



NEWS

Hubert H. Humphrey

HUMPHREY PROPOSES ECONOMIC
SUMMIT OF INDUSTRIAL NATIONS;
SAYS OPEC OIL PRICE INCREASE MAY
REVERSE WORLDWIDE ECONOMIC RECOVERY

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FOR RELEASE WEDNESDAY, SEPT. 3, 11:30 A.M., EDST (SWEDEN - 4:30 P.M.)

STOCKHOLM, SWEDEN, Sept. 3--Senator Hubert H. Humphrey, declaring that "constructive economic interdependence offers the best route to world stability and prosperity," today urged that an economic summit be convened this fall to bring together the heads of state of the industrial nations to discuss the coordination of their domestic policies.

Addressing members of the International Economic Association meeting at the Grand Hotel, Saltsjobaden, Humphrey said that such a summit, consisting of Japan, the industrialized nations of North America and Europe, would "benefit all trading nations.

"It should not be misinterpreted by either developing nations or OPEC as a step toward economic confrontation," he emphasized. "Clearly, coordination of domestic economic policies within OECD can only lead to a more rapid growth of markets for both OPEC and Third World products."

Humphrey also urged industrialized nations not to lose sight of the growing importance of the nonmarket economies of the Soviet Union, Eastern Europe and the People's Republic of China.

U. S. trade with Communist countries "has increased substantially, from \$580 million five years ago to nearly \$3.5 billion today," he said. "Even larger increases have occurred in the case of other western nations.

"I believe that the growth in East-West trade and commercial relations should be encouraged and expanded, for economic, as well as political reasons."

(more)

Discussing the U. S. economy, Humphrey indicated that in the past the size and strength of the American economy had isolated its people from the effects of economic fluctuations abroad. "But we no longer possess this immunity," he said.

And he pointed out that this global interdependence means that "all nations have a stake in the ability of the American economy to recover rapidly.

"Let me issue a warning now that the recovery, both in America and worldwide, may be reversed due to selfish or shortsighted actions by the oil producing nations," he said. "Rumors abound that the OPEC nations will again increase the price of oil in October.

"OPEC must be convinced that the predicted oil price increases can only have a destructive impact on the foreign economies in which they have so heavily invested, and on the economies of the Third World already shaken by soaring energy bills.

"All nations must bring every reasonable influence they can command to prevent another oil price increase. There is no other alternative."

Expressing concern over "the growing disparity between rich and poor nations," Humphrey asked that the "urgent problems of over one billion of the world's poor in the urban slums and rural villages of the developed world not be forgotten.

"It is not only a moral and humanitarian problem," he said, "but an economic one as well."

Humphrey maintained that the cornerstone of a sound development strategy for the Third World is increased food production. He asserted that the development of a self-sufficient food policy should be accompanied by the creation of a world food policy in which the U. S. plays a major role.

"The major components of this policy would be an international food reserve and a full and free exchange of food production and marketing information," he explained.

However, he emphasized "that the world must no longer depend on the U. S. to be the sole food reserve country. The burden must be shared." And he stated that "this principle should apply to other basic commodities" as well.

"In this period of raw material shortages and rising prices, there is a temptation to use economic trade as a political lever and even as an economic weapon," he said. "Let us all resist this temptation. Such a power struggle can only leave everyone in a disadvantaged position."

Following is a full text of the Senator's remarks:

(more)

REMARKS BY SENATOR HUBERT H. HUMPHREY

INTERNATIONAL ECONOMIC ASSOCIATION
STOCKHOLM, SWEDEN

SEPTEMBER 3, 1975

It is an honor and a personal pleasure for me to address this distinguished group of international economists and policymakers.

Economic and political power in the world is shifting. Economic policies are being reassessed. Heretofore comfortable economic principles and theories are being questioned.

The dollar has been devalued. The currencies of Europe and Japan are now the most sought after.

The oil-producing nations of OPEC have caused the quickest redistribution of income in history -- a redistribution still underway. This has triggered a world-wide reassessment of who carries political clout and who is being edged out. As a result, there is a world-wide temptation for nations to realign themselves economically.

On the positive side, the oil crisis has forced an overdue assessment of the world's energy reserves. It has provided definite proof that the industrial nations of the world must cooperate in meeting common economic problems.

We survived oil price increases in a far better fashion than predicted. But this relative success was achieved only by common efforts of the industrialized nations to avoid the temptation to "go it alone." Most nations realized that such a solution would only leave all of us in a disadvantaged position.

The late Adlai Stevenson, a colleague and dear friend, often referred to "this space ship world" -- the notion of the earth as a huge space ship moving through the universe. East and West have now met -- joined together and even shared the same cabin in space. And we have learned first hand that space ships require concentration on navigation -- the direction of the ship, and careful management of the limited resources available to those on board.

Interdependence in space and on earth demands coordination and cooperation among nations.

Interdependence demands sensitivity to the needs of others in the name of greater prosperity for all.

And interdependence demands a new economic maturity among nations.

In America we have yet to recognize that our economic well-being depends upon others as much as ourselves.

To be frank, it's been easy for us to go our own way.

It's been easy for America to be both a great and insular economic power.

We are blessed with abundant resources. We are the world's bread basket. And unlike many other industrialized nations, we have been spared the destructive ravages of war for generations.

There is another reason why America has been slow to recognize the need for interdependence. We are a young nation. We have displayed the optimism and independence, and I must confess, the cockiness of our youth.

Yet, let me emphasize I am proud of that youth. We were robust, endowed with idealism -- eager to lead.

But as we approach maturity we are beset with uncertainties. Traditional economic concepts and theories no longer seem valid. This does not mean we have to do away with our past but simply that we must re-examine it and build on it.

In the past the very size and strength of the American economy isolated us from the effects of economic fluctuations abroad. But we no longer possess this immunity.

--Devaluation and the oil crisis doubled our rate of inflation.

--Energy price increases reduced our national output for five consecutive quarters.

--Because of this, 4 million Americans lost their jobs.

--The spending power of the average American worker is no greater than it was 10 years ago.

In short, we have been plagued by unique circumstances. Never before have we faced double-digit inflation accompanied by unconscionable levels of unemployment.

Our traditional economic theories don't tell us how to deal with high inflation together with high unemployment. They only tell us how to reduce one or the other -- but not both together. These new circumstances have forced a rethinking of basic economic theories.

This is particularly true in America. We have seen that restrictive monetary and fiscal policies are not effective in reducing inflation in oil or food prices. They only raise unemployment.

The failure of traditional economic policies is the focus of the current American economic debate which is now raging between a Democratic Congress and a Republican President. The Congress is pushing for growth in GNP using more stimulative monetary and fiscal policies. The Administration still is operating under the questionable theory that in order to reduce inflation we must be willing to endure a longer period of unemployment.

The President recently pointed out that more Americans suffer from inflation than unemployment. But that is hardly the whole story. While official statistics reveal that over 8 million workers are now unemployed, a detailed examination reveals another 3.5 million seeking full-time employment but finding only part-time employment.

-- At any time 25 million wage earners and their families are touched by unemployment.

-- And over the next year some 75 million Americans will be directly touched by unemployment.

-- Unemployment is a colossal economic waste, but it is also a human tragedy.

-- It is being told, "There is no place for you."

The social costs of unemployment are enormous. But the economic costs alone are startling. It is estimated that unemployment will cost the American economy between the years of 1974 to 1980 about a trillion, 500 billion dollars in lost goods, production and income. It forces government expenditures up while reducing government revenues. It forces society to postpone badly needed investments to improve the quality of life.

We also find that after each recession a higher level of unemployment remains to burden society.

In 1946 our goal was full employment.

By the early 1960's we were told full employment really meant 4 percent unemployed.

By the late 1960's the officially acceptable employment target was 5 percent.

And President Ford in his January budget message proposed economic policies that would keep unemployment above 6 percent for the rest of the decade. This is a tragedy. And it is dangerous!

Indeed we have a sizable segment of our population in danger of developing an alienated life style -- of becoming a class apart -- separated from the main stream of our society -- compelled to cut corners -- and maintained by an inequitable and inadequate system of welfare.

In America unemployment leads not so much to revolution as to disenchantment. It leads us to a loss of our sense of community. The economic disenfranchised no longer have a sense of belonging. They have been rendered handicapped. It goes without saying that unemployment is like an insidious infection, sapping our strength, denying us productivity, and weakening our social and economic system.

This malady affects all countries to a degree but in our case it is magnified by added racial differences -- 40 percent of our inner-city black teenagers are out of work. Large numbers of American Indians and poor whites have been forced out of our economic system. A portion of our youth have spent their entire life dependent on welfare and public benefits. We are developing a welfare caste system.

We have a desperate need to get them back to work. This means restoring their faith, their sense of dignity.

I must tell you candidly there is a wide policy difference in the United States today over how quickly unemployment can be reduced. The Democratic Congress has repeatedly passed legislation to accelerate housing construction, to stimulate public employment, and to increase consumer spending power.

Regrettably, President Ford has vetoed much of this legislation.

He believes the legislation to be inflationary. But the majority of our economists find it difficult to believe this legislation will be inflationary when one third of our productive capacity lie idle and 8 million workers are unemployed.

The gap between our actual and potential output is now enormous. Our economy could easily absorb the additional stimulus we called for without triggering inflation.

In fact, as far as these inflationary dangers are concerned, I would stress that a substantial rate of expansion of production over the next two years, say at 8 or 9 percent, would not generate undue inflationary pressures. Indeed, expanded production will reduce inflation as gains in productivity push down unit labor costs.

The Administration's fear of renewed inflation could slow or even stop our economic recovery. I need not remind you that these fears were largely responsible for exacerbating and prolonging the worst recession since the Great Depression.

The duration of past recessions was shorter and recovery more vigorous. Now there is cause for concern about longer range prospects for solid recovery. Automobile production is very important to our economy and we have yet to see vigor in the recovery of this industry. Construction of housing is another important factor in economic performance and this, too, has not as yet shown enough vitality in its recovery.

But the key to rapid economic recovery is increased employment. And there is a great deal more that my country can do to increase employment through expanded public service jobs.

Because we have been blessed with a well endowed and vigorous economy, we have spent little time on the issue of public employment since the great depression of the 1930's. We need to remind ourselves, therefore, that temporary stabilizers like unemployment insurance are no substitute for productive public or private sector work.

Many people say that America is privately rich, but publicly poor, that our public sector is starved. There is a great backlog of public works in America -- in public transportation, in the restoration of our cities and in the cleansing of our environment.

An expanded public service jobs program will reduce this backlog, and raise our national income.

It will close the yawning gap between actual and potential GNP.

It will replace unproductive idleness with productive labor.

And it will restore essential public services eliminated by recession-induced state and municipal budget cutbacks.

A rapid economic recovery in America rests on the twin pillars of a stimulative fiscal and monetary policy.

In directing monetary policy, therefore, the Federal Reserve System, our central bank, must be a full partner in stimulating recovery. It must maintain a monetary policy sufficient to accomodate recovery while at the same time avoiding inflation.

Persistence of inflation in the midst of our recession shows that we need a national incomes policy. The powers of our Wage and Price Stability Council must be increased and the structural causes of inflation must be attacked, including a more aggressive enforcement of anti-trust laws.

The speed with which our recovery occurs is very important not only for my country but for the other nations of the world.

In clearest terms, because of our global interdependence, all nations have a stake in the ability of the American economy to recover rapidly.

Let me issue a warning now that recovery both in America and world-wide may be reversed due to selfish or shortsighted actions by the oil producing nations. Rumors abound that the OPEC nations will again increase the price of oil in October.

If they take this action, disastrous economic consequences would ensue both in the industrialized and developing nations of the world. And it can only increase political tensions in the Middle East and elsewhere.

OPEC must be convinced that the predicted oil price increases can only have a destructive impact on the foreign economies in which they have so heavily invested, and on the economies of the Third World already shaken by soaring energy bills.

All nations must bring every reasonable influence they can command to prevent another oil price increase. There is no other alternative!

Our present struggle with inflation and recession has reminded us dramatically of our need for economic planning. The United States is the only industrialized nation in the world without a central planning body.

We can no longer afford the luxury of haphazard, ad hoc and disjointed policy making.

Total government spending now amounts to more than one third of our trillion, 500 billion dollar GNP. This impact is magnified by government rules, regulations, subsidies and credit policies influencing every area of the private economy. These activities are carried out with all too little regard of their impact for any period beyond the current year. We have little, if any idea, whether these policies complement each other or work at cross purposes.

There is no mechanism by which these policies can be evaluated, nor is there any agreement on national goals and priorities. This haphazard conduct of Federal regulatory, fiscal and monetary policies contributes to uncertainty and is wasteful.

There is a growing recognition in government and in the American business community that we are competing at a disadvantage with nations that have more advanced economic planning -- and there is a growing recognition that there has to be some definition of our long range economic and social goals.

With these considerations in mind, Senator Jacob Javits of New York and I introduced a bill this spring in the Senate entitled, "The Balanced Growth and Economic Planning Act of 1975."

-- This legislation establishes a central source of economic data.

-- It establishes a planning process which relies on inputs from state and local governments and the private business community.

-- It is designed to establish a system of improved economic management.

-- It is designed to enable private enterprise to plan with a great degree of certainty.

In short it will improve the efficiency we allocate our national resources.

Let me add that the very fact of introducing this bill has sparked a heated debate in America about the need for more economic planning. This was our purpose. But let me point out that our objective is not a PLANNED ECONOMY but rather a PLANNING SOCIETY; a compact between government and the private sector to look ahead -- to produce more goods and services with fewer resources due to improved forecasting and increased economic predictability.

We will never engage in planning just for the sake of planning.

Someone once said, it is politic not only to pay attention to a nation's laws and aspirations, but its superstitions, too.

Opponents to economic planning are terrified at the thought of putting all their eggs in one basket -- which is but a manner of saying it is best to scatter your money and your attention. In the name of free enterprise they cling to this superstition. But to borrow from our American humorist, Mark Twain, who said:

"Only a fool saith -- do not put all thine eggs in one basket. The wise man saith, 'it's okay to put your eggs all in one basket -- just remember to watch the basket.'"

Believe me, it is our nature and our inheritance and our American way of life that any attempts at long range planning will have two hundred million eyes glued on the basket!

Let me emphasize that a nation's economic policy is part of a much broader complex of political and social factors. In the United States, we have come through a long period of travail -- the race revolution, the terrible tragedy of Vietnam, the Watergate scandal, and we must now cope with a serious recession. For the first time in our history, we had a President and Vice President who resigned and we have at this moment a President and Vice President who were not popularly elected.

But our constitutional government has distinguished itself in surmounting these difficulties. As a nation, we are strengthened in the conviction that our democratic society, with all its diversity and difficulties is sound.

We know that our economic house must be put in order. And we will put it in order through a combination of fiscal and monetary policies and planning designed to coordinate our domestic economic policies.

But the task of bringing economic planning to America is a simple one compared to achieving greater economic cooperation among industrialized nations.

Let's be frank about it -- America, Europe and Japan pursue domestic economic policies independent of one another.

The world-wide boom of 1971 and 1972 and the following world-wide recession demonstrated that independent policies can exaggerate fluctuations in the level of economic activity to an alarming degree.

Unilateral economic decision making ignores the fact of our economic interdependence.

The United States, Europe and Japan simply must make a greater effort to coordinate their domestic economic policy. Even now, the depressed Japanese and European economies are awaiting an export led recovery fueled by American consumers rather than following a coordinated plan of action.

Yet, coordinating domestic and economic decisions at the international level will not be an easy task. It cannot be carried out by experts alone.

The magnitude of the political and economic decisions necessary for coordination will require the attention of the heads of state, of political leaders.

It will require an economic summit conference among OECD members who all face the same unique problems of urban, industrialized societies.

Therefore, I propose that an economic summit conference be convened this fall to bring together the heads of states of the industrialized nations of North America, Europe and Japan to discuss the specific coordination of their domestic economic policies. It is essential that they discuss and arrive at acceptable policies in the fields of energy, food, employment, trade and to combat inflationary policies.

The economic summit conference can focus attention on the enduring problems of how industrialized economies should deal with such problems as trade barriers and international monetary reform. But the summit should not be a substitute for the already existing dialogue on these matters. Rather, its role would be to highlight and complement such discussions.

Convening of such a summit conference would not interfere with the continuing efforts of industrialized nations to engage OPEC and the developing nations in constructive and cooperative dialogue. Clearly, coordination of domestic economic policies within the OECD can only lead to a more rapid growth of markets for both OPEC and Third World products.

The summit will benefit all trading nations. It should not be misinterpreted by either developing nations or OPEC as a step toward economic confrontation.

While the industrialized nations of North America, Europe and Japan attempt to coordinate domestic economic policies, they must not lose sight of the growing importance of the nonmarket economies of the Soviet Union, Eastern Europe and the People's Republic of China.

My country's trade with Communist countries has increased substantially, from \$580 million five years ago, to nearly \$3.5 billion today. Even larger increases have occurred in the case of other Western nations.

I believe that the growth in East-West trade and commercial relations should be encouraged and expanded, for economic as well as political reasons. But there are still some important hurdles in the way of a substantial expansion of such relations.

-- There is a tremendous lack of knowledge among businessmen in Europe, the U.S. and Japan about how to market their products in Communist countries and how to deal with state trading monopolies.

-- Many Communist countries have a shortage of convertible currencies which limit their access to our markets.

-- And to be frank, the sharp differences between political systems have played a role in the development of legislation placing limits on East-West trade expansion.

Preoccupied as we must be with the total range of economic problems of the industrialized world, we must not forget the urgent problems of over one billion of the world's poor in the urban slums and rural villages of the developing world. These people have not benefited from the post-war economic boom.

We must address the growing disparity between rich and poor nations. It is not only a moral and humanitarian problem but an economic one as well. There are too few signs that the industrialized nations are willing to work together with the developing world in reaching substantive solutions to these problems.

Hopefully, more progress will be made at the Seventh Special Session of the U.N. General Assembly which is just opening in New York.

America has a significant role to play in the creation of a development strategy which could meet the needs of the poorest nations. Secretary Kissinger is outlining what our contribution can be. It is clear, however, to me that the cornerstone of a sound development strategy for the Third World is increased food production.

Industrialized nations have a unique opportunity now to make a commitment to increase agricultural production in the developing world through the newly created International Agricultural Development Fund. This fund, to which OECD and OPEC nations will be asked to commit initially a billion and a half dollars, could go a long way in bringing about greater food self-sufficiency, improved diets in developing nations and aid small farmers. But, unless we act now, the U.S. Department of Agriculture estimates that the world food deficit by 1985 might run as high as 71.6 million tons of grain. It could be held as low as 15.8 million tons if prompt action is taken.

The development of a self-sufficient food policy for the Third World should be accompanied by creation of a world food policy in which the United States plays a major role. The major components of this policy must be international food reserves and a full and free exchange of food production and marketing information.

Many centuries ago, governments found it desirable to establish food reserves to cushion the impact of sudden shortages in supplies. My own country stands unique in the world in not having government reserves even today. America also is the only nation allowing free, full and private access to domestic food supplies.

As a result, our consumers and producers are on the crack end of the world food whip. They are all exposed to a shocking degree of price fluctuations.

They need greater stability. And greater stability requires food reserves, insulated from the market so as not to depress farm income. At the same time these reserves must be adequate to meet our domestic needs and to insure our steady customers of adequate food exports.

This vital food reserve in America could be held by the farmers themselves under a crop loan program that would permit them to carry such inventories, or it could be a combination of farmer-held reserves and government supplies.

Ready access to our American market by occasional customers should hinge on their participation in an early warning system where information on food supplies and crop prospects is provided.

We should not permit easy, penalty-free access to our food supply by nation's unwilling to provide consistently complete and accurate information on the condition of their own crops and food needs.

Let me emphasize that the world must no longer depend on the U.S. to be the sole food reserve country. The burden must be shared.

This principle also should apply to other basic commodities. In this period of raw material shortages and rising prices, there is a temptation to use economic trade as a political lever and even as an economic weapon. Let us all resist this temptation. Such a power struggle can only leave everyone in a disadvantaged position.

I am hopeful that producers and consumers will not conduct economic blackmail. I am optimistic that the family of nations will realize that constructive economic interdependence offers the best route to world stability and prosperity.

Economists and finance ministers are by nature prudent and conservative and rightly so. The public man, yes, the politician must be able to sense changes which are taking place and alert us to dangers. Public policies must be the product of public understanding and governmental decision.

There is no better way for me to share my own concern than in the words of our greatest American statesman, Abraham Lincoln:

"The dogmas of the quiet past are inadequate to the stormy present. The occasion is piled high with difficulty and we must rise with the occasion. As our cause is new so we must think anew and act anew. We must disenthrall ourselves..."

Gentlemen this is a different world than it was 100 or even 25 years ago, you and I both know it. There are rising expectations,

in both the industrialized and developing worlds. It is our task to realize this -- to plan for the future and to do it together.

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REMARKS BY SENATOR HUBERT H. HUMPHREY

INTERNATIONAL ECONOMIC ASSOCIATION

STOCKHOLM, SWEDEN

SEPTEMBER 3, 1975

It is an honor and a personal pleasure for me to address
this distinguished group of international economists and
policymakers.

Economic and political power in the world is shifting *Long established*
economic policies are being reassessed. ~~heretofore~~ *and*

existing
~~comfortable~~ economic principles and theories are being

questioned. *For we Americans there have
been a series of shock waves.*

The dollar has been devalued. The currencies of

Europe and Japan are now the most sought after.

The oil-producing nations of OPEC have caused the
quickest redistribution of income in history -- a

redistribution still underway. This has triggered a

world-wide reassessment of who carries political ~~and~~ *and economic*
power,

AND WHO IS BEING EDGED OUT. AS A RESULT, THERE IS A
WORLD-WIDE TEMPTATION FOR NATIONS TO REALIGN THEMSELVES
ECONOMICALLY.

ON THE POSITIVE SIDE, THE OIL CRISIS HAS FORCED AN
OVERDUE ASSESSMENT OF THE WORLD'S ENERGY RESERVES. IT
HAS PROVIDED DEFINITE PROOF THAT THE INDUSTRIAL NATIONS
OF THE WORLD MUST COOPERATE IN MEETING COMMON ECONOMIC
PROBLEMS.

h ^{*have*} WE SURVIVED OIL PRICE INCREASES IN A FAR BETTER FASHION
THAN PREDICTED. BUT THIS RELATIVE SUCCESS WAS ACHIEVED

ONLY BY COMMON EFFORTS OF THE INDUSTRIALIZED NATIONS TO
AVOID THE TEMPTATION TO "GO IT ALONE." MOST NATIONS

~~REALIZED THAT SUCH A SOLUTION WOULD ONLY LEAVE ALL OF US~~
~~IN A DISADVANTAGED POSITION.~~

THE LATE ADLAI STEVENSON, A COLLEAGUE AND DEAR FRIEND
OFTEN REFERRED TO ^{the world as} "THIS SPACE SHIP ^{earth⁴} ~~WORLD~~ -- THE NOTION

OF THE EARTH AS A HUGE SPACE SHIP MOVING THROUGH THE

UNIVERSE. ^{East} EAST AND WEST HAVE NOW MET -- JOINED TOGETHER

AND ^{sharing} ~~EVEN SHARED~~ THE SAME CABIN IN SPACE. AND WE HAVE

LEARNED FIRST HAND THAT SPACE SHIPS REQUIRED CONCENTRATION

ON NAVIGATION -- THE DIRECTION OF THE SHIP, AND CAREFUL

MANAGEMENT OF THE LIMITED RESOURCES AVAILABLE TO THOSE

ON BOARD.

INTERDEPENDENCE IN SPACE AND ON EARTH DEMANDS

COORDINATION AND COOPERATION AMONG NATIONS.

INTERDEPENDENCE DEMANDS SENSITIVITY TO THE NEEDS

OF OTHERS IN THE NAME OF GREATER ^{Security} ~~PROSPERITY~~ FOR ALL.

AND INTERDEPENDENCE DEMANDS A NEW ECONOMIC MATURITY

AMONG NATIONS.

IN AMERICA WE ~~HAVE NOT~~ ^{are beginning to} RECOGNIZE THAT OUR ECONOMIC

WELL-BEING DEPENDS UPON OTHERS AS MUCH AS OURSELVES.

^{in the past,}
TO BE FRANK, IT'S BEEN EASY FOR US TO GO OUR OWN WAY.

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WE ARE BLESSED WITH ABUNDANT RESOURCES WE ARE THE

WORLD'S BREAD BASKET. AND UNLIKE MANY OTHER INDUSTRIALIZED

NATIONS, WE HAVE BEEN SPARED THE DESTRUCTIVE RAVAGES OF ^{the physical}

^{damage of}
WAR FOR GENERATIONS.

THERE IS ANOTHER REASON WHY AMERICA HAS BEEN SLOW TO

RECOGNIZE THE NEED FOR INTERDEPENDENCE. WE ARE A

YOUNG NATION. WE HAVE DISPLAYED THE OPTIMISM AND
INDEPENDENCE, AND I MUST CONFESS, THE COCKINESS OF OUR
YOUTH.

YET, LET ME EMPHASIZE I AM PROUD OF THAT YOUTH. WE
WERE ROBUST, ENDOWED WITH IDEALISM -- EAGER TO LEAD.

BUT AS WE APPROACH ~~MATURITY~~ *our 200th year as a free Independent Republic,* WE ARE BESET WITH

UNCERTAINTIES. / TRADITIONAL ECONOMIC CONCEPTS AND

THEORIES NO LONGER SEEM VALID. THIS DOES NOT MEAN WE

HAVE TO DO AWAY WITH OUR PAST BUT SIMPLY THAT WE MUST

RE-EXAMINE IT AND BUILD ON IT.

IN THE PAST THE VERY SIZE AND STRENGTH OF THE AMERICAN

ECONOMY ISOLATED US FROM THE EFFECTS OF ECONOMIC

FLUCTUATIONS ABROAD. / BUT WE NO LONGER POSSESS THIS

IMMUNITY.

-- DEVALUATION AND THE OIL CRISIS DOUBLED OUR RATE
OF INFLATION.

-- ENERGY PRICE INCREASES REDUCED OUR NATIONAL OUTPUT
FOR 5 CONSECUTIVE QUARTERS.

-- BECAUSE OF THIS ^{an additional} 4 MILLION AMERICANS LOST THEIR JOBS.

-- THE SPENDING POWER OF THE AVERAGE AMERICAN WORKER
^{today}
IS NO GREATER THAN IT WAS 10 YEARS AGO.

h IN SHORT, WE HAVE BEEN PLAGUED BY UNIQUE CIRCUMSTANCES.

h NEVER BEFORE HAVE WE FACED DOUBLE-DIGIT INFLATION

ACCOMPANIED BY UNCONSCIONABLE LEVELS OF UNEMPLOYMENT.

h OUR TRADITIONAL ECONOMIC THEORIES DON'T TELL US

HOW TO DEAL WITH HIGH INFLATION TOGETHER WITH HIGH

UNEMPLOYMENT.

THEY ONLY TELL US HOW TO REDUCE ONE OR THE OTHER --
BUT NOT BOTH TOGETHER. THESE NEW CIRCUMSTANCES HAVE FORCED
A RETHINKING OF BASIC ECONOMIC THEORIES.

THIS IS PARTICULARLY TRUE IN AMERICA. WE HAVE SEEN
THAT RESTRICTIVE MONETARY AND FISCAL POLICIES ARE NOT
EFFECTIVE IN REDUCING INFLATION IN OIL OR FOOD PRICES.

the head of
THEY ONLY RAISE UNEMPLOYMENT.

and it is
THE FAILURE OF TRADITIONAL ECONOMIC POLICIES IS THE
FOCUS OF THE CURRENT AMERICAN ECONOMIC DEBATE WHICH IS

NOW RAGING BETWEEN A DEMOCRATIC CONGRESS AND A REPUBLICAN

PRESIDENT. THE CONGRESS IS PUSHING FOR GROWTH IN GNP USING
MORE STIMULATIVE MONETARY AND FISCAL POLICIES. THE

ADMINISTRATION IS STILL OPERATING UNDER THE QUESTIONABLE

THEORY THAT IN ORDER TO REDUCE INFLATION WE MUST BE WILLING
TO ENDURE A LONGER PERIOD OF UNEMPLOYMENT.

✓ THE PRESIDENT RECENTLY POINTED OUT THAT MORE AMERICANS
SUFFER FROM INFLATION THAN UNEMPLOYMENT, BUT THAT IS

HARDLY THE WHOLE STORY ✓ WHILE OFFICIAL STATISTICS REVEAL

THAT OVER 8 MILLION WORKERS ARE NOW UNEMPLOYED, A DETAILED

EXAMINATION REVEALS ANOTHER 3.5 MILLION SEEKING FULL-TIME

EMPLOYMENT BUT FINDING ONLY PART-TIME EMPLOYMENT.

and
-- AT ANY TIME 25 MILLION WAGE EARNERS AND THEIR FAMILIES
directly affected
ARE TOUCHED BY UNEMPLOYMENT,

some other
-- AND OVER THE NEXT YEAR SOME 75 MILLION AMERICANS WILL *alone*
BE DIRECTLY TOUCHED BY UNEMPLOYMENT.

-- UNEMPLOYMENT IS A COLOSSAL ECONOMIC WASTE, BUT IT IS
ALSO A HUMAN TRAGEDY,

IT IS BEING TOLD, "THERE IS NO PLACE FOR YOU."

It is losing pride - broken families

and THE SOCIAL COSTS OF UNEMPLOYMENT ARE ENORMOUS; BUT THE

ECONOMIC COSTS ALONE ARE STARTLING. IT IS ESTIMATED THAT

UNEMPLOYMENT WILL COST THE AMERICAN ECONOMY BETWEEN THE

YEARS OF 1974 TO 1980 ABOUT A TRILLION, 500 BILLION DOLLARS IN

LOST GOODS, PRODUCTION AND INCOME. IT FORCES ^{up} GOVERNMENT

EXPENDITURES ^{up} WHILE REDUCING GOVERNMENT REVENUES. IT

FORCES SOCIETY TO POSTPONE BADLY NEEDED INVESTMENTS TO

IMPROVE THE QUALITY OF LIFE.

The American experience reveals
~~WE ALSO FIND~~ THAT AFTER EACH RECESSION A HIGHER LEVEL OF

UNEMPLOYMENT REMAINS TO BURDEN SOCIETY.

IN 1946 OUR GOAL WAS FULL EMPLOYMENT.

BY THE EARLY 1950'S WE WERE TOLD FULL EMPLOYMENT REALLY

MEANT 4 PERCENT UNEMPLOYED.

BY THE LATE 1960'S THE OFFICIALLY ACCEPTABLE ¹ ~~EMPLOYMENT~~ ^{unemployment}
TARGET ~~WAS~~ ^{included} 5 PERCENT ^{unemployment}

h AND PRESIDENT FORD IN HIS JANUARY BUDGET MESSAGE PROPOSED
ECONOMIC POLICIES THAT WOULD KEEP UNEMPLOYMENT ABOVE
6 PERCENT FOR THE REST OF THE DECADE. THIS IS A TRAGEDY.

AND IT IS DANGEROUS!

h INDEED WE HAVE A SIZEABLE SEGMENT OF OUR POPULATION IN
DANGER OF DEVELOPING AN ALIENATED LIFE STYLE -- OF BECOMING
A CLASS APART -- SEPARATED FROM THE MAIN STREAM OF OUR
SOCIETY -- COMPELLED TO CUT CORNERS -- AND MAINTAINED BY
AN INEQUITABLE AND INADEQUATE SYSTEM OF WELFARE.

h IN AMERICA UNEMPLOYMENT LEADS NOT SO MUCH TO REVOLUTION
AS TO DISENCHANTMENT. h IT LEADS US TO A LOSS OF OUR SENSE OF

COMMUNITY } THE ECONOMIC DISENFRANCHISED NO LONGER HAVE A

SENSE OF BELONGING } THEY HAVE BEEN RENDERED HANDICAPPED.

{ ~~IT GOES WITHOUT SAYING THAT~~ UNEMPLOYMENT IS LIKE AN INSIDIOUS

INFECTION, SAPPING OUR STRENGTH, DENYING US PRODUCTIVITY,

AND WEAKENING OUR SOCIAL AND ECONOMIC SYSTEM.

{ THIS MALADY AFFECTS ALL COUNTRIES TO A DEGREE BUT IN

OUR CASE IT IS MAGNIFIED BY ADDED RACIAL ^{+ *ethnic*} DIFFERENCES --

{ 40 PERCENT OF OUR INNER-CITY BLACK TEENAGERS ARE OUT OF WORK.

{ LARGE NUMBERS OF AMERICAN INDIANS ^{*Puerto Ricans*} AND POOR WHITES HAVE

BEEN FORCED OUT OF OUR ECONOMIC SYSTEM } ^{*sizeable*} A PORTION OF

OUR YOUTH HAVE SPENT THEIR ENTIRE LIFE DEPENDENT ON

WELFARE AND PUBLIC BENEFITS. WE ARE DEVELOPING A WELFARE

CASTE SYSTEM

~~John~~ John Stewart Mill - Said - "Let a man have
nothing to do for his country and he shall
have no love for it."

WE HAVE A DESPERATE NEED TO GET THEM BACK TO WORK. THIS
MEANS RESTORING THEIR FAITH, THEIR SENSE OF DIGNITY and belonging.

I MUST TELL YOU CANDIDLY THERE IS A WIDE POLICY
DIFFERENCE IN THE UNITED STATES TODAY OVER HOW QUICKLY

UNEMPLOYMENT CAN BE REDUCED. THE DEMOCRATIC CONGRESS

HAS REPEATEDLY PASSED LEGISLATION TO ACCELERATE HOUSING

CONSTRUCTION, ^{Public works} ~~and~~ TO STIMULATE PUBLIC EMPLOYMENT, AND TO

INCREASE CONSUMER SPENDING POWER.

REGRETTABLY, PRESIDENT FORD HAS VETOED MUCH OF THIS-
LEGISLATION.

HE BELIEVES THE LEGISLATION TO BE INFLATIONARY. BUT
THE MAJORITY OF OUR ECONOMISTS FIND IT DIFFICULT TO

BELIEVE THIS LEGISLATION WILL BE INFLATIONARY WHEN almost
ONE THIRD OF OUR PRODUCTIVE CAPACITY LIE IDLE AND
8 MILLION WORKERS ARE UNEMPLOYED.

THE GAP BETWEEN OUR ACTUAL AND POTENTIAL OUTPUT
IS NOW ENORMOUS. OUR ECONOMY COULD EASILY ABSORB THE
ADDITIONAL STIMULUS WE CALLED FOR WITHOUT TRIGGERING
INFLATION.

IN FACT, AS FAR AS THESE INFLATIONARY DANGERS ARE
CONCERNED, I WOULD STRESS THAT A SUBSTANTIAL RATE OF
EXPANSION OF PRODUCTION OVER THE NEXT TWO YEARS, SAY
AT 8 OR 9 PERCENT, WOULD NOT GENERATE UNDUE INFLATIONARY
PRESSURES. INDEED, EXPANDED PRODUCTION WILL REDUCE
INFLATION AS GAINS IN PRODUCTIVITY PUSH DOWN UNIT LABOR COSTS.

THE ADMINISTRATION'S FEAR OF RENEWED INFLATION COULD
SLOW OR EVEN STOP OUR ECONOMIC RECOVERY. I NEED NOT
REMINDE YOU THAT THESE FEARS WERE LARGELY RESPONSIBLE
FOR EXACERBATING AND PROLONGING THE WORST RECESSION
SINCE THE GREAT DEPRESSION.

L THE DURATION OF PAST RECESSIONS WAS SHORTER AND RECOVERY
MORE VIGOROUS. / Now THERE IS CAUSE FOR CONCERN ABOUT

LONGER RANGE PROSPECTS FOR SOLID RECOVERY. / AUTOMOBILE

PRODUCTION IS VERY IMPORTANT TO OUR ECONOMY AND WE

HAVE YET TO SEE VIGOR IN THE RECOVERY OF THIS INDUSTRY.

L CONSTRUCTION OF HOUSING IS ANOTHER IMPORTANT FACTOR IN
ECONOMIC PERFORMANCE AND THIS, TOO, HAS NOT AS YET SHOWN

our response
ENOUGH VITALITY, IN ITS RECOVERY,

L BUT THE KEY TO RAPID ECONOMIC RECOVERY IS INCREASED

EMPLOYMENT. / AND THERE IS A GREAT DEAL MORE THAT MY COUNTRY

CAN DO TO INCREASE EMPLOYMENT. ~~THROUGH EXPANDED PUBLIC~~

~~SERVICE JOBS.~~

*First we must extend the
Top reductions of the past year into
1976-*

Secondly - We must expand Public Service + public works jobs.

-15-

L BECAUSE WE HAVE BEEN BLESSED WITH A WELL ENDOWED AND

VIGOROUS ECONOMY, WE HAVE SPENT LITTLE TIME ON THE ISSUE

OF PUBLIC EMPLOYMENT SINCE THE GREAT DEPRESSION OF THE

1930's. L WE NEED TO REMIND OURSELVES, THEREFORE, THAT

TEMPORARY STABILIZERS LIKE UNEMPLOYMENT INSURANCE ARE

NO SUBSTITUTE FOR PRODUCTIVE PUBLIC OR PRIVATE SECTOR

WORK.

h MANY PEOPLE SAY THAT AMERICA IS PRIVATELY RICH, BUT

PUBLICLY POOR - THAT OUR PUBLIC SECTOR IS STARVED. L and, there

IS A GREAT BACKLOG OF PUBLIC WORKS IN AMERICA -- IN

PUBLIC TRANSPORTATION, IN THE RESTORATION OF OUR CITIES AND

IN THE CLEANSING OF OUR ENVIRONMENT - in the the

modernization, ^{& improvement of} educational,
and health facilities

L AN EXPANDED PUBLIC ^{employment} ~~SERVICES~~ PROGRAM WILL REDUCE
THIS BACKLOG, AND RAISE OUR NATIONAL INCOME.

L IT WILL CLOSE THE YAWNING GAP BETWEEN ACTUAL AND
POTENTIAL GNP.

L IT WILL REPLACE UNPRODUCTIVE IDLENESS WITH PRODUCTIVE
LABOR.

L AND IT WILL RESTORE ESSENTIAL PUBLIC SERVICES ELIMINATED
BY RECESSION-INDUCED STATE AND MUNICIPAL BUDGET CUTBACKS.

L A RAPID ECONOMIC RECOVERY IN AMERICA RESTS ON THE TWIN
PILLARS OF A STIMULATIVE FISCAL AND MONETARY POLICY.

Therefore -
L IN DIRECTING MONETARY POLICY, THEREFORE, THE FEDERAL RESERVE
SYSTEM, OUR CENTRAL BANK, MUST BE A FULL PARTNER IN STIMULATING
RECOVERY. L IT MUST MAINTAIN A MONETARY POLICY SUFFICIENT TO
ACCOMMODATE RECOVERY WHILE AT THE SAME TIME AVOIDING INFLATION.

L PERSISTENCE OF INFLATION IN THE MIDST OF OUR RECESSION SHOWS
THAT WE NEED A NATIONAL INCOMES POLICY, L THE POWERS OF OUR
WAGE AND PRICE STABILITY COUNCIL MUST BE INCREASED AND THE
STRUCTURAL CAUSES OF INFLATION MUST BE ATTACKED, INCLUDING
A MORE AGGRESSIVE ENFORCEMENT OF ANTI-TRUST LAWS.

L THE SPEED WITH WHICH OUR RECOVERY OCCURS IS VERY IMPORTANT
NOT ONLY FOR MY COUNTRY BUT FOR THE OTHER NATIONS OF THE
WORLD.

L IN CLEAREST TERMS, BECAUSE OF OUR GLOBAL INTERDEPENDENCE,
ALL NATIONS HAVE A STAKE IN THE ABILITY OF THE AMERICAN
ECONOMY TO RECOVER RAPIDLY.

L LET ME ISSUE A WARNING NOW THAT RECOVERY BOTH IN
AMERICA AND WORLD-WIDE MAY BE REVERSED ~~SELF~~^{by} SELFISH OR
SHORT-SIGHTED ACTIONS BY THE OIL PRODUCING NATIONS.

L RUMORS ABOUT THAT THE OPEC NATIONS WILL AGAIN INCREASE

THE PRICE OF OIL IN OCTOBER.

could
IF THEY TAKE THIS ACTION, DISASTROUS ECONOMIC CONSEQUENCES
~~WOULD ENSUE BOTH IN THE INDUSTRIALIZED AND DEVELOPING NATIONS~~
~~OF THE WORLD, AND IT CAN ONLY INCREASE POLITICAL TENSIONS~~
~~IN THE MIDDLE EAST AND ELSEWHERE.~~

L OPEC MUST BE CONVINCED THAT THE PREDICTED OIL PRICE

INCREASES CAN ONLY HAVE A DESTRUCTIVE IMPACT ON THE FOREIGN

ECONOMIES IN WHICH THEY HAVE SO HEAVILY INVESTED, AND ON THE

ECONOMIES OF THE THIRD WORLD ALREADY SHAKEN BY SOARING ENERGY

BILLS.

L ALL NATIONS MUST BRING EVERY REASONABLE INFLUENCE THEY CAN

COMMAND TO PREVENT ANOTHER OIL PRICE INCREASE. THERE IS NO

OTHER ALTERNATIVE!

h OUR PRESENT STRUGGLE WITH INFLATION AND RECESSION HAS

REMINDED US DRAMATICALLY OF OUR NEED FOR ECONOMIC PLANNING.

h THE UNITED STATES IS THE ONLY INDUSTRIALIZED NATION IN THE
WORLD WITHOUT A CENTRAL PLANNING BODY.

h WE CAN NO LONGER AFFORD THE LUXURY OF HAPHAZARD, AD HOC

AND DISJOINTED POLICY MAKING

*economies which has characterized
this government's actions throughout
in the U.S.*

h TOTAL GOVERNMENT SPENDING NOW AMOUNTS TO MORE THAN ONE THIRD

OF OUR TRILLION, 500 BILLION DOLLAR GNP. THIS IMPACT IS

MAGNIFIED BY GOVERNMENT RULES, REGULATIONS, SUBSIDIES AND

CREDIT POLICIES INFLUENCING EVERY AREA OF THE PRIVATE ECONOMY.

h THESE ACTIVITIES ARE CARRIED OUT WITH ALL TOO LITTLE REGARD

OF THEIR IMPACT FOR ANY PERIOD BEYOND THE CURRENT YEAR. WE

HAVE LITTLE, IF ANY IDEA, WHETHER THESE POLICIES COMPLEMENT

EACH OTHER OR WORK AT CROSS PURPOSES.

at present, there

~~there~~ IS NO MECHANISM BY WHICH THESE POLICIES CAN BE
EVALUATED, NOR IS THERE ANY AGREEMENT ON NATIONAL GOALS AND
PRIORITIES. *L* THIS HAPHAZARD CONDUCT OF FEDERAL REGULATORY,
FISCAL AND MONETARY POLICIES CONTRIBUTES TO UNCERTAINTY AND
IS WASTEFUL.

L THERE IS A GROWING RECOGNITION IN GOVERNMENT AND IN THE
AMERICAN BUSINESS COMMUNITY THAT WE ARE COMPETING AT A
DISADVANTAGE WITH NATIONS THAT HAVE MORE ADVANCED ECONOMIC
and forecasting -
PLANNING *L* AND THERE IS A GROWING RECOGNITION THAT THERE

HAS TO BE SOME DEFINITION OF OUR LONG RANGE ECONOMIC AND
SOCIAL GOALS *- with a grad upon priorities.*

L WITH THESE CONSIDERATIONS IN MIND, SENATOR JACOB JAVITS OF
NEW YORK AND I INTRODUCED A BILL THIS SPRING IN THE SENATE
ENTITLED, "THE BALANCED GROWTH AND ECONOMIC PLANNING ACT
OF 1975".

This legislation ~~is designed to provide~~ would establish, in the Executive Department, directly responsible to the President and Cabinet, a planning Board and office, authorized and directed to prepare both short term and long term economic goals and policies.

-- THIS LEGISLATION ESTABLISHES A CENTRAL SOURCE OF

ECONOMIC DATA,

process -- It involves the Congress in the planning process

-- IT ESTABLISHES A PLANNING PROCESS WHICH RELIES ON *and requires*

INPUTS FROM STATE AND LOCAL GOVERNMENTS AND THE PRIVATE

BUSINESS COMMUNITY,

-- IT IS DESIGNED TO ESTABLISH A SYSTEM OF IMPROVED

ECONOMIC MANAGEMENT *at the governmental level*

-- IT IS DESIGNED TO ENABLE PRIVATE ENTERPRISE TO PLAN

WITH A GREAT DEGREE OF CERTAINTY *as to government policy.*

with which
IN SHORT IT WILL IMPROVE THE EFFICIENCY, WE ALLOCATE OUR

~~NATIONAL~~ RESOURCES *for the attainment of agreed upon goals.*

h ~~LET ME ADVISE~~ THE VERY FACT OF INTRODUCING THIS BILL HAS

SPARKED A HEATED DEBATE IN AMERICA ABOUT THE NEED FOR ~~ME~~

ECONOMIC PLANNING. *initial* THIS WAS OUR PURPOSE *initial* BUT, LET ME POINT OUT

THAT OUR OBJECTIVE IS NOT A PLANNED ECONOMY BUT RATHER A
PLANNING SOCIETY; A COMPACT BETWEEN GOVERNMENT AND THE
PRIVATE SECTOR TO LOOK AHEAD -- TO PRODUCE MORE GOODS AND
SERVICES WITH FEWER RESOURCES DUE TO IMPROVED FORECASTING
AND INCREASED ECONOMIC PREDICTABILITY.

~~L WE WILL NEVER ENGAGE IN PLANNING JUST FOR THE SAKE OF
PLANNING.~~

~~L SOMEONE ONCE SAID, IT IS POLITIC NOT ONLY TO PAY ATTENTION
TO A NATION'S LAWS AND ASPIRATIONS, BUT ^{to} ITS SUPERSTITIONS, *as usual.*~~

~~OPPONENTS TO ECONOMIC PLANNING ARE TERRIFIED AT THE THOUGHT
OF PUTTING ALL THEIR EGGS IN ONE BASKET -- WHICH IS BUT A
MANNER OF SAYING IT IS BEST TO SCATTER YOUR MONEY AND YOUR
ATTENTION. L IN THE NAME OF FREE ENTERPRISE THEY CLING TO
THIS SUPERSTITION. L BUT TO BORROW FROM OUR AMERICAN~~

HUMORIST, MARK TWAIN, WHO SAID:

"ONLY A FOOL SAITH -- DO NOT PUT ALL THINE EGGS IN
ONE BASKET. THE WISE MAN SAITH, 'IT'S OKAY TO PUT
YOUR EGGS ALL IN ONE BASKET -- JUST REMEMBER TO WATCH
THE BASKET."

L BELIEVE ME, IT IS OUR NATURE AND OUR INHERITANCE AND
OUR AMERICAN WAY OF LIFE THAT ANY ATTEMPTS AT LONG RANGE
PLANNING WILL HAVE TWO HUNDRED MILLION EYES GLUED ON THE
BASKET!

LET ME EMPHASIZE THAT A NATION'S ECONOMIC POLICY IS
PART OF A MUCH BROADER COMPLEX OF POLITICAL AND SOCIAL
FACTORS. IN THE UNITED STATES, WE HAVE COME THROUGH A
LONG PERIOD OF TRAVAIL -- THE RACE REVOLUTION, THE

TERRIBLE TRAGEDY OF VIETNAM, THE WATERGATE SCANDAL, AND

~~of a President and a Vice President, and~~ ^{the migration} added to all
WE MUST NOT COPE WITH A SERIOUS RECESSION.

if this is the unprecedented situation of dangerous
high inflation and recession, ^{highly} ~~inflation~~

Shen to, for

~~FOR~~ THE FIRST TIME IN OUR HISTORY, ~~THE~~ *and* PRESIDENT AND VICE

were compelled to Resign
PRESIDENT ~~THE PRESIDENT~~ AND WE HAVE AT THIS MOMENT A

PRESIDENT AND VICE PRESIDENT WHO WERE NOT POPULARLY ELECTED.

L BUT OUR CONSTITUTIONAL GOVERNMENT HAS DISTINGUISHED

ITSELF IN SURMOUNTING THESE DIFFICULTIES. *L* AS A NATION,

WE ARE STRENGTHENED IN THE CONVICTION THAT OUR DEMOCRATIC

SOCIETY, WITH ALL ITS DIVERSITY AND DIFFICULTIES IS SOUND.

L WE KNOW THAT OUR ECONOMIC HOUSE MUST BE PUT IN ORDER.

AND WE WILL PUT IT IN ORDER THROUGH A COMBINATION OF

FISCAL AND MONETARY POLICIES AND PLANNING DESIGNED TO *activation*

our economic policies
COORDINATE ~~OUR DOMESTIC ECONOMIC POLICIES.~~

L BUT THE TASK OF BRINGING ECONOMIC PLANNING TO AMERICA

IS A SIMPLE ONE COMPARED TO ACHIEVING GREATER ECONOMIC

COOPERATION AMONG INDUSTRIALIZED NATIONS.

LET'S BE FRANK ABOUT IT -- AMERICA, EUROPE AND JAPAN ^{the} ~~OECD countries~~
OECD countries

PURSUE DOMESTIC ECONOMIC POLICIES INDEPENDENT OF ONE

ANOTHER.

L THE WORLD-WIDE BOOM OF 1971 AND 1972 AND THE FOLLOWING

WORLD-WIDE RECESSION DEMONSTRATED THAT INDEPENDENT

POLICIES CAN EXAGGERATE FLUCTUATIONS IN THE LEVEL OF

ECONOMIC ACTIVITY TO AN ALARMING DEGREE.

L UNILATERAL ECONOMIC DECISION MAKING IGNORES THE

FACT OF OUR ECONOMIC INTERDEPENDENCE.

L THE UNITED STATES, EUROPE ~~AND~~ ^{the} ~~JAPAN~~ OECD countries SIMPLY MUST MAKE

A GREATER EFFORT TO COORDINATE THEIR DOMESTIC ECONOMIC

POLICY. EVEN NOW, THE DEPRESSED JAPANESE AND EUROPEAN

ECONOMIES ARE AWAITING AN EXPORT LED RECOVERY FUELED BY

AMERICAN CONSUMERS RATHER THAN FOLLOWING A COORDINATED

PLAN OF ACTION.

YET, COORDINATING DOMESTIC AND ECONOMIC DECISIONS AT

THE INTERNATIONAL LEVEL *is a formidable task.* ~~WILL NOT BE AN EASY TASK~~ IT

CANNOT BE CARRIED OUT BY EXPERTS ALONE. *It requires basic political decisions by political leaders.*

THE MAGNITUDE OF THE POLITICAL AND ECONOMIC DECISIONS

NECESSARY FOR COORDINATION WILL REQUIRE THE ATTENTION OF

THE HEADS OF STATE, OF POLITICAL LEADERS,

~~IT WILL REQUIRE AN ECONOMIC SUMMIT CONFERENCE AMONG
OECD MEMBERS WHO ALL FACE THE SAME UNIQUE PROBLEMS OF URBAN,
INDUSTRIALIZED SOCIETIES.~~

L THEREFORE, I PROPOSE THAT AN ECONOMIC SUMMIT CONFERENCE
BE CONVENED THIS *year* ~~SPRING~~ TO BRING TOGETHER THE HEADS OF STATES

OF THE INDUSTRIALIZED NATIONS OF NORTH AMERICA, EUROPE AND

JAPAN TO DISCUSS THE SPECIFIC COORDINATION OF THEIR

DOMESTIC ECONOMIC POLICIES. L IT IS ESSENTIAL THAT THEY DISCUSS

AND ARRIVE AT ACCEPTABLE POLICIES IN THE FIELDS OF ENERGY,

credits, with the specific purpose
FOOD, EMPLOYMENT, TRADE AND TO COMBAT INFLATIONARY POLICIES.

of Rapid and Sound Economic Recovery with a minimum of Inflation.
THE ECONOMIC SUMMIT CONFERENCE CAN FOCUS ATTENTION ON

Questions
THE ~~EXISTING~~ OF HOW INDUSTRIALIZED ECONOMIES

SHOULD DEAL WITH ~~SUCH PROBLEMS AS~~ TRADE BARRIERS AND

INTERNATIONAL MONETARY REFORM BUT THE SUMMIT SHOULD

NOT BE A SUBSTITUTE FOR THE ALREADY EXISTING DIALOGUE

ON THESE MATTERS. *L* RATHER, ITS ROLE WOULD BE TO HIGHLIGHT

AND COMPLEMENT SUCH DISCUSSIONS. *- not should the*

L CONVENING OF SUCH A SUMMIT CONFERENCE ~~WILL NOT~~

INTERFERE WITH THE CONTINUING EFFORTS OF INDUSTRIALIZED

NATIONS TO ENGAGE OPEC AND THE DEVELOPING NATIONS IN

CONSTRUCTIVE AND COOPERATIVE DIALOGUE. CLEARLY, COORDINATION

OF DOMESTIC ECONOMIC POLICIES WITHIN THE OECD CAN ONLY LEAD

TO A MORE RAPID GROWTH OF MARKETS FOR BOTH OPEC AND THIRD
WORLD ~~countries.~~ *countries.*

THE SUMMIT WILL BENEFIT ALL TRADING NATIONS, IT SHOULD
NOT BE MISINTERPRETED BY EITHER DEVELOPING NATIONS OR OPEC

AS A STEP TOWARD ECONOMIC CONFRONTATION.

~~It should not be
seen as a long overdue international~~

WHILE THE INDUSTRIALIZED NATIONS OF NORTH AMERICA, EUROPE
AND JAPAN ATTEMPT TO COORDINATE DOMESTIC ECONOMIC POLICIES,
THEY MUST NOT LOSE SIGHT OF THE GROWING IMPORTANCE OF THE
NONMARKET ECONOMIES OF THE SOVIET UNION, EASTERN EUROPE
AND THE PEOPLE'S REPUBLIC OF CHINA.

MY COUNTRY'S TRADE WITH COMMUNIST COUNTRIES HAS INCREASED
SUBSTANTIALLY, FROM \$580 MILLION FIVE YEARS AGO, TO NEARLY
\$3.5 BILLION TODAY. EVEN LARGER INCREASES HAVE OCCURRED IN

THE CASE OF OTHER WESTERN NATIONS,

I BELIEVE THAT THE GROWTH IN EAST-WEST TRADE AND COMMERCIAL
RELATIONS SHOULD BE ENCOURAGED AND EXPANDED, FOR ECONOMIC
AS WELL AS POLITICAL REASONS. *h* BUT, THERE ARE STILL SOME
IMPORTANT HURDLES IN THE WAY OF A SUBSTANTIAL EXPANSION
OF SUCH RELATIONS,

-- THERE IS A TREMENDOUS LACK OF KNOWLEDGE AMONG BUSINESSMEN
IN EUROPE, THE U.S. AND JAPAN ABOUT HOW TO MARKET THEIR
PRODUCTS IN COMMUNIST COUNTRIES AND HOW TO DEAL WITH STATE TRADING
MONOPOLIES.

*The situation is even more difficult
for the Communist countries as they seek to
expand their sales in the West.*

-- MANY COMMUNIST COUNTRIES HAVE A SHORTAGE OF CONVERTIBLE
CURRENCIES WHICH LIMIT THEIR ACCESS TO OUR MARKETS.

-- AND TO BE FRANK, THE SHARP DIFFERENCES BETWEEN POLITICAL SYSTEMS HAVE PLAYED A ROLE IN THE DEVELOPMENT OF LEGISLATION PLACING LIMITS ON EAST-WEST TRADE EXPANSION.

PREOCCUPIED AS WE MUST BE WITH THE TOTAL RANGE OF ECONOMIC PROBLEMS OF THE INDUSTRIALIZED WORLD, WE MUST NOT FORGET THE URGENT PROBLEMS OF OVER ONE BILLION OF THE WORLD'S POOR IN THE URBAN SLUMS AND RURAL VILLAGES OF THE DEVELOPING WORLD. THESE PEOPLE HAVE NOT BENEFITED FROM THE POST-WAR ECONOMIC BOOM.

WE MUST ADDRESS THE GROWING DISPARITY BETWEEN RICH AND

POOR NATIONS IT IS NOT ONLY A MORAL AND HUMANITARIAN

imperative
PROBLEM BUT AN ECONOMIC ONE AS WELL. THERE ARE TOO FEW

SIGNS THAT THE INDUSTRIALIZED NATIONS ARE WILLING TO WORK TOGETHER WITH THE DEVELOPING WORLD IN REACHING SUBSTANTIVE

SOLUTIONS TO THESE PROBLEMS.

HOPEFULLY, MORE PROGRESS WILL BE MADE AT THE SEVENTH SPECIAL

SESSION OF THE U.N. GENERAL ASSEMBLY WHICH IS ~~JUST OPENING~~ *underway.*

currently underway.

~~IN NEW YORK.~~

I want my country, in cooperation with others, to play a responsible role
~~AMERICA HAS A SIGNIFICANT ROLE TO PLAY~~ IN THE CREATION OF

A DEVELOPMENT STRATEGY WHICH COULD MEET THE NEEDS OF THE POOREST

NATIONS. ~~SECRETARY KISSINGER IS OUTLINING WHAT OUR CONTRIBUTION~~

~~CAN BE~~ IT IS CLEAR, HOWEVER, TO ME THAT THE CORNERSTONE OF A

SOUND DEVELOPMENT STRATEGY FOR THE THIRD WORLD IS INCREASED FOOD

PRODUCTION.

INDUSTRIALIZED NATIONS HAVE A UNIQUE OPPORTUNITY NOW

TO MAKE A COMMITMENT TO INCREASE AGRICULTURAL PRODUCTION IN

THE DEVELOPING WORLD THROUGH THE NEWLY CREATED INTERNATIONAL

AGRICULTURAL DEVELOPMENT FUND. THIS FUND, TO WHICH OECD AND

OPEC NATIONS WILL BE ASKED TO COMMIT INITIALLY A BILLION AND

A HALF DOLLARS, COULD GO A LONG WAY IN BRINGING ABOUT GREATER FOOD

SELF-SUFFICIENCY, IMPROVED DIETS IN DEVELOPING NATIONS AND AID ~~to~~

SMALL FARMERS. BUT, UNLESS WE ACT NOW, ~~THE U.S. DEPARTMENT~~

it is estimated that
~~OF AGRICULTURE ESTIMATES THAT~~ THE WORLD FOOD DEFICIT BY

1985 MIGHT RUN AS HIGH AS ~~72~~ ⁷² MILLION TONS OF GRAIN. IT

COULD BE HELD AS LOW AS ~~160~~ ¹⁶⁰ MILLION TONS IF PROMPT ACTION

IS TAKEN.

THE DEVELOPMENT OF A SELF-SUFFICIENT FOOD POLICY FOR THE

THIRD WORLD SHOULD BE ACCOMPANIED BY CREATION OF A WORLD FOOD

POLICY IN WHICH THE UNITED STATES ^{*can & should play*} ~~PLAYS~~ A MAJOR ROLE ~~THE~~

COMPONENTS OF THIS POLICY MUST BE INTERNATIONAL FOOD RESERVES AND

A FULL AND FREE EXCHANGE OF FOOD PRODUCTION AND MARKETING INFORMATION.

MANY CENTURIES AGO, GOVERNMENTS FOUND IT DESIRABLE TO

ESTABLISH FOOD RESERVES TO CUSHION THE IMPACT OF SUDDEN

SHORTAGES IN SUPPLIES. ~~MY OWN COUNTRY STANDS UNIQUE IN~~

~~country does not have a~~ *unfortunately my own*
~~THE WORLD IN NOT HAVING~~ *country does not have a*
~~RESERVES EVEN TODAY~~ *food reserve policy*

continues to allow
~~AMERICA ALSO IS THE ONLY NATION ALLOWING~~ FREE, FULL AND PRIVATE

ACCESS TO DOMESTIC FOOD SUPPLIES.

AS A RESULT, OUR CONSUMERS AND PRODUCERS ARE ON THE CRACK

END OF THE WORLD FOOD WHIP. *L* THEY ARE ALL EXPOSED TO A

SHOCKING DEGREE OF PRICE FLUCTUATIONS.

L THEY NEED GREATER STABILITY *L* AND GREATER STABILITY REQUIRES

FOOD RESERVES, INSULATED FROM THE MARKET SO AS NOT TO

DEPRESS FARM INCOME. *L* AT THE SAME TIME THESE RESERVES MUST BE

ADEQUATE TO MEET OUR DOMESTIC NEEDS AND TO INSURE OUR STEADY

CUSTOMERS OF ADEQUATE FOOD EXPORTS.

L THIS VITAL FOOD RESERVE IN AMERICA COULD BE HELD BY THE FARMERS THEMSELVES UNDER A CROP LOAN PROGRAM THAT WOULD PERMIT THEM TO CARRY SUCH INVENTORIES, OR IT COULD BE A COMBINATION OF FARMER-HELD RESERVES AND GOVERNMENT SUPPLIES.

and
L READY ACCESS TO OUR AMERICAN MARKET BY OCCASIONAL CUSTOMERS SHOULD HINGE ON THEIR PARTICIPATION IN AN EARLY WARNING SYSTEM -- WHERE INFORMATION ON FOOD SUPPLIES AND CROP PROSPECTS IS PROVIDED.

L WE SHOULD NOT PERMIT EASY, PENALTY-FREE ACCESS TO OUR FOOD SUPPLY BY NATION'S UNWILLING TO PROVIDE CONSISTENTLY COMPLETE AND ACCURATE INFORMATION ON THE CONDITION OF THEIR OWN CROPS AND FOOD NEEDS.

Let me add
L ~~LET ME EMPHASIZE~~ THAT THE WORLD MUST NO LONGER DEPEND ON THE U.S. TO BE THE SOLE FOOD RESERVE COUNTRY. THE BURDEN MUST BE SHARED.

THIS PRINCIPLE ALSO SHOULD APPLY TO OTHER BASIC COMMODITIES.

IN THIS PERIOD OF RAW MATERIAL SHORTAGES AND RIISING PRICES,

THERE IS A TEMPTATION TO USE ECONOMIC TRADE AS A POLITICAL

LEVER AND EVEN AS AN ECONOMIC WEAPON / LET US ALL RESIST THIS

TEMPTATION. SUCH A POWER STRUGGLE CAN ONLY LEAVE EVERYONE

IN A DISADVANTAGED POSITION.

/ I AM HOPEFUL THAT PRODUCERS AND CONSUMERS WILL NOT CONDUCT

ECONOMIC BLACKMAIL / I AM OPTIMISTIC THAT THE FAMILY OF NATIONS

WILL REALIZE THAT CONSTRUCTIVE ECONOMIC INTERDEPENDENCE OFFERS
THAT

THE BEST ROUTE TO WORLD STABILITY AND PROSPERITY,

/ ECONOMISTS AND FINANCE MINISTERS ARE BY NATURE PRUDENT AND

CONSERVATIVE AND RIGHTLY SO / THE PUBLIC MAN, YES, THE POLITICIAN

MUST BE ABLE TO SENSE CHANGES WHICH ARE TAKING PLACE AND ALERT US

TO DANGERS. PUBLIC POLICIES MUST BE THE PRODUCT OF PUBLIC

UNDERSTANDING AND GOVERNMENTAL DECISION,

THERE IS NO BETTER WAY FOR ME TO SHARE MY OWN CONCERN THAN
IN THE WORDS OF OUR GREATEST AMERICAN STATESMAN, ABRAHAM LINCOLN:

"THE DOGMAS OF THE QUIET PAST ARE INADEQUATE TO THE
STORMY PRESENT. THE OCCASION IS PILED HIGH WITH
DIFFICULTY AND WE MUST RISE WITH THE OCCASION. AS OUR
CAUSE IS NEW SO WE MUST THINK ANEW AND ACT ANEW. WE
MUST DISENTHRALL OURSELVES..."

GENTLEMEN THIS IS A DIFFERENT WORLD THAN IT WAS 100 OR EVEN
25 YEARS AGO, YOU AND I BOTH KNOW IT, THERE ARE RISING
EXPECTATIONS IN BOTH THE INDUSTRIALIZED AND DEVELOPING WORLDS.
IT IS OUR TASK TO REALIZE THIS -- TO PLAN FOR THE FUTURE AND
TO DO IT TOGETHER.

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