDUCTION IN PERSONAL INCOME
TAXES, TARGETED PRIMARILY TOWARD LOW AND MODERATE INCOME
FAMILIES. THIS WILL BE FOR CALENDAR YEARS 1975 AND 1976.
- (3) AN INCREASE IN THE INVESTMENT TAX CREDIT TO 10 PERCENT.
- (4) INCREASES IN SOCIAL SECURITY AND RETIREMENT PROGRAMS,
IN LINE WITH THE COST OF LIVING, OFFSET PARTIALLY BY REDUCTIONS
IN THE PROPOSED 18 PERCENT RISE IN MILITARY SPENDING.
- (5) A PUBLIC SERVICE EMPLOYMENT PROGRAM DESIGNED TO
EMPLOY ONE MILLION PERSONS.

(6) AN 8 TO 10 PERCENT INCREASE IN THE MONEY SUPPLY.

THE EFFECT OF THIS ECONOMIC PROGRAM HAS BEEN ANALYZED AND COMPARED WITH THE PRESIDENT'S PROGRAM BY TWO OF THE TOP ECONOMIC FORECASTERS IN THE COUNTRY (CHASE AND WHARTON) AS WELL AS BY THE COUNCIL OF ECONOMIC ADVISERS. THEIR CONCLUSIONS DESERVE YOUR ATTENTION.

THE RESULTS I WILL NOW CITE COME STRIAIGHT FROM AN ANALYSIS BY THE PRESIDENT'S COUNCIL OF ECONOMIC ADVISERS, WHICH WAS RECENTLY PROVIDED TO THE JEC.

FIRST, THE UNEMPLOYMENT RATE WOULD BE .5 TO .8 PERCENTAGE POINTS LOWER UNDER MY PROPOSAL.

SECOND, THE REAL GNP WOULD BE 1 1/2 TO 2 PERCENTAGE POINTS ABOVE THE LEVELS FORECAST UNDER THE PRESIDENT'S PROGRAM, BY THE END OF 1976. THIS MEANS ROUGHLY \$30 BILLION IN GOODS AND SERVICES THAT WOULD BE AVAILABLE TO USE AND BUILD ON IN THE FUTURE.

WHAT HAPPENS TO PRICES?

MR. GREENSPAN SAID: "WE BELIEVE THAT PRICE BEHAVIOR WILL NOT BE MODIFIED IMMEDIATELY BY EITHER MONETARY OR FISCAL STIMULI, IF RESOURCES ARE SUBSTANTIALLY UNDEREMPLOYED." AND, OF COURSE, THEY ARE.

DR. REES, THE DIRECTOR OF THE COUNCIL ON WAGE AND PRICE STABILITY, ALSO CONFIRMED THIS. IN HIS TESTIMONY LAST WEEK BEFORE THE JEC HE SAID:

"EVEN IF APPROPRIATE MONETARY AND FISCAL POLICY COMBINED WITH THE NATURAL RECUPERATIVE FORCES OF THE ECONOMY PRODUCES AN UPTURN IN ECONOMIC ACTIVITY IN THE SECOND HALF OF 1975, I WOULD EXPECT THE RATE OF INFLATION STILL TO BE DECLINING AT THE END OF THE YEAR. THE SLACK AND EXCESS CAPACITY THAT ARE CHECKING THE RISE IN PRICES WILL NOT BE IMMEDIATELY REMOVED BY AN UPTURN."

THE ONE "COST" INVOLVED WITH THIS SET OF PROPOSALS IS THAT THE BUDGET DEFICIT WOULD RISE BY ABOUT \$20 BILLION. I FIND IT EXTREMELY UNFORTUNATE THAT THE DEFICIT IS SO POORLY UNDERSTOOD. THE MAIN POINT IS THAT IT CAN ONLY BE UNDERSTOOD RELATIVE TO THE SIZE OF THE ECONOMY, WHICH OF COURSE SUSTAINS IT. VIEWED IN THIS WAY, AS A PERCENTAGE OF GROSS NATIONAL PRODUCT, THE SIGNIFICANCE OF THE FEDERAL DEBT HAS BEEN SHRINKING AND IS ACTUALLY AT ITS SMALLEST PERCENTAGE IN 42 YEARS.

I JUST CAN'T BUY, AND I HOPE YOU WON'T EITHER, ALL THE TALK ABOUT BEING "HORRIFIED" BY THE SIZE OF THE DEFICIT,

WHAT "HORRIFIES" ME IS THE TREMENDOUS WASTE OF HUMAN AND CAPITAL RESOURCES PRESENTLY TAKING PLACE BY OUR FAILURE TO SUSTAIN ECONOMIC GROWTH. DURING THE THREE YEARS 1974, 1975 AND 1976, OUR COUNTRY WILL LOSE THE STAGGERING SUM OF OVER \$600 BILLION IN GOODS AND SERVICES BY NOT OPERATING AT EVEN A 4 PERCENT LEVEL OF UNEMPLOYMENT,

IF WE WERE OPERATING ON 4 PERCENT UNEMPLOYMENT, WE WOULDN'T HAVE TO WORRY ABOUT A DEFICIT. INSTEAD, WE WOULD ENJOY A \$17 BILLION SURPLUS IN FY 1975 AND A \$12 BILLION SURPLUS IN FY 1976.

AS FOR THE PRESIDENT'S ENERGY PACKAGE, VIRTUALLY ALL
DEMOCRATS AND MANY REPUBLICANS REJECT IT.

THE PRESIDENT'S TARGET OF REDUCING OIL IMPORTS BY
1 MILLION BARRELS A DAY BY THE END OF THIS YEAR IS SIMPLY NOT
ACCEPTABLE. IT WOULD DEEPEN RECESSION AND INCREASE THE COST OF
LIVING. MOREOVER, I AM NOT CONVINCED THAT HIS PROGRAM WOULD MEET
THE ADMINISTRATION'S ARBITRARY GOAL.

WHAT WE NEED IS A PROGRAM TO ACHIEVE A REDUCED RATE
OF INCREASE IN ENERGY DEMAND AND AN INCREASE IN ENERGY
SUPPLY OVER THE NEXT DECADE. WE MUST NOT NEEDLESSLY PUNISH THE
AMERICAN PEOPLE.

THE BROAD STRATEGY OF THE DEMOCRATIC PROGRAM, ANNOUNCED DURING THE PAST WEEK, INCLUDES FOUR MAJOR ELEMENTS:

- (1) A COMPREHENSIVE, MANDATORY CONSERVATION PROGRAM.
- (2) THE CREATION OF A NATIONAL ENERGY PRODUCTION BOARD TO EXPAND DOMESTIC SUPPLIES, AND CREATE EMERGENCY STOCKPILES,
- (3) THE CREATION OF A NEW ENERGY TRUST FUND TO FINANCE THIS PROGRAM.
- (4) THE ESTABLISHMENT OF A STAND-BY PROGRAM OF ALLOCATION AND RATIONING TO PROTECT THE U.S. AGAINST FUTURE EMBARGOES.

IT HAS BEEN ESTIMATED THAT THE CONSERVATION PROGRAM ALONE COULD SAVE 500 THOUSAND BARRELS OF OIL A DAY IN THE FIRST YEAR, MORE THAN 5 MILLION BARRELS BY 1980, AND A VERY CONSIDERABLE 11 MILLION BARRELS PER DAY BY 1985.

I FIRMLY BELIEVE THAT A NATIONAL ENERGY POLICY SHOULD BE ONE THAT THE ADMINISTRATION AND CONGRESS PRESENT TO THE AMERICAN PEOPLE; FOR THE SUCCESS OF ANY PROGRAM DEPENDS ON THE WILLINGNESS OF THE AMERICAN PEOPLE TO SUPPORT IT.

UNILATERAL ACTION, CONFRONTATION POLITICS, WILL NOT WORK.

I WILL CONCLUDE MY REMARKS WITH A TOPIC THAT IS OFTEN NEGLECTED, YET IT IS ABSOLUTELY VITAL TO THE SUCCESS OF ANY ECONOMIC RECOVERY PROGRAM. I AM REFERRING TO MONETARY POLICY.

MANY OF THE WITNESSES COMING BEFORE OUR COMMITTEE HAVE TALKED ABOUT MONETARY POLICY.

THE ADMINISTRATION OFFICIALS WERE GENERALLY QUITE CAUTIOUS, SUGGESTING THAT A SUBSTANTIAL INCREASE IN THE MONEY SUPPLY WOULD REKINDLE INFLATIONARY FIRES. I CAN UNDERSTAND THIS POSITION, BUT I DO NOT BUY IT.

I AM MUCH MORE IN TUNE WITH THE MANY NON-ADMINISTRATION WITNESSES, WHOSE MESSAGE CAME THROUGH LOUD AND CLEAR: "WE NEED A MORE EXPANSIVE MONETARY POLICY, MORE CREDIT AVAILABLE, AND LOWER INTEREST RATES."

ALLOW ME TO QUOTE TWO OF THE WITNESSES TO MAKE IT CLEAR THAT THIS CALL IS NOT JUST FROM LIBERAL ECONOMISTS OR DEMOCRATS.

DR. PAUL McCracken, WHEN SPEAKING OF THE NEED FOR MONEY SUPPLY GROWTH TO SUPPORT THE ECONOMIC^{ic} RECOVERY SAID, "THAT WOULD SEEM TO MEAN A RATE OF EXPANSION CERTAINLY NOT LESS THAN EIGHT PERCENT FOR M1, PROBABLY CLOSER TO TEN PERCENT."

HENRY FORD II SAID, "I BELIEVE THAT THE MONETARY GROWTH RATE SHOULD BE RAISED TO THE RANGE OF 6 TO 8 PERCENT FOR A SHORT PERIOD IN ORDER TO MAKE UP FOR THE LACK OF APPROPRIATE GROWTH OVER THE PAST SEVEN MONTHS."

~~SAYING "LACK OF APPROPRIATE GROWTH" IS PUTTING IT MUCH~~
~~TOO MILDLY.~~ DURING DECEMBER AND JANUARY, WHEN THE ECONOMY WAS TAKING ITS DEEPEST PLUNGE IN TERMS OF OUTPUT AND EMPLOYMENT, THE MONEY SUPPLY ACTUALLY DECREASED SHARPLY. IN FACT, SINCE LAST JUNE THE ANNUAL GROWTH RATE HAS AVERAGED ONLY ABOUT ONE PERCENT.

I, ONCE AGAIN, FIND MYSELF IN FULL AGREEMENT WITH
HENRY FORD, WHO TOLD THE JEC: "I DO NOT UNDERSTAND HOW THE
FEDERAL RESERVE CAN PERMIT A SHARP CONTRACTION IN THE MONEY
SUPPLY AT A TIME OF SHARPLY RISING PRICES AND SHARPLY DECLINING
ECONOMIC ACTIVITY. THIS, IT SEEMS TO ME, IS A SURE FORMULA
FOR A LONGER AND DEEPER RECESSION."

THAT POINT NEEDS TO BE DRIVEN HOME. THERE IS SIMPLY NO
WAY THIS RECESSION CAN BE REVERSED UNTIL MORE MONEY BEGINS
TO FLOW INTO THE ECONOMY.

SENATOR PROXMIRE AND I HAVE INTRODUCED A SENATE RESOLUTION IN WHICH WE WERE JOINED BY SENATOR BUCKLEY AND SIXTEEN OTHER COSPONSORS, DIRECTING THE FEDERAL RESERVE TO INCREASE THE MONEY SUPPLY RAPIDLY ENOUGH THIS YEAR TO PROMOTE ECONOMIC RECOVERY. EVEN THOUGH THE FED IS AN INDEPENDENT AGENCY, IT IS THE CREATURE OF THE CONGRESS, AND I NOW FEEL THAT IT IS TIME THE CREATOR HAD SOME INPUT INTO THE ACTIONS OF THE CREATURE.

THE RESOLUTION BASICALLY DOES THREE THINGS:

FIRST, IT DIRECTS THE FEDERAL RESERVE BOARD OF GOVERNORS TO TAKE APPROPRIATE ACTION IN THE FIRST HALF OF 1975 TO INCREASE THE MONEY SUPPLY AT THE RATES NECESSARY TO PROMOTE ECONOMIC RECOVERY.

SECOND, IT DIRECTS THE FEDERAL RESERVE BOARD OF GOVERNORS TO MAINTAIN A STEADY LONG-TERM MONETARY POLICY COMMENSURATE WITH THE FULL POTENTIAL OF THE ECONOMY, MAXIMUM EMPLOYMENT AND STABLE PRICES.

FINALLY, THE RESOLUTION REQUIRES THE FEDERAL RESERVE TO CONSULT WITH CONGRESS ON MONEY AND CREDIT POLICY AT SEMI-ANNUAL HEARINGS, ~~BEFORE THIS COMMITTEE AND THE COMMITTEE ON BANKING IN THE OTHER HOUSE.~~

AS YOU CAN SEE FROM THESE THREE PROVISIONS, WE DON'T WANT TO DICTATE TO THE FED. WE DO WANT TO CONSULT. THE FED MUST JOIN THE TEAM IN THE BATTLE AGAINST RECESSION, IF IT IS TO FULFILL ITS RESPONSIBILITY TO THE AMERICAN PEOPLE.

I HAVE OUTLINED FOR YOU THE STEPS I FEEL SHOULD BE TAKEN
TO GET THE ECONOMY ON TRACK AGAIN AND TO RESTORE THE CONFIDENCE
OF THE AMERICAN PEOPLE. I WILL CONTINUE IN THE CONGRESS, AND
BEFORE THE PUBLIC, TO PUSH FOR THESE MEASURES WHICH WILL REVERSE
THE RECESSION QUICKLY AND DECISIVELY THIS YEAR AND LAY THE
FOUNDATION FOR A STRONG, GROWING, AMERICAN ECONOMY IN THE
FUTURE.

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