

## OUTLINE OF REMARKS

SENATOR HUBERT H. HUMPHREY

INVESTMENT ASSOCIATION OF NEW YORK

New York City, New York

October 28, 1975

It is a pleasure to be here with you this evening to discuss with you briefly some of the more important developments in our country and the world that affect us economically and politically.

Politically, we have a situation in which a President and a Vice-President have been forced to resign and have been replaced by individuals who were never elected to these offices.

We also have an overwhelming majority of one party in the Congress -- a party with a majority that doesn't quite know how to act as a majority.

But along with this, are some developments internationally of great importance.

First, we had to go through the trauma of a tragic war abroad. This left this country sore, divided, and unsettled, with some people embittered.

Second, we have witnessed in two vital commodity markets, incredible change.

In energy, not only has the price quadrupled, but this crucial ingredient in our economic machine has given our entire economy a jolt. The day of cheap energy is over, regardless of what kind of policy we adopt.

The day of cheap food is also finished; regardless of the kind of national food policy we follow.

The extraordinary developments in these two vital areas -- both areas of life and death -- have changed the economic arithmetic of the nation and the world.

That new arithmetic is going to plague business, government, labor, and every other institution in our society for the foreseeable future.

The amazing thing is that we have adjusted to it as well as we have.

The world today is suffering recession, as well as inflation, for the first time in history. We have no economic doctors who know how to deal with this new disease. The remedies that we have pragmatically developed in the past are inadequate to provide a cure.

On top of all this, we are more a part of an international community than we ever were in the past. Just look at the expansion of the United Nations and listen to the tensions, anxieties, problems and frustrations that we are presented with and how they relate to our own nation; and how they affect us.

The point is that economic recovery in the world will depend in a large measure on what we in the United States are able to do; not only with our own resources, but with our leadership.

America doesn't have all the answers for the world's problems and we can't be the world's policeman. But America's role in the world is no longer merely in the area of diplomacy. America's role in the world today must reflect the fact that we remain the economic giant.

Helmut Schmidt, the brilliant financial and political leader of West Germany, recently told me that there is no recovery in Europe without first recovery in America. And every world leader who I have met with says the same thing -- we look to you, America; what you do is going to make the difference.

We cannot back away from our responsibilities. We are so involved and integrated with the world economy, that what we do or don't do will make all the difference.

The new internationalism is the fact of the new economic integration and interdependence in this world of ours. Even the poorest of the poor countries can have a serious effect on us and our economy.

This is why the word "leadership" has so much meaning today. Not leadership that will demand or command, but leadership that will in a real sense bring respect and a following because of our understanding of

the world in which we live.

We have such tremendous resources in this nation. We have rich and varied soils, and a highly productive agriculture at the base. We have incredibly sophisticated technological capabilities. We have a private enterprise system that has produced more for the people of our nation than any other in history.

So, while I'm critical of American policy, I want it clear to all that I have not lost faith in our nation. The only reason I'm critical is because I know we can do so much better. We cannot be perfect, we cannot do everything we want to do, but we can always do better.

And that's what I want to talk to you about today.

Today, the economic situation nationally is certainly looking up. Gross national product and industrial production expanded rapidly in the third quarter and that is good news.

However, there is also some not so good news -- the New York City financial crisis, the fact that 30 per cent of our nation's industrial capacity is idle, and the 8.4 per cent rate of national unemployment.

We need a national economic policy to put our resources back to work quickly and without reigniting inflation.

We should all keep in mind that expansion and inflation do not necessarily go hand in hand. To the extent that expansion increases profits, provides "home-grown" capital, and decreases the unit cost of production, expansion can result in reducing the pressure on prices.

As Chairman of the Congressional Joint Economic Committee, I've taken a close look at the nation's economy, its rate of recovery, and what government action seems appropriate at this time.

You know better than I that the current economic recovery is fragile and that it results, at least in part, from two temporary factors -- tax rebates and the inventory swing. It is possible that once these factors have run their course that the rate of economic growth will slow down.

Without rapid and sustained recovery, underutilized capacity will continue to result in lower productivity and higher prices. It will mean higher unemployment, shorter work weeks, and reduced income.

To prevent this from happening, I believe we should take several steps now.

- The tax reduction of 1975 -- excluding the rebates -- should be extended into 1976. Moreover, Congress should carefully consider and be prepared to quickly enact additional tax cuts if recovery lags.

- An emergency jobs program, to put at least a million unemployed Americans back to work on projects of clear community value, is a must.

- Anti-recession assistance to state and local governments in areas with serious unemployment problems, and the emergency public works programs, must be sent to the President and signed into law without delay.

- A more expansionary monetary policy to prevent interest rates from soaring, and aborting the recovery in housing and construction, is needed.

- A program of federal guarantees on taxable bonds for New York City, and other cities that run into similar problems in the future, should be passed by Congress and signed into law.

I am deeply concerned about the economic consequences of New York City's financial difficulties, as I know you are. My concern extends beyond the social and economic chaos that would result here in New York; it extends beyond the problems that default would create for our financial markets; and it extends beyond the impact that default may have on our national economic recovery.

My greatest concern is that New York City's difficulties may extend to the other great cities of this nation. Many of these cities could conceivably be temporarily excluded from the credit markets, unable to borrow money to provide essential public services.

Our nation's cities cannot be allowed to deteriorate into crumbling centers of crime, filth and poverty. They must continue to be the vital cultural and economic centers of a prosperous and democratic nation.

In order to prevent New York City from being the first step toward a municipal financial crisis, I have introduced legislation which would provide emergency federal assistance to New York and to other cities in distress. I have also asked the Joint Economic Committee staff to prepare a study of the probable ramifications of a default by New York City and of the alternatives available for assisting New York.

While this study has not been completed, the staff has come to some very interesting preliminary conclusions.

The study suggests that a default by New York City could easily lead to a default by the State of New York, and almost certainly will lead to default by state agencies.

It further points out that the threat of default has already caused most cities and states to pay an extra half percentage point of interest on their bonds and notes. Many borrowers, particularly large central cities who can least afford it, are incurring even larger additions -- a full percentage point or more. The total additional cost imposed on states and cities from higher interest rates resulting only from New York City's problems, is well over one billion dollars for each of the ten to twenty year life of these bonds.

This study has also found that using even the most conservative assumptions, the strength of national recovery will be weakened by a New York City default. State and local spending will be reduced as the cost of borrowing rises. Banks will be forced to charge higher interest rates in an attempt to rebuild their capital positions. Lending activity will be reduced to preserve liquidity. In combination, these actions could reduce the growth rate of GNP by a full percentage point, and increase the unemployment rate by three to four-tenths of one percent. What this means is that an extra three hundred thousand plus people may be out of work one year from now.

Finally, the study clearly demonstrates that even if we allow the city to default, the federal government will have to step in to maintain essential city services, even if there is a complete moratorium on debt service. The city cannot balance its budget for the remainder of the year without significant further cuts in personnel and expenditures. Moreover, the city is short an additional billion dollars in the first three months of '76 which they must borrow in anticipation of legitimate future revenues. If the city has no access to a credit market, it will have to cut its budget in half for the first three months of the year. This of course would be a national disaster.

Clearly the issue is not should the federal government help out, but rather, when and how should it provide assistance.

The steps I've outlined are critically important, if we are to achieve a strong and sustained economic recovery.

I reject the President's proposal of a massive tax cut on January 1st, followed by a massive reduction in federal spending ten months later. Such a program would be reckless economics and destructive to public confidence in a stable economic recovery.

Certainly there is fat in the Federal budget that can be cut. But Congress is not going to buy any proposal without careful scrutiny. We must know exactly where the cuts are intended before we can act on the Administration proposal.

I believe that the new Congressional Budget process is of historic importance in checking federal spending. It has imposed a kind of fiscal discipline on the Congress that it has never known before. It must be preserved.

I share the President's concern over the size of the Federal deficit. The best way to cut the Federal budget deficit is to get our country back to work. If we could trim the unemployment rate by 2 percentage points, we could cut the federal budget deficit, through reduced payments for unemployment compensation, welfare programs, and increased tax revenues, by \$30 billion or more.

The government's focus on elimination of waste must not be limited to a review of its own budget. The mountains of federal regulations that have been promulgated in recent years have cost taxpayers, consumers, and businesses, billions of dollars.

For several years, I have been urging the creation of a Select Committee on Regulatory Reform to look into this issue in detail. The Recent creation of an Ad Hoc Committee on Regulatory Reform, made up of Congressional leaders and working closely with the Administration, is the implementation of this proposal and I welcome it.

In the meantime, however, the Executive Branch, which designs most of these regulations, can begin now to eliminate those that make no sense.



As businessmen, you know that waste is your great enemy. You know how it can destroy an otherwise healthy company. Well, it is no different for our nation. This recession has cost us \$300 billion in the last two years and will cost \$1.5 trillion in lost income and production by 1980. It has also meant that 75 million Americans have had unemployment in their immediate family some time during 1975.

This just isn't good enough for America. Our people expect more and, frankly, they deserve more. It is time we began to utilize fully the resources with which this Nation has been so uniquely blessed.

If we put all of our resources back to work with consistent and compassionate economic policy, we will whip inflation, we will get our people on the job and off the dole, we will get interest rates down, we will begin to meet our nation's social needs, and we will balance our nation's budget.

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my Biography  
gap

Born 1939

✓ Tony Brooks - John Lock  
✓ Peter Kellogg

Valentinian  
7 my class

OUTLINE OF REMARKS  
SENATOR HUBERT H. HUMPHREY  
INVESTMENT ASSOCIATION OF NEW YORK

NEW YORK CITY, NEW YORK

OCTOBER 28, 1975

Market Nov Last yr <sup>just below 600</sup> 575 - Low Point  
" today 850

Women here

" Be nice to the ladies today,  
you may be working for one tomorrow

" Socrates was a geek -  
Socrates gave Advice to the People &  
they payoned him

*Spirited  
Occasion*

IT IS A PLEASURE TO BE HERE WITH YOU THIS EVENING TO DISCUSS  
WITH YOU BRIEFLY SOME OF THE MORE IMPORTANT DEVELOPMENTS IN OUR COUNTRY  
AND THE WORLD THAT AFFECT US ECONOMICALLY AND POLITICALLY.

*H*

↳ POLITICALLY, WE HAVE A SITUATION IN WHICH A PRESIDENT AND A VICE-  
PRESIDENT HAVE BEEN FORCED TO RESIGN AND HAVE BEEN REPLACED BY  
INDIVIDUALS WHO WERE NEVER ELECTED TO THESE OFFICES.

↳ WE ALSO HAVE AN OVERWHELMING MAJORITY OF ONE PARTY IN THE  
CONGRESS -- A PARTY WITH A MAJORITY THAT DOESN'T QUITE KNOW HOW TO  
ACT AS A MAJORITY. - *Inflation + Recession*

↳ BUT ALONG WITH THIS, ARE SOME DEVELOPMENTS INTERNATIONALLY OF  
GREAT IMPORTANCE.

L FIRST, WE HAD TO GO THROUGH THE TRAUMA OF A TRAGIC WAR ABROAD.

THIS LEFT THIS COUNTRY SORE, DIVIDED, AND UNSETTLED, WITH SOME PEOPLE

EMBITTERED.

L SECOND, WE HAVE WITNESSED TWO VITAL COMMODITY MARKETS,

INCREDIBLE CHANGE.

L IN ENERGY, NOT ONLY HAS THE PRICE QUADRUPLED, BUT THIS CRUCIAL

INGREDIENT IN OUR ECONOMIC MACHINE HAS GIVEN OUR ENTIRE ECONOMY A JOLT.

L THE DAY OF CHEAP ENERGY IS OVER, REGARDLESS OF WHAT KIND OF POLICY

WE ADOPT.

L THE DAY OF CHEAP FOOD IS ALSO FINISHED; REGARDLESS OF THE KIND OF

NATIONAL FOOD POLICY WE FOLLOW.

L THE EXTRAORDINARY DEVELOPMENTS IN THESE TWO VITAL AREAS -- BOTH AREAS

OF LIFE AND DEATH -- HAVE CHANGED THE ECONOMIC ARITHMETIC OF THE

NATION AND THE WORLD.

*Terrible Strain on 3rd world  
Heavy drain on credits*

THAT NEW ARITHMETIC IS GOING TO PLAGUE BUSINESS, GOVERNMENT,

LABOR, AND EVERY OTHER INSTITUTION IN OUR SOCIETY FOR THE FORSEEABLE

FUTURE.

HAVE,

THE WORLD TODAY IS SUFFERING RECESSION, AS WELL AS INFLATION, FOR

THE FIRST TIME IN HISTORY. WE HAVE NO ECONOMIC DOCTORS WHO KNOW HOW TO

DEAL WITH THIS NEW DISEASE. THE REMEDIES THAT WE HAVE PRAGMATICALLY

DEVELOPED IN THE PAST ARE INADEQUATE TO PROVIDE A CURE.

ON TOP OF ALL THIS, WE ARE MORE A PART OF AN INTERNATIONAL

COMMUNITY THAN WE EVER WERE IN THE PAST. JUST LOOK AT THE EXPANSION

OF THE UNITED NATIONS AND LISTEN TO THE TENSIONS, ANXIETIES, PROBLEMS



AND FRUSTRATIONS THAT WE ARE PRESENTED WITH AND HOW THEY RELATE TO  
OUR OWN NATION; AND HOW THEY AFFECT US,

h THE POINT IS THAT ECONOMIC RECOVERY IN THE WORLD WILL DEPEND IN  
A LARGE MEASURE ON WHAT WE IN THE UNITED STATES ARE ABLE TO DO; NOT ONLY  
WITH OUR OWN RESOURCES, BUT WITH OUR LEADERSHIP.

L AMERICA DOESN'T HAVE ALL THE ANSWERS FOR THE WORLD'S PROBLEMS  
AND WE CAN'T BE THE WORLD'S POLICEMAN. BUT AMERICA'S ROLE IN THE WORLD  
IS NO LONGER MERELY IN THE AREA OF DIPLOMACY, <sup>or military security</sup> AMERICA'S ROLE IN THE  
WORLD TODAY MUST REFLECT THE FACT THAT WE REMAIN THE ECONOMIC GIANT.

h HELMUT SCHMIDT, THE BRILLIANT FINANCIAL AND POLITICAL LEADER OF  
WEST GERMANY, RECENTLY TOLD ME THAT THERE IS NO RECOVERY IN EUROPE  
WITHOUT FIRST RECOVERY IN AMERICA. AND EVERY WORLD LEADER WHO I HAVE  
MET WITH SAYS THE SAME THING -- WE LOOK TO YOU, AMERICA; WHAT YOU DO IS

GOING TO MAKE THE DIFFERENCE.

WE CANNOT BACK AWAY FROM OUR RESPONSIBILITIES. WE ARE SO INVOLVED  
AND INTEGRATED WITH THE WORLD ECONOMY, THAT WHAT WE DO OR DON'T DO WILL  
MAKE ALL THE DIFFERENCE.

~~new internationalism~~  
THE NEW INTERNATIONALISM IS THE FACT OF THE NEW ECONOMIC INTEGRATION  
AND INTERDEPENDENCE ~~IN THIS WORLD OF OURS.~~ EVEN THE POOREST OF THE POOR  
COUNTRIES CAN HAVE A SERIOUS EFFECT ON US AND OUR ECONOMY.

THIS IS WHY THE WORD "LEADERSHIP" HAS SO MUCH MEANING TODAY. NOT  
LEADERSHIP THAT WILL DEMAND OR COMMAND, BUT LEADERSHIP THAT WILL IN A  
REAL SENSE BRING RESPECT AND A FOLLOWING BECAUSE OF OUR UNDERSTANDING OF  
THE WORLD IN WHICH WE LIVE.

~~Yes, Energy Resources.~~  
WE HAVE SUCH TREMENDOUS RESOURCES IN THIS NATION. WE HAVE RICH  
AND VARIED SOILS, AND A HIGHLY PRODUCTIVE AGRICULTURE AT THE BASE. WE HAVE  
INCREDIBLY SOPHISTICATED TECHNOLOGICAL CAPABILITIES. WE HAVE A PRIVATE

Old Senate colleagues of mine used to say  
when the debate got thick + heavy  
Don't Interrupt me now, I don't  
want to ~~be~~ be handicapped by  
realities

Today we dare not shrink  
from the recognition of  
economic realities

ENTERPRISE SYSTEM THAT HAS PRODUCED MORE FOR THE PEOPLE OF OUR NATION THAN

ANY OTHER IN HISTORY,

*Do Better*

So, WHILE I'M CRITICAL OF AMERICAN POLICY, I WANT IT CLEAR TO ALL

THAT I HAVE NOT LOST FAITH IN OUR NATION. THE ONLY REASON I'M CRITICAL IS

BECAUSE I KNOW WE CAN DO SO MUCH BETTER. WE CANNOT BE PERFECT, WE

CANNOT DO EVERYTHING WE WANT TO DO, BUT WE CAN ALWAYS DO BETTER.

*(athletics, do better)*

*I dare  
your  
challenge*

AND THAT'S WHAT I WANT TO TALK TO YOU ABOUT TODAY.

TODAY, <sup>our</sup> THE ECONOMIC SITUATION ~~is~~ IS CERTAINLY LOOKING UP.

GROSS NATIONAL PRODUCT AND INDUSTRIAL PRODUCTION EXPANDED RAPIDLY IN THE

THIRD QUARTER AND THAT IS GOOD NEWS.

*mkp yr ago under 600  
to over 850*

*Bad News* HOWEVER, THERE IS ALSO SOME NOT SO GOOD NEWS -- ~~THE~~ NEW YORK CITY

FINANCIAL CRISIS, THE FACT THAT 30 PER CENT OF OUR NATION'S INDUSTRIAL

CAPACITY IS IDLE, AND THE 8.4 PER CENT RATE OF NATIONAL UNEMPLOYMENT.

These conditions demand our full and dedicated  
concern + Attention

-7-

WE NEED A NATIONAL ECONOMIC POLICY TO PUT OUR RESOURCES BACK TO  
WORK QUICKLY AND WITHOUT REIGNITING INFLATION. / ~~Restoration of confidence~~  
- well, can we?

WE SHOULD ALL KEEP IN MIND THAT EXPANSION AND INFLATION DO NOT  
NECESSARILY GO HAND IN HAND. / To the extent that EXPANSION INCREASES  
PROFITS, PROVIDES "HOME-GROWN" CAPITAL, AND DECREASES THE UNIT COST OF  
PRODUCTION, EXPANSION CAN RESULT IN REDUCING THE PRESSURE ON PRICES,

AS CHAIRMAN OF THE CONGRESSIONAL JOINT ECONOMIC COMMITTEE, I'VE  
TAKEN A CLOSE LOOK AT THE NATION'S ECONOMY, ITS RATE OF RECOVERY, AND  
WHAT <sup>part of</sup> GOVERNMENT ACTION SEEMS APPROPRIATE AT THIS TIME.

YOU KNOW BETTER THAN I THAT THE CURRENT ECONOMIC RECOVERY IS  
FRAGILE AND THAT IT RESULTS, AT LEAST IN PART, FROM TWO TEMPORARY FACTORS  
<sup>Tax cuts</sup> TAX REBATES AND THE INVENTORY SWING. / IT IS POSSIBLE THAT ONCE THESE  
FACTORS HAVE RUN THEIR COURSE THAT THE RATE OF ECONOMIC GROWTH WILL SLOW  
DOWN.



4 WITHOUT RAPID AND SUSTAINED RECOVERY, UNDERUTILIZED CAPACITY WILL  
CONTINUE TO RESULT IN LOWER PRODUCTIVITY AND HIGHER PRICES. IT WILL  
continued high  
MEAN HIGHER UNEMPLOYMENT, SHORTER WORK WEEKS, AND REDUCED INCOME.

h TO PREVENT THIS FROM HAPPENING, I BELIEVE WE SHOULD TAKE SEVERAL  
STEPS NOW.

-- THE TAX REDUCTION OF 1975 -- (EXCLUDING THE REBATES) -- SHOULD BE  
EXTENDED INTO 1976. MOREOVER, CONGRESS SHOULD CAREFULLY CONSIDER AND  
BE PREPARED TO QUICKLY ENACT ADDITIONAL TAX CUTS IF RECOVERY LAGS.

h -- AN EMERGENCY JOBS PROGRAM, TO PUT AT LEAST A MILLION UNEMPLOYED  
AMERICANS BACK TO WORK ON PROJECTS OF CLEAR COMMUNITY VALUE, IS A MUST.

h -- ANTI-RECESSION ASSISTANCE TO STATE AND LOCAL GOVERNMENTS IN AREAS  
WITH SERIOUS UNEMPLOYMENT PROBLEMS, AND THE EMERGENCY PUBLIC WORKS  
PROGRAM, MUST BE SENT TO THE PRESIDENT AND SIGNED INTO LAW WITHOUT

DELAY,

h- A MORE EXPANSIONARY MONETARY POLICY TO PREVENT INTEREST RATES  
FROM SOARING, AND ABORTING THE RECOVERY IN HOUSING AND CONSTRUCTION, IS  
NEEDED. (Better now) + now

-- A PROGRAM OF FEDERAL GUARANTEES ON TAXABLE BONDS FOR NEW YORK  
CITY, AND OTHER CITIES THAT RUN INTO SIMILAR PROBLEMS IN THE FUTURE,  
SHOULD BE PASSED BY CONGRESS AND SIGNED INTO LAW. | Tough Standards  
to Qualify. -  
no Bailout.

h I AM DEEPLY CONCERNED ABOUT THE ECONOMIC CONSEQUENCES OF NEW YORK  
CITY'S FINANCIAL DIFFICULTIES, AS I KNOW YOU ARE. h MY CONCERN EXTENDS  
BEYOND THE SOCIAL AND ECONOMIC CHAOS THAT WOULD RESULT HERE IN NEW YORK;  
IT EXTENDS BEYOND THE PROBLEMS THAT DEFAULT WOULD CREATE FOR OUR  
FINANCIAL MARKETS; AND IT EXTENDS BEYOND THE IMPACT THAT DEFAULT MAY  
HAVE ON OUR NATIONAL ECONOMIC RECOVERY.

My concern  
extends to the image we Project to the world -

My GREATEST CONCERN IS THAT NEW YORK CITY'S DIFFICULTIES MAY EXTEND  
TO THE OTHER GREAT CITIES OF THIS NATION. MANY OF THESE CITIES COULD  
CONCEIVABLY BE TEMPORARILY EXCLUDED FROM THE CREDIT MARKETS, UNABLE TO  
BORROW MONEY TO PROVIDE ESSENTIAL PUBLIC SERVICES, *Increase in Bond Rates*

*Need of Urban Policy*  
OUR NATION'S CITIES CANNOT BE ALLOWED TO DETERIORATE INTO CRUMBLING  
CENTERS OF CRIME, FILTH AND POVERTY. THEY MUST CONTINUE TO BE THE VITAL  
CULTURAL AND ECONOMIC CENTERS OF A PROSPEROUS AND DEMOCRATIC NATION.

IN ORDER TO PREVENT NEW YORK CITY FROM BEING THE FIRST STEP TOWARD  
A MUNICIPAL FINANCIAL CRISIS, I HAVE INTRODUCED LEGISLATION WHICH WOULD  
PROVIDE EMERGENCY FEDERAL ASSISTANCE TO NEW YORK AND TO OTHER CITIES IN  
DISTRESS. I HAVE ALSO ASKED THE JOINT ECONOMIC COMMITTEE STAFF TO PREPARE  
A STUDY OF THE PROBABLE RAMIFICATIONS OF A DEFAULT BY NEW YORK CITY AND OF  
THE ALTERNATIVES AVAILABLE FOR ASSISTING NEW YORK.

WHILE THIS STUDY HAS NOT BEEN COMPLETED, THE STAFF HAS COME TO SOME  
VERY INTERESTING PRELIMINARY CONCLUSIONS.

THE STUDY SUGGESTS THAT A DEFAULT BY NEW YORK CITY COULD ~~LEAD~~ LEAD  
TO A DEFAULT BY THE STATE OF NEW YORK, AND ALMOST CERTAINLY WILL LEAD TO  
some  
DEFAULT BY STATE AGENCIES.

IT FURTHER POINTS OUT THAT THE <sup>6</sup> THREAT OF DEFAULT HAS ALREADY CAUSED  
some  
~~MOST~~ CITIES AND STATES TO PAY AN EXTRA HALF PERCENTAGE POINT OF  
INTEREST ON THEIR BONDS AND NOTES many borrowers, PARTICULARLY LARGE  
CENTRAL CITIES WHO <sup>ish</sup> CAN LEAST AFFORD IT, ARE INCURRING EVEN LARGER  
ADDITIONS -- A FULL PERCENTAGE POINT OR MORE. THE TOTAL ADDITIONAL COST  
IMPOSED ON STATES AND CITIES FROM HIGHER INTEREST RATES RESULTING ONLY  
FROM NEW YORK CITY'S PROBLEMS, IS WELL OVER ONE BILLION DOLLARS FOR EACH  
OF THE TEN TO TWENTY YEAR LIFE OF THESE BONDS.

THIS STUDY HAS ALSO FOUND THAT USING EVEN THE MOST CONSERVATIVE ASSUMPTIONS, THE STRENGTH OF NATIONAL RECOVERY WILL BE WEAKENED BY A NEW YORK CITY DEFAULT. STATE AND LOCAL SPENDING WILL BE REDUCED AS THE COST OF BORROWING RISES. BANKS WILL BE FORCED TO CHARGE HIGHER INTEREST RATES IN AN ATTEMPT TO REBUILD THEIR CAPITAL POSITIONS. LENDING ACTIVITY WILL BE REDUCED TO PRESERVE LIQUIDITY. IN COMBINATION, THESE ACTIONS COULD REDUCE THE GROWTH RATE OF GNP BY A FULL PERCENTAGE POINT, AND INCREASE THE UNEMPLOYMENT RATE BY THREE TO FOUR-TENTHS OF ONE PERCENT. WHAT THIS MEANS IS THAT AN EXTRA THREE HUNDRED THOUSAND PLUS PEOPLE MAY BE OUT OF WORK ONE YEAR FROM NOW.

FINALLY, THE STUDY CLEARLY DEMONSTRATES THAT EVEN IF WE ALLOW THE CITY TO DEFAULT, THE FEDERAL GOVERNMENT WILL HAVE TO STEP IN TO MAINTAIN ESSENTIAL CITY SERVICES, EVEN IF THERE IS A COMPLETE MORATORIUM ON DEBT SERVICE. THE CITY CANNOT BALANCE ITS BUDGET FOR THE REMAINDER OF THE



YEAR WITHOUT SIGNIFICANT FURTHER CUTS IN PERSONNEL AND EXPENDITURES.

h MOREOVER, THE CITY IS SHORT AN ADDITIONAL BILLION DOLLARS IN THE FIRST  
THREE MONTHS OF '76 WHICH ~~it~~ MUST BORROW IN ANTICIPATION OF LEGITIMATE  
FUTURE REVENUES. h IF THE CITY HAS NO ACCESS TO A CREDIT MARKET, IT WILL

HAVE TO CUT ITS BUDGET IN HALF FOR THE FIRST THREE MONTHS OF THE YEAR.

THIS OF COURSE WOULD BE A ~~NATIONAL~~ <sup>major</sup> DISASTER.

h CLEARLY THE ISSUE IS NOT SHOULD THE FEDERAL GOVERNMENT HELP OUT,  
BUT RATHER, WHEN AND HOW SHOULD IT PROVIDE ASSISTANCE. !

h THE STEPS I'VE OUTLINED ARE CRITICALLY IMPORTANT, IF WE ARE TO  
ACHIEVE A STRONG AND SUSTAINED ECONOMIC RECOVERY.

h I REJECT THE PRESIDENT'S PROPOSAL OF A MASSIVE TAX CUT ON  
JANUARY 1ST, FOLLOWED BY A MASSIVE REDUCTION IN FEDERAL SPENDING TEN

MONTHS LATER. h SUCH A PROGRAM WOULD BE RECKLESS ECONOMICS AND DESTRUCTIVE  
TO PUBLIC CONFIDENCE IN A STABLE ECONOMIC RECOVERY.

CERTAINLY THERE IS FAT IN THE FEDERAL BUDGET THAT CAN BE CUT BUT

CONGRESS IS NOT GOING TO BUY ANY PROPOSAL WITHOUT CAREFUL SCRUTINY.

WE MUST KNOW EXACTLY WHERE THE CUTS ARE INTENDED BEFORE WE CAN ACT ON  
THE ADMINISTRATION PROPOSAL.

I BELIEVE THAT THE NEW CONGRESSIONAL BUDGET PROCESS IS OF HISTORIC  
IMPORTANCE IN CHECKING FEDERAL SPENDING. IT HAS IMPOSED A KIND OF FISCAL

DISCIPLINE ON THE CONGRESS THAT IT HAS NEVER KNOWN BEFORE IT MUST BE  
PRESERVED. *(we argue over priorities)*

*and* I SHARE THE PRESIDENT'S CONCERN OVER THE SIZE OF THE FEDERAL DEFICIT.

*But* THE BEST WAY TO CUT THE FEDERAL BUDGET DEFICIT IS TO GET OUR COUNTRY BACK

TO WORK. IF WE COULD TRIM THE UNEMPLOYMENT RATE BY 2 PERCENTAGE

POINTS, WE COULD CUT THE FEDERAL BUDGET DEFICIT, THROUGH REDUCED

PAYMENTS FOR UNEMPLOYMENT COMPENSATION, WELFARE PROGRAMS, AND INCREASED

TAX REVENUES, BY \$30 BILLION OR MORE.

But -

THE GOVERNMENT'S FOCUS ON ELIMINATION OF WASTE MUST NOT BE LIMITED TO A REVIEW OF ITS OWN BUDGET. THE MOUNTAINS OF FEDERAL REGULATIONS THAT HAVE BEEN PROMULGATED IN RECENT YEARS HAVE COST TAXPAYERS, CONSUMERS, AND BUSINESSES, BILLIONS OF DOLLARS.

FOR SEVERAL YEARS, I HAVE BEEN URGING THE CREATION OF A SELECT COMMITTEE ON REGULATORY REFORM TO LOOK INTO THIS ISSUE IN DETAIL. THE RECENT CREATION OF AN AD HOC COMMITTEE ON REGULATORY REFORM, MADE UP OF CONGRESSIONAL LEADERS AND WORKING CLOSELY WITH THE ADMINISTRATION, IS THE IMPLEMENTATION OF THIS PROPOSAL AND I WELCOME IT.

IN THE MEANTIME, HOWEVER, THE EXECUTIVE BRANCH, WHICH DESIGNS MOST OF THESE REGULATIONS, CAN BEGIN NOW TO ELIMINATE THOSE THAT MAKE NO SENSE.

AS BUSINESSMEN, YOU KNOW THAT WASTE IS YOUR GREAT ENEMY. YOU KNOW HOW IT CAN DESTROY AN OTHERWISE HEALTHY COMPANY. WELL, IT IS NO

DIFFERENT FOR OUR NATION. THIS RECESSION HAS COST US \$300 BILLION IN THE  
LAST TWO YEARS AND WILL COST \$1.5 TRILLION IN LOST INCOME AND PRODUCTION

BY 1980. IT HAS ALSO MEANT THAT 75 MILLION AMERICANS HAVE HAD UNEMPLOYMENT  
IN THEIR IMMEDIATE FAMILY SOME TIME DURING 1974-75

THIS JUST ISN'T GOOD ENOUGH FOR AMERICA. OUR PEOPLE EXPECT MORE  
AND, FRANKLY, THEY DESERVE MORE. IT IS TIME WE BEGAN TO UTILIZE FULLY THE  
RESOURCES WITH WHICH THIS NATION HAS BEEN SO UNIQUELY BLESSED.

IF WE PUT ~~ALL OF~~ OUR RESOURCES BACK TO WORK WITH CONSISTENT AND  
COMPASSIONATE ECONOMIC POLICY, WE WILL WHIP INFLATION, WE WILL GET OUR  
PEOPLE ON THE JOB AND OFF THE DOLE, WE WILL <sup>have the credit we need - + get the</sup> GET INTEREST RATES DOWN.

WE WILL BEGIN TO MEET OUR NATION'S SOCIAL NEEDS, AND WE WILL BALANCE OUR  
NATION'S BUDGET. Benediction.

Our Bicentennial - Pioneering Adventure - Risk  
#### Optimism - Confidence - Dare  
✓ Building a More Perfect Union - accomplish



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