

REMARKS BY SENATOR HUBERT H. HUMPHREY

YOUNG PRESIDENT'S ORGANIZATION

Boca Raton, Florida

April 14, 1975

It is a great pleasure to be here with all you Young Presidents. Of course, I'd feel a lot more comfortable with some young Vice Presidents.

This University for Presidents is a wonderful idea. In fact, I probably should have enrolled in it myself a few years ago.

Just as those of us in Washington must get out and listen to those on the front lines of business activity, corporate executives should have some time to think about broader issues, outside of the normal day-to-day distractions. I'm sure this will prove to be a stimulating and provocative experience for all of you.

And it's a great honor to be a faculty member once again. Some of my fondest memories are of my days as a university professor.

All of you Presidents deal every day with economic questions. You don't need a United States Senator to tell you that something is terribly wrong with the American economy.

Businessmen, as well as working people, are angry and frustrated. And with a heavily Democratic Congress facing a Republican Administration, there seems to be little hope for a quick and sure solution.

It will be a long, hard struggle to reverse the decline in our economy. It won't happen by hoping it will.

A recovery is going to take strong medicine. But if we in the Congress act boldly, we can produce a rapid restoration of our economy.

There are several specific steps that I believe we must take now to reverse the current decline, generate increased output and income, and get millions of Americans back into productive jobs.

But first, I want to indicate briefly the current economic situation and where the experts say we are headed in the near future.

Unemployment currently is 8.7 percent. That means eight million workers are jobless. And this does not include the hundreds of thousands of men and women who have given up looking for jobs that don't exist. A more realistic unemployment figure would be considerably higher.

The increase in unemployment in the last five months is the sharpest since the Great Depression. We are going through an economic crisis more serious than anything you Young Presidents have ever directly experienced.

Accompanying the sharp slump in employment was an equally serious drop in our nation's output. During the eighteen months of the current slide, industrial production -- allowing for inflation -- declined 10 percent.

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 percent annual rate in the fourth quarter, bringing the total decline for 1974 to five percent.

One positive development is the growing consensus among forecasters that the rate of inflation will be down in the 4 percent to 6 percent range by the end of this year. Of course, when we look at the projected 9 percent to 10 percent unemployment at year's end, the tragic cost of bringing down inflation is clear.

I wish I could 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 allow for much optimism.

As Walter Heller testified before the Joint Economic Committee recently, "the same forces of prudence and responsibility that glibly dismissed the slide into recession as 'sideways waffling' now profess to see an early bottoming out. Even if the upturn occurs in the next six to nine months, it will be the economic non-event of 1975. The forces that will turn us around are not clearly in sight."

Frankly, the only forecasts that are at all optimistic are those that assume the enactment of the type of economic program that I and other Congressional Democrats have been urging.

The Administration's own projections, which assume that their program is adopted, are most distressing. They indicate the following:

- A 2.3 percent drop in real GNP in 1975;
- A rate of unemployment of over 6 percent until the end of the decade; and
- A real output level in 1976 that is lower than the 1973 level.

We are facing an economic crisis that demands our primary attention. The President's budget stresses cutting taxes to stimulate the economy, while restraining spending to control inflation. Thus, we have the tax rebate on the one hand, and the request to reduce spending by \$17 billion on the other.

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 currently are 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, ineffective, inequitable, and in trouble, with Congress and the American people. Mr. Ford's Jerry-built program simply will not do the job.

This disenchantment with the President's program is not confined to Democrats or liberal economists. Business leaders who have testified before the Joint Economic Committee 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."

And I might add, neither will Congress. We will provide the stimulus the economy needs to recover.

We already have passed a tax reduction bill which will refund more than \$8 billion in 1974 individual income taxes.

We reduced 1975 taxes by \$10 billion for individuals and increased the business investment tax credit to 10 percent.

Still more needs to be done.

We must expand Social Security and retirement programs to keep them in line with the cost of living. The costs to the Treasury can be partially offset by limiting the proposed 18 percent rise in military spending.

We must enact immediately a public service employment program designed to employ at least one million persons.

We should provide mortgage subsidies to reduce interest rates to not more than 6 percent for middle- and low-income families.

And we must increase the money supply from 8 to 10 percent.

Let me say a few words about monetary policy. It is a subject that often is neglected, yet it is absolutely vital to the success of any economic recovery program.

I do not buy the Administration's position that a substantial increase in the money supply would rekindle the fires of inflation.

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

And this call does not come only from liberal economists or Democrats.

Dr. Paul McCracken, a former Republican Chairman of the Council of Economic Advisors, told our committee that an 8 to 10 percent expansion of the money supply was necessary to support economic recovery.

And Henry Ford 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 simply is no way this recession can be reversed until more money begins to flow into the economy.

Senator Proxmire and I introduced, and the Senate passed, a resolution 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.

As you can see from these three provisions, we don't want to dictate to the Fed. But 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.

The effect of the economic program I have outlined, excluding the housing subsidy, 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.

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

The one "cost" involved with this set of proposals is that the budget deficit would rise by about \$15 billion.

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 of 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 fiscal year 1975 and a \$12 billion surplus in fiscal year 1976.

I want to conclude this afternoon with a few words about the President's energy package. Virtually all Democrats and many Republicans have rejected it.

Fortunately, Congress has prevented at least \$2 of the \$3 per barrel tariff on crude oil proposed by the White House. If the President had had his way, the cost of living would have jumped another 3 to 4 percent. The OPEC cartel would have been given a new lease on life, just when its members, drowning in a sea of unsold oil, are showing signs of internal dissension.

The President's target of reducing oil imports by 1 million barrels a day by the end of this year simply is 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.

I have introduced, with Senator Jackson, the National Energy Conservation Act of 1975. It goes to the heart of this nation's energy problem -- energy waste.

This proposal establishes a series of tough mandatory conservation standards and imaginative incentives. It will save nearly 500,000 barrels of oil equivalent per day in its first year and about 10 million barrels per day by 1985.

Most importantly, this approach to dealing with the energy crisis would not add to inflation or cost American workers their jobs. In short, it would not accelerate the economic tailspin.

The time has passed for a "Republican" or "Democratic" energy program. I firmly believe that a National Energy Policy should be one that the Administration and Congress jointly present to the American people.

Unilateral action, confrontation politics, will not work. The success of any program ultimately depends on the willingness of the American people to support it.

I have outlined for you the steps I feel should be taken to get the economy on the 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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REMARKS BY SENATOR HUBERT H. HUMPHREY

President Bob Holder

YOUNG PRESIDENTS' ORGANIZATION

BOCA RATON, FLORIDA

APRIL 14, 1975

John Hoeg.
educ director

IT IS A GREAT PLEASURE TO BE HERE WITH ALL YOU YOUNG
PRESIDENTS. OF COURSE, I'D FEEL A LOT MORE COMFORTABLE WITH
SOME YOUNG VICE PRESIDENTS!

L THIS UNIVERSITY FOR PRESIDENTS IS A WONDERFUL IDEA. IN
FACT, I PROBABLY SHOULD HAVE ENROLLED IN IT MYSELF A FEW
YEARS AGO!

L JUST AS THOSE OF US IN WASHINGTON MUST GET OUT AND
LISTEN TO THOSE ON THE FRONT LINES OF BUSINESS ACTIVITY, CORPORATE
EXECUTIVES SHOULD HAVE SOME TIME TO THINK ABOUT BROADER ISSUES,

OUTSIDE OF THE NORMAL DAY-TO-DAY DISTRACTIONS. I'M SURE *your*

University for Presidents program will
~~WILL PROVE TO~~ BE A STIMULATING AND PROVOCATIVE EXPERIENCE FOR

ALL OF YOU.

⌈ AND IT'S A GREAT HONOR TO BE A FACULTY MEMBER ONCE AGAIN.

SOME OF MY FONDEST MEMORIES ARE OF MY DAYS AS A UNIVERSITY

PROFESSOR.

- Prof for a DAY - Something for k Yus!

⌈ ALL OF YOU PRESIDENTS DEAL EVERY DAY WITH ECONOMIC
QUESTIONS. ⌈ YOU DON'T NEED A UNITED STATES SENATOR TO TELL YOU

THAT SOMETHING IS ~~VERY~~ WRONG WITH THE AMERICAN ECONOMY.

⌈ BUSINESSMEN, AS WELL AS WORKING PEOPLE, ARE ANGRY AND
FRUSTRATED. AND WITH A HEAVILY DEMOCRATIC CONGRESS FACING A
REPUBLICAN ADMINISTRATION, THERE SEEMS TO BE LITTLE HOPE FOR
A QUICK AND SURE SOLUTION.

The fact is -

⌈ IT WILL BE A LONG, HARD STRUGGLE TO REVERSE THE DECLINE
IN OUR ECONOMY. ⌈ IT WON'T HAPPEN BY HOPING IT WILL.

and as I see it,

RECOVERY IS GOING TO TAKE STRONG MEDICINE. BUT IF WE

IN THE CONGRESS ACT BOLDLY, *if there can be a restoration* ~~WE CAN PRODUCE A RAPID RESTORATION~~

of confidence in the country - Consumer as well as
~~OF OUR ECONOMY.~~
investor confidence - then we can have a
rapid recovery.

⌈ THERE ARE SEVERAL SPECIFIC STEPS THAT I BELIEVE WE MUST

TAKE NOW TO REVERSE THE CURRENT DECLINE, GENERATE INCREASED

OUTPUT AND INCOME, AND GET MILLIONS OF AMERICANS BACK INTO

PRODUCTIVE JOBS.

⌈ BUT FIRST, I WANT TO INDICATE BRIEFLY THE CURRENT ECONOMIC

SITUATION AND WHERE THE EXPERTS SAY WE ARE HEADED IN THE NEAR

FUTURE.

L UNEMPLOYMENT CURRENTLY IS 8.7 PERCENT. THAT MEANS EIGHT
MILLION WORKERS ARE JOBLESS. AND THIS DOES NOT INCLUDE *those on*
Part time work that want full time jobs in the
HUNDREDS OF THOUSANDS OF MEN AND WOMEN WHO HAVE GIVEN UP
LOOKING FOR JOBS THAT DON'T EXIST. A MORE REALISTIC UNEMPLOYMENT
FIGURE WOULD BE CONSIDERABLY HIGHER. *11 1/2 -*

L THE INCREASE IN UNEMPLOYMENT IN THE LAST FIVE MONTHS IS
THE SHARPEST SINCE THE GREAT DEPRESSION. WE ARE GOING THROUGH
AN ECONOMIC CRISIS MORE SERIOUS THAN ANYTHING YOU YOUNG
PRESIDENTS HAVE EVER DIRECTLY EXPERIENCED.

L ACCOMPANYING THE SHARP SLUMP IN EMPLOYMENT WAS AN EQUALLY
SERIOUS DROP IN OUR NATION'S OUTPUT. DURING THE EIGHTEEN MONTHS
OF THE CURRENT SLIDE, INDUSTRIAL PRODUCTION -- ALLOWING FOR
INFLATION -- DECLINED 10 PERCENT.

L 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. - *Plant capacity advised at 70%.*

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

L ONE POSITIVE DEVELOPMENT IS THE GROWING CONSENSUS AMONG
FORECASTERS THAT THE RATE OF INFLATION WILL BE DOWN IN THE
4 PERCENT TO 6 PERCENT RANGE BY THE END OF THIS YEAR. L OF COURSE,
WHEN WE LOOK AT THE PROJECTED 9 PERCENT TO 10 PERCENT UNEMPLOYMENT
AT YEAR'S END, THE TRAGIC COST OF BRINGING DOWN INFLATION IS

CLEAR.

[I WISH I COULD 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
that
ALLOW FOR MUCH OPTIMISM.

[~~He~~ ^{that} WALTER HELLER TESTIFIED BEFORE THE JOINT ECONOMIC
COMMITTEE RECENTLY, "THE SAME FORCES OF PRUDENCE AND RESPON-
SIBILITY THAT GLIBLY DISMISSED THE SLIDE INTO RECESSION AS
'SIDEWAYS WAFFLING' NOW PROFESS TO SEE AN EARLY BOTTOMING OUT.
EVEN IF THE UPTURN OCCURS IN THE NEXT SIX TO NINE MONTHS, IT
WILL BE THE ECONOMIC NON-EVENT OF 1975. THE FORCES THAT WILL
TURN US AROUND ARE NOT CLEARLY IN SIGHT."

FRANKLY, THE ONLY FORECASTS THAT ARE AT ALL OPTIMISTIC ARE THOSE THAT ASSUME THE ENACTMENT OF THE TYPE OF ECONOMIC PROGRAM THAT I AND OTHER CONGRESSIONAL DEMOCRATS HAVE BEEN URGING.

THE ADMINISTRATION'S OWN PROJECTIONS, WHICH ASSUME THAT THEIR PROGRAM IS ADOPTED, ARE MOST DISTRESSING. THEY INDICATE

THE FOLLOWING:

-- A 2.3 PERCENT DROP IN REAL GNP IN 1975;

-- A RATE OF UNEMPLOYMENT OF OVER 6 PERCENT UNTIL THE END

OF THE DECADE; AND

-- A REAL OUTPUT LEVEL IN 1976 THAT IS LOWER THAN THE 1973 LEVEL.

WE ARE FACING AN ECONOMIC CRISIS THAT DEMANDS OUR
PRIMARY ATTENTION. THE PRESIDENT'S BUDGET STRESSES CUTTING
TAXES TO STIMULATE THE ECONOMY, WHILE RESTRAINING SPENDING TO
CONTROL INFLATION. THUS, WE HAVE THE TAX REBATE ON THE
ONE HAND, AND THE REQUEST TO REDUCE SPENDING BY \$17 BILLION ON
THE OTHER.

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 CURRENTLY ARE ESTIMATED AT \$45-50 BILLION, WHILE ONLY
\$30 BILLION OF THE TAXES ARE SCHEDULED TO BE RETURNED TO THE
ECONOMY.

L THIS PACKAGE IS UNACCEPTABLE, IN LIGHT OF THE ECONOMY'S
NEED FOR A LARGE STIMULUS.

L LET ME BE BLUNT ABOUT IT. IT IS INADEQUATE, INEFFECTIVE,
INEQUITABLE, AND IN TROUBLE, WITH CONGRESS AND THE AMERICAN PEOPLE.
~~Mr. Ford's Program simply will not do~~
~~MR. FORD'S JERRY-BUILT PROGRAM SIMPLY WILL NOT DO THE JOB, the job.~~

L THIS DISENCHANTMENT WITH THE PRESIDENT'S PROGRAM IS NOT
CONFINED TO DEMOCRATS OR LIBERAL ECONOMISTS / BUSINESS LEADERS
WHO HAVE TESTIFIED BEFORE THE JOINT ECONOMIC COMMITTEE 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."

AND I MIGHT ADD, NEITHER WILL CONGRESS. ~~WE WILL PROVIDE~~
W THE STIMULUS THE ECONOMY NEEDS TO RECOVER.

23 billion
L WE ALREADY HAVE PASSED A TAX REDUCTION BILL WHICH WILL
REFUND MORE THAN \$8 BILLION IN 1974 INDIVIDUAL INCOME TAXES.

L WE REDUCED 1975 TAXES BY \$17 BILLION FOR INDIVIDUALS AND
INCREASED THE BUSINESS INVESTMENT TAX CREDIT TO 10 PERCENT.

L STILL MORE NEEDS TO BE DONE.

*WE gave tax relief to corporations - a specific reduction
applicable to the first \$50,000 of net income. on the first
25,000 rate cut from 22% to 20% - on 2d 25,000 rate
cut from 48% to 32%.*

✓ WE MUST EXPAND SOCIAL SECURITY AND RETIREMENT PROGRAMS TO
KEEP THEM IN LINE WITH THE COST OF LIVING. THE COSTS TO THE
TREASURY CAN BE PARTIALLY OFFSET BY LIMITING THE PROPOSED
18 PERCENT RISE IN MILITARY SPENDING. *↓ Fr. Assistance*

✓ WE MUST ENACT IMMEDIATELY A PUBLIC SERVICE EMPLOYMENT
PROGRAM DESIGNED TO EMPLOY AT LEAST ONE MILLION PERSONS.

✓ WE SHOULD PROVIDE ^{*Home*} MORTGAGE SUBSIDIES TO REDUCE INTEREST-
~~RATES~~ ^{*withholding*} RATES TO NOT MORE THAN 6 PERCENT FOR MIDDLE- AND LOW-INCOME
FAMILIES. *Housing Depression*
Wing Housing Bank

✓ AND WE MUST INCREASE THE MONEY SUPPLY FROM 8 TO 10 PERCENT.

✓ LET ME SAY A FEW WORDS ABOUT MONETARY POLICY. ✓ IT IS A
SUBJECT THAT OFTEN IS NEGLECTED, YET IT IS ABSOLUTELY VITAL TO
THE SUCCESS OF ANY ECONOMIC RECOVERY PROGRAM.

L I DO NOT BUY THE ADMINISTRATION'S POSITION THAT A
SUBSTANTIAL INCREASE IN THE MONEY SUPPLY WOULD REKINDLE THE
FIRES OF INFLATION.

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

L AND THIS CALL DOES NOT COME ONLY FROM ^{so-called} LIBERAL ECONOMISTS
OR DEMOCRATS.

L DR. PAUL McCracken, A FORMER ~~REPUBLICAN~~ CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISORS, TOLD OUR COMMITTEE THAN AN 8
TO 10 PERCENT EXPANSION OF THE MONEY SUPPLY WAS NECESSARY TO
SUPPORT ECONOMIC RECOVERY. — 1975 - then to about
6% 1976

L AND HENRY FORD 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."

L THAT POINT NEEDS TO BE DRIVEN HOME. THERE SIMPLY IS NO
WAY THIS RECESSION CAN BE REVERSED UNTIL MORE MONEY ^{*credit begins*} BEGINS
TO FLOW INTO THE ECONOMY.

L SENATOR PROXMIRE AND I INTRODUCED, AND THE SENATE PASSED,
A RESOLUTION 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.

AS YOU CAN SEE FROM THESE THREE PROVISIONS, WE DON'T WANT
TO DICTATE TO THE FED, BUT 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.

THE EFFECT OF THE ECONOMIC PROGRAM I HAVE OUTLINED,
EXCLUDING THE HOUSING SUBSIDY, 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.

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

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

L 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.

2 THE ONE "COST" INVOLVED WITH THIS SET OF PROPOSALS IS
THAT THE BUDGET DEFICIT WOULD RISE BY ABOUT \$15 BILLION.

Δ 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.

L DURING THE THREE YEARS OF 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.

L 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 FISCAL YEAR 1975 AND A \$12 BILLION SURPLUS
IN FISCAL YEAR 1976.

L I WANT TO CONCLUDE THIS AFTERNOON WITH A FEW WORDS ABOUT
THE PRESIDENT'S ENERGY PACKAGE. VIRTUALLY ALL DEMOCRATS AND
MANY REPUBLICANS HAVE REJECTED IT.

L FORTUNATELY, CONGRESS HAS PREVENTED AT LEAST \$2 OF THE

\$3 PER BARREL TARIFF ON CRUDE OIL PROPOSED BY THE WHITE HOUSE.

L IF THE PRESIDENT HAD HAD HIS WAY, THE COST OF LIVING WOULD HAVE
increase unemployment by 400,000
JUMPED ANOTHER 3 TO 4 PERCENT. THE OPEC CARTEL WOULD HAVE BEEN

GIVEN A NEW LEASE ON LIFE, JUST WHEN ITS MEMBERS, DROWNING IN A

SEA OF UNSOLD OIL, ARE SHOWING SIGNS OF INTERNAL DISSENSION.

L THE PRESIDENT'S TARGET OF REDUCING OIL IMPORTS BY 1 MILLION
BARRELS A DAY BY THE END OF THIS YEAR SIMPLY IS NOT ACCEPTABLE.

L IT WOULD DEEPEN RECESSION AND INCREASE THE COST OF LIVING.

L 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.

I HAVE INTRODUCED, WITH SENATOR JACKSON, THE NATIONAL
ENERGY CONSERVATION ACT OF 1975. IT GOES TO THE HEART OF
THIS NATION'S ENERGY PROBLEM -- ENERGY WASTE.

THIS PROPOSAL ESTABLISHES A SERIES OF TOUGH MANDATORY
CONSERVATION STANDARDS AND IMAGINATIVE INCENTIVES. IT WILL
SAVE NEARLY 500,000 BARRELS OF OIL EQUIVALENT PER DAY IN ITS
FIRST YEAR AND ABOUT 10 MILLION BARRELS PER DAY BY 1985.

Most importantly, this approach to dealing with the energy crisis would not add to inflation or cost American workers their jobs. In short, it would not accelerate the economic tailspin.

The time has passed for a "Republican" or "Democratic" energy program. I firmly believe that a National Energy Policy should be one that the Administration and Congress jointly present to the American people.

Unilateral action, confrontation politics, will not work. The success of any program ultimately depends on the willingness of the American people to support it.

Nat Domestic Develop Bank

I HAVE OUTLINED FOR YOU THE STEPS I FEEL SHOULD BE TAKEN
TO GET THE ECONOMY ON THE 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.

But, the future ## Planning -
Capital formation, Resources,
Nat. Food Policy | access to market
Nat. Energy Policy | access to supply



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