

REMARKS BY SENATOR HUBERT H. HUMPHREY  
NATIONAL ASSOCIATION OF WOMEN IN CONSTRUCTION

Minneapolis, Minnesota

May 17, 1975

It is a pleasure to be here today at the Regional Forum of the National Association of Women in Construction.

You women are involved in one of the most important sectors of our economy. Yet the construction industry has borne much more than its share of the burden of recession and the ups and downs of the nation's economy.

I know that many of you here today have seen the construction industry squeezed into a slowdown time and time again by high interest rates. Just when business starts to pick up, when decisions are being made to build more plants, highways, homes and office buildings, the Federal Reserve Board panics, pushes up interest rates and kills recovery.

But until last year, construction was always the first industry to pick up towards the end of a recession, the first to pull out of the nose dive, as interest rates fell.

The current recession has been unique in American economic history. We've had recession and inflation at the same time. "Stagflation" is an unwanted "first."

As a result, the construction industry has been hit coming and going by a double whammy.

Today, I want to discuss with you, very briefly, a few of the reasons I have for believing that the policies followed by the present Administration must be changed if we are to restore a healthy American economy, an economy in which the construction industry can prosper.

As you well know, in the name of fighting inflation, the FED, with the Administration's blessing, tightened up on credit early last year and sent interest rates soaring to record levels.

As I see it, there were two things fundamentally wrong with this policy:

First, the economy was already heading towards a mild recession and, therefore, price increases would have slowed down soon anyway.

The main culprit in the 1974 inflation was higher energy prices. Since the Arabs controlled the price of imported oil, and not the Federal Reserve Board, much of this energy inflation simply had to work its way through the economy.

As a result, the FED's tight money policy failed to slow down the inevitable price increases, but it certainly made the recession longer and much more severe than it would have been otherwise.

This was a tragic policy blunder of the first order.

The second major shortcoming of this policy was that it had a disproportionate impact on a few, vulnerable sectors -- housing, construction, agriculture, and state and local governments.

When interest rates shoot up, as they did last year, these sectors simply can't compete with the large corporations borrowing at the prime rate. And those sectors heavily reliant on financing, like housing and construction, suffer most from high interest rates.

Eighteen months into this recession, we find that production is still declining.

In the first quarter of this year, output in the U.S. economy fell at a 10 percent rate.

Unemployment stood at an 8.9 percent "official rate" in April, the highest level since the Great Depression. Most experts expect it to rise to 9.5 percent before tapering off.

In some industries -- autos, construction, lumber, apparel -- unemployment is almost 20 percent.

And, unlike past recessions, when interest rates have dropped sharply, the Federal Reserve continues to choke off a recovery of housing and other construction. Housing starts in March were only at a 980,000 rate, while a year ago they were at a 1.5 million rate, and in 1972 we built 2.4 million housing units.

This recession has meant that many businesses have had to abandon or postpone plans for expansion, because of falling profits and high interest rates.

And, finally, state and local governments, strapped because of declining tax revenues, have had to raise taxes and cut back on construction plans for highways, schools, hospitals, and many other important public projects.

In the face of the severest recession since the thirties, the Administration continues to call for moderation. The President and his advisers are reacting like a doctor who treats a pneumonia patient with a few teaspoons of cough syrup because he fears the patient might get addicted to penicillin. You and I know that he'd better use that penicillin sooner rather than later; otherwise, he's going to lose his patient.

That's the way I see our economy right now -- economic activity has fallen so far and unemployment is so severe that there is little danger of over-stimulating the economy. Just the wise doctor gives stronger doses of penicillin at first and then tapers off as the patient recovers, we need to front-load the stimulus to economic recovery. For this reason, Congress passed a larger tax cut than the President requested.

But tax cuts alone are not enough. We must have the cooperation of the Federal Reserve in lowering interest rates. And, the federal government has to support recovery by stimulating the basic sectors of our economy.

In addition to an accelerated public works program, and creation of a Federal Housing Bank, one of the most important initiatives that the federal government can undertake is the support of state and local governments.

Senator Muskie and I recently introduced, and are pushing for enactment, a bill to provide anti-recession grants to state and local governments during periods of high unemployment.

Because the tax revenues of these governments are so sensitive to unemployment, and because many of them are unable to compete in the credit markets, many have had to cut back drastically on construction plans.

Of course, this simply adds to the momentum of the recession snowball.

Our bill would provide \$4 billion to state and local governments and would shore up those depleted budgets. It would provide jobs and meet the need of our citizens for public services. These governments can use the funds for a variety of purposes. Some governments would use these funds to proceed with badly needed sewage facilities, schools, roads, hospitals and office space.

A recent study done for me by the staff of the Joint Economic Committee showed that state and local governments have postponed more than \$1 billion in capital spending solely because of the recession-induced budget crunch. If our bill is enacted, many of these deferred construction projects will go forward.

As economic activity picks up, and unemployment drops, the grants will be phased down, and at 4 percent unemployment they will stop entirely. This is what I meant about front-loading the stimulus -- give the patient as much penicillin as he needs at first, then phase it out completely as he recovers. This approach pushes recovery without aggravating inflation.

Earlier, I mentioned the Federal Reserve and the key role it must play in supporting economic growth. We created the Federal Reserve and made it responsible to the Congress. Too often, however, our central bank has forgotten this and pursued its own economic policy independently of the Congress or the President.

This time, Congress is not about to let the Federal Reserve stifle what is already expected to be a weak recovery.

For the first time in history, partly as the result of a resolution which I sponsored, the Federal Reserve is required to come before Congress and explain its money targets, its plans for the coming year. Let me assure you that I will push this matter. If the Federal Reserve doesn't change its ways and increase the money supply enough to get the housing and construction industry moving again, then it is time we change the FED.

The severe slump in construction will continue to force many smaller businesses out, businesses which will be unable to come back into the construction industry when activity picks up. This is a great concern of mine. I've always felt that the healthy competition which prevails in the construction industry is one of its greatest strengths. It would be a tragedy for the basic structure of such a vital and wide-spread industry to be permanently altered because of short-sighted government policies.

These are tremendous unmet needs in America today -- things that need doing to make our country a better place to live.

-- We need more and better homes in which to live and raise our families.

-- We need new health facilities designed to meet the requirements of modern medicine.

-- We need the kinds of schools that encourage our children to develop their capacities fully.

-- We need water and sewer facilities that are critical in preserving the fragile balance of man with his natural environment.

-- We need a safer and more efficient system of roads -- primary, secondary, and very importantly -- farm to market roads, to meet the needs of an evermore mobile society.

It is time we stopped listening to the voices of the timid and the fearful in our society.

America was built and has prospered for two centuries because of its bold, pioneering outlook. And it will return to prosperity only when this true American spirit once again takes hold.

It's time that we rekindled that spark that is the American spirit. With that driving force behind us, we can build the kind of America that we all want and need.

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Juni Barton - nat. President  
Jan Burger - nat Director Reg VI  
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REMARKS BY SENATOR HUBERT H. HUMPHREY

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NATIONAL ASSOCIATION OF WOMEN IN CONSTRUCTION

MINNEAPOLIS, MINNESOTA

MAY 17, 1975

Robbie Zanko

IT IS A PLEASURE TO BE HERE TODAY AT THE REGIONAL FORUM  
OF THE NATIONAL ASSOCIATION OF WOMEN IN CONSTRUCTION.

L YOU WOMEN ARE INVOLVED IN ONE OF THE MOST IMPORTANT  
SECTORS OF OUR ECONOMY. L YET THE CONSTRUCTION INDUSTRY HAS BORNE  
MUCH MORE THAN ITS SHARE OF THE BURDEN OF RECESSION AND THE  
UPS AND DOWNS OF THE NATION'S ECONOMY.

L I KNOW THAT MANY OF YOU HERE TODAY HAVE SEEN THE CONSTRUCTION  
INDUSTRY SQUEEZED INTO A SLOWDOWN TIME AND TIME AGAIN BY  
HIGH INTEREST RATES <sup>+Tight credit</sup> L JUST WHEN BUSINESS STARTS TO PICK UP, WHEN  
DECISIONS ARE BEING MADE TO BUILD MORE PLANTS, HIGHWAYS, HOMES  
AND OFFICE BUILDINGS, L THE FEDERAL RESERVE BOARD PANICS, PUSHES  
UP INTEREST RATES AND KILLS RECOVERY.

L BUT UNTIL LAST YEAR, CONSTRUCTION WAS ALWAYS THE FIRST  
INDUSTRY TO PICK UP TOWARDS THE END OF A RECESSION, THE FIRST  
TO PULL OUT OF THE NOSE DIVE, AS INTEREST RATES FELL.

L THE CURRENT RECESSION HAS BEEN UNIQUE IN AMERICAN ECONOMIC  
HISTORY. WE'VE HAD RECESSION AND INFLATION AT THE SAME TIME.

"STAGFLATION" IS AN UNWANTED "FIRST."

L AS A RESULT, THE CONSTRUCTION INDUSTRY HAS BEEN HIT COMING  
AND GOING BY A DOUBLE WHAMMY.

L TODAY, I WANT TO DISCUSS WITH YOU ~~VERY BRIEFLY~~ A FEW  
OF THE REASONS I HAVE FOR BELIEVING THAT THE POLICIES FOLLOWED  
BY THE PRESENT ADMINISTRATION MUST BE CHANGED IF WE ARE TO  
RESTORE A HEALTHY AMERICAN ECONOMY, AN ECONOMY IN WHICH THE  
CONSTRUCTION INDUSTRY CAN PROSPER.

Fiscal  
Budget  
maneuver



AS YOU WELL KNOW, IN THE NAME OF FIGHTING INFLATION,  
THE FED, WITH THE ADMINISTRATION'S BLESSING, TIGHTENED UP  
ON CREDIT EARLY LAST YEAR AND SENT INTEREST RATES SOARING TO  
RECORD LEVELS.

h AS I SEE IT, THERE WERE TWO THINGS FUNDAMENTALLY WRONG  
WITH THIS POLICY:

h FIRST, THE ECONOMY WAS ALREADY HEADING TOWARDS A MILD  
RECESSION AND, THEREFORE, PRICE INCREASES WOULD HAVE SLOWED  
DOWN SOON ANYWAY.

h THE MAIN CULPRIT IN THE 1974 INFLATION WAS HIGHER ENERGY  
PRICES. SINCE THE ARABS CONTROLLED THE PRICE OF IMPORTED OIL,  
AND NOT THE FEDERAL RESERVE BOARD, MUCH OF THIS ENERGY INFLATION  
SIMPLY HAD TO WORK ITS WAY THROUGH THE ECONOMY. - *but about 2%*



L AS A RESULT, THE FED'S TIGHT MONEY POLICY FAILED TO SLOW  
DOWN THE INEVITABLE PRICE INCREASES, BUT IT CERTAINLY MADE THE  
RECESSION LONGER AND MUCH MORE SEVERE THAN IT WOULD HAVE BEEN  
OTHERWISE.

L THIS WAS A ~~FINANCIAL~~ POLICY BLUNDER OF THE FIRST ORDER!

#2 L THE SECOND MAJOR SHORTCOMING OF THIS POLICY WAS THAT IT  
HAD A DISPROPORTIONATE IMPACT ON A FEW, VULNERABLE SECTORS --  
HOUSING, CONSTRUCTION, ~~Auto~~, AGRICULTURE, AND STATE AND LOCAL GOVERN-  
MENTS.

L WHEN INTEREST RATES SHOOT UP, AS THEY DID LAST YEAR,  
THESE SECTORS SIMPLY CAN'T COMPETE WITH THE LARGE CORPORATIONS  
BORROWING AT THE PRIME RATE AND THOSE SECTORS HEAVILY RELIANT  
ON FINANCING, LIKE HOUSING AND CONSTRUCTION, SUFFER MOST FROM  
HIGH INTEREST RATES.

L EIGHTEEN MONTHS INTO THIS RECESSION, WE FIND THAT PRODUCTION  
IS STILL DECLINING.

L IN THE FIRST QUARTER OF THIS YEAR, OUTPUT IN THE U.S.  
ECONOMY FELL AT A 10 PERCENT RATE.

L UNEMPLOYMENT STOOD AT AN 8.9 PERCENT "OFFICIAL RATE" IN  
APRIL, THE HIGHEST LEVEL SINCE THE GREAT DEPRESSION. MOST  
EXPERTS EXPECT IT TO RISE TO 9.5 PERCENT BEFORE TAPERING OFF.

L IN SOME INDUSTRIES -- AUTOS, CONSTRUCTION, LUMBER,  
APPAREL -- UNEMPLOYMENT IS ALMOST 20 PERCENTo

L AND, UNLIKE PAST RECESSIONS, WHEN INTEREST RATES HAVE  
DROPPED SHARPLY, THE FEDERAL RESERVE CONTINUES TO CHOK OFF A  
RECOVERY OF HOUSING AND OTHER CONSTRUCTION / HOUSING STARTS  
IN MARCH WERE ONLY AT A 980,000 RATE, WHILE A YEAR AGO THEY  
WERE AT A 1.5 MILLION RATE, AND IN 1972 WE BUILT 2.4 MILLION  
HOUSING UNITS.

*and* —

L THIS RECESSION HAS MEANT THAT MANY BUSINESSES HAVE HAD TO  
ABANDON OR POSTPONE PLANS FOR EXPANSION, BECAUSE OF FALLING  
PROFITS AND HIGH INTEREST RATES.

L AND, FINALLY, STATE AND LOCAL GOVERNMENTS, STRAPPED  
BECAUSE OF DECLINING TAX REVENUES, HAVE HAD TO RAISE TAXES  
AND CUT BACK ON CONSTRUCTION PLANS FOR HIGHWAYS, SCHOOLS,  
HOSPITALS, AND MANY OTHER IMPORTANT PUBLIC PROJECTS.

L IN THE FACE OF THE SEVEREST RECESSION SINCE THE THIRTIES,  
THE ADMINISTRATION CONTINUES TO CALL FOR MODERATION / THE PRESIDENT  
AND HIS ADVISERS ARE REACTING LIKE A DOCTOR WHO TREATS A  
PNEUMONIA PATIENT WITH A FEW TEASPOONS OF COUGH SYRUP BECAUSE  
HE FEARS THE PATIENT MIGHT ~~GET ADDICTED~~ <sup>become immune</sup> TO PENICILLIN. YOU AND  
I KNOW THAT HE'D BETTER USE THAT PENICILLIN SOONER RATHER THAN  
LATER; OTHERWISE, HE'S GOING TO LOSE HIS PATIENT,

*now*  
h THAT'S THE WAY I SEE OUR ECONOMY RIGHT NOW -- ECONOMIC  
ACTIVITY HAS FALLEN SO FAR AND UNEMPLOYMENT IS SO SEVERE THAT  
THERE IS LITTLE DANGER OF OVER-STIMULATING THE ECONOMY JUST  
AS THE WISE DOCTOR GIVES STRONGER DOSES OF PENICILLIN AT FIRST  
AND THEN TAPERS OFF AS THE PATIENT RECOVERS, WE NEED TO FRONT-  
LOAD THE STIMULUS TO ECONOMIC RECOVERY FOR THIS REASON, CONGRESS  
PASSED A LARGER TAX CUT THAT THE PRESIDENT REQUESTED.

h BUT TAX CUTS ALONE ARE NOT ENOUGH WE MUST HAVE THE  
COOPERATION OF THE FEDERAL RESERVE IN LOWERING INTEREST RATES.

h AND, THE FEDERAL GOVERNMENT HAS TO SUPPORT RECOVERY BY STIMULATING  
THE BASIC SECTORS OF OUR ECONOMY.

L IN ADDITION TO AN ACCELERATED PUBLIC WORKS PROGRAM, AND  
CREATION OF A FEDERAL HOUSING BANK, ONE OF THE MOST IMPORTANT  
INITIATIVES THAT THE FEDERAL GOVERNMENT CAN UNDERTAKE IS THE  
SUPPORT OF STATE AND LOCAL GOVERNMENTS.

L SENATOR MUSKIE AND I RECENTLY INTRODUCED, AND ARE PUSHING  
FOR ENACTMENT, A BILL TO PROVIDE ANTI-RECESSION GRANTS TO  
STATE AND LOCAL GOVERNMENTS DURING PERIODS OF HIGH UNEMPLOYMENT.

L BECAUSE THE TAX REVENUES OF THESE GOVERNMENTS ARE SO  
SENSITIVE TO UNEMPLOYMENT, AND BECAUSE MANY OF THEM ARE UNABLE  
TO COMPETE IN THE CREDIT MARKETS, MANY HAVE HAD TO CUT BACK  
DRASTICALLY ON CONSTRUCTION PLANS.

h OF COURSE, THIS SIMPLY ADDS TO THE MOMENTUM OF THE  
RECESSION SNOWBALL.

h OUR BILL WOULD PROVIDE \$4 BILLION TO STATE AND LOCAL  
GOVERNMENTS AND WOULD SHORE UP THOSE DEPLETED BUDGETS. IT  
WOULD PROVIDE JOBS AND MEET THE NEED OF OUR CITIZENS FOR PUBLIC  
SERVICES. THESE GOVERNMENTS CAN USE THE FUNDS FOR A VARIETY  
OF PURPOSES. h SOME GOVERNMENTS WOULD USE THESE FUNDS TO PROCEED  
WITH BADLY NEEDED SEWAGE FACILITIES, SCHOOLS, ROADS, HOSPITALS  
AND OFFICE SPACE.

A RECENT STUDY DONE FOR ME BY THE STAFF OF THE JOINT  
ECONOMIC COMMITTEE SHOWED THAT STATE AND LOCAL GOVERNMENTS HAVE  
POSTPONED MORE THAN \$1 BILLION IN CAPITAL SPENDING SOLELY  
BECAUSE OF THE RECESSION-INDUCED BUDGET CRUNCH.



IF OUR BILL IS ENACTED, MANY OF THESE DEFERRED CONSTRUCTION  
PROJECTS WILL GO FORWARD.

AS ECONOMIC ACTIVITY PICKS UP, AND UNEMPLOYMENT DROPS,  
THE GRANTS WILL BE PHASED DOWN, AND AT 4 PERCENT UNEMPLOYMENT  
THEY WILL STOP ENTIRELY. THIS IS WHAT I MEANT ABOUT FRONT-LOADING  
THE STIMULUS -- GIVE THE PATIENT AS MUCH ~~PENICILLIN~~ *medication* AS HE NEEDS  
AT FIRST, THEN PHASE IT OUT COMPLETELY AS HE RECOVERS. THIS  
APPROACH PUSHES RECOVERY WITHOUT AGGRAVATING INFLATION.

EARLIER, I MENTIONED THE FEDERAL RESERVE AND THE KEY ROLE  
IT MUST PLAY IN SUPPORTING ECONOMIC GROWTH. ~~HE~~ *Congress* CREATED THE  
FEDERAL RESERVE AND MADE IT RESPONSIBLE TO THE CONGRESS.

TOO OFTEN, HOWEVER, OUR CENTRAL BANK HAS FORGOTTEN THIS AND PURSUED  
ITS OWN ECONOMIC POLICY INDEPENDENTLY OF THE CONGRESS OR THE  
PRESIDENT.

THIS TIME, CONGRESS IS NOT ABOUT TO LET THE FEDERAL RESERVE  
STIFLE WHAT IS ALREADY EXPECTED TO BE A WEAK RECOVERY.

FOR THE FIRST TIME IN HISTORY, PARTLY AS THE RESULT OF  
A RESOLUTION WHICH *Sen Proxmire and* I SPONSORED, THE FEDERAL RESERVE IS REQUIRED  
TO COME BEFORE CONGRESS AND EXPLAIN ITS MONEY TARGETS, ITS PLANS

FOR THE COMING YEAR. LET ME ASSURE YOU THAT I WILL PUSH THIS

MATTER. IF THE FEDERAL RESERVE DOESN'T CHANGE ITS WAYS AND

INCREASE THE MONEY SUPPLY ENOUGH TO GET THE HOUSING AND

CONSTRUCTION INDUSTRY MOVING AGAIN, THEN IT IS TIME WE CHANGE

THE FED.

THE SEVERE SLUMP IN CONSTRUCTION WILL CONTINUE TO FORCE  
MANY SMALLER BUSINESSES OUT, BUSINESSES WHICH WILL BE UNABLE TO  
COME BACK INTO THE CONSTRUCTION INDUSTRY WHEN ACTIVITY PICKS UP.

THIS IS A GREAT CONCERN OF MINE. I'VE ALWAYS FELT THAT THE HEALTHY  
COMPETITION WHICH PREVAILS IN THE CONSTRUCTION INDUSTRY IS ONE  
OF ITS GREATEST STRENGTHS. IT WOULD BE A TRAGEDY FOR THE BASIC  
STRUCTURE OF SUCH A VITAL AND WIDE-SPREAD INDUSTRY TO BE  
PERMANENTLY ALTERED BECAUSE OF SHORT-SIGHTED GOVERNMENT POLICIES.

THERE ARE TREMENDOUS UNMET NEEDS IN AMERICA TODAY -- THINGS  
THAT NEED DOING TO MAKE OUR COUNTRY A BETTER PLACE TO LIVE.

-- WE NEED MORE AND BETTER HOMES IN WHICH TO LIVE AND  
RAISE OUR FAMILIES.

L -- WE NEED NEW HEALTH FACILITIES DESIGNED TO MEET THE  
REQUIREMENTS OF MODERN MEDICINE.

L -- WE NEED THE KINDS OF SCHOOLS THAT ENCOURAGE OUR CHILDREN  
TO DEVELOP THEIR CAPACITIES FULLY.

L -- WE NEED WATER AND SEWER FACILITIES THAT ARE CRITICAL  
IN PRESERVING THE FRAGILE BALANCE OF MAN WITH HIS NATURAL  
ENVIRONMENT.

L -- WE NEED A SAFER AND MORE EFFICIENT SYSTEM OF ROADS --  
PRIMARY, SECONDARY, AND VERY IMPORTANTLY -- FARM TO MARKET  
ROADS, TO MEET THE NEEDS OF AN EVERMORE MOBILE SOCIETY.

L IT IS TIME WE STOPPED LISTENING TO THE VOICES OF THE  
TIMID AND THE FEARFUL IN OUR SOCIETY.

AMERICA WAS BUILT AND HAS PROSPERED FOR TWO CENTURIES  
BECAUSE OF ITS BOLD, PIONEERING OUTLOOK, AND IT WILL RETURN  
TO PROSPERITY ONLY WHEN THIS TRUE AMERICAN SPIRIT ONCE AGAIN  
TAKES HOLD.

IT'S TIME THAT WE REKINDLED THAT SPARK THAT IS THE  
AMERICAN SPIRIT. WITH THAT DRIVING FORCE BEHIND US, WE CAN  
BUILD THE KIND OF AMERICA THAT WE ALL WANT AND NEED.

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