

REMARKS OF SENATOR HUBERT H. HUMPHREY

LOEB-RHOADES SEMINAR ON

"THE FUTURE OF THE DEMOCRATIC ECONOMY"

Washington, D. C.

May 5, 1976

The American economic system is not working well.

Today we are just emerging from the worst recession since the Great Depression -- a unique recession in which inflation soared to record post-war levels.

In 1975 we experienced an unemployment crisis with an average "official" rate of 8.5 percent. At the same time, we saw prices increase at double digit rates.

Dr. Arthur Burns has made the same point. Last December he said, "If an employment rate of eight or nine percent is insufficient to bring inflation to a halt, then our economic system is no longer working as we once supposed."

I completely agree.

It is time for a detailed re-examination of our economic assumptions and it is vitally important that our nation's business leaders fully participate. In this re-evaluation, we all must put aside our ideological biases and approach this task in a pragmatic way. The future of our democratic economy rests on our willingness to embark upon this sometimes unsettling but essential mission.

This morning I would like to raise several issues that should be considered during this process.

Many of the ideas I will mention are controversial. In no case do I believe we have the "final" solution. But, I am convinced they are of great importance to you and all Americans. And, I need the benefit of your advice and counsel on them.

Last fall, in a major speech in Atlanta, Dr. Burns suggested, as I have on many occasions, that the government should be an employer of last resort in times of severe recession and high unemployment. Surely we have our differences on the way to do this, but in principle we are together.

I believe you should carefully consider this proposition. I urge you to study my proposal to provide a decent job for every American able and willing to work, the Full Employment and Balanced Growth Act of 1976.

It costs the Treasury about \$16 billion in lost tax revenues and increased spending on unemployment compensation, food stamps and welfare, for each one percent of unemployment. The present approach of providing Federal checks rather than jobs is too wasteful and inconsistent with basic American values to be continued. Our economic and manpower policies must be restructured to emphasize work and productivity, rather than welfare and waste.

Contrary to the impression some people would like to create, the Humphrey-Hawkins Full Employment bill works primarily through the private sector.

The principle thrust of the bill is to encourage the creation of job opportunities in thriving, expanding private businesses through tax, credit and budget policies which will stimulate private enterprise in a balanced and sustainable way. Many of the auxiliary programs that are called for in the bill are specifically designed to produce private jobs. Additional activities under the bill will supplement and not supplant the private sector.

We need to have all our people working. It is good for them and for you. The work ethic will die only if we let it. I am sure our bill has imperfections. I am sure it will be improved in committee. But, I do believe it moves in the right direction.

Another subject that deserves your attention is the Humphrey-Javits Balanced Growth and Economic Planning Act. I ask you to study this proposal in detail, and to give me the benefit of your views.

This legislation would establish a new procedure for anticipating economic problems before they become crises. It also would help us to see the impact of government policy in one area on developments in other areas -- the impact of grain sales on our rail system, for example.

Such a process would provide a great deal of new information which would be used by the private sector in its planning and by government in its policy making. It would require that Congress and the President, with business, labor and state and local government fully participating, debate and establish economic goals and priorities for America.

The forecasting and goal setting process would strengthen our private sector institutions and our free market system. And it would reduce the inconsistent and unpredictable interference of government in the private sector.

This new process could be the basis for a more constructive partnership between the public and private sectors in the years ahead. Such a partnership would do a better job of meeting the needs of our society.

Another issue of great concern to me is the problem of capital formation -- meeting our growing investment requirements. As Chairman of the Joint Economic Committee, I have become increasingly concerned over this problem. The Committee is continuing its analysis of this issue.

It is clear that business investment will have to be higher over the next several years, if we are to meet the needs of an expanding labor force. One recent study for the Council of Economic Advisors projects a need for about \$40 billion in additional investment -- above recent levels -- in each of the next four years.

In 1976, real investment is projected to be roughly 4 percent below the 1975 level and 16 percent below the level of 1973. Frankly, this just won't do. A strong and sustained economic recovery is essential in generating the level of investment that we need.

The average cost of business investment goods has risen 78 percent in the last ten years, well above the rate of consumer price increases. At the same time, a near doubling in interest rates on corporate borrowing has added greatly to the cost of capital expansion.

Congress must give serious and immediate attention to effectively designed measures, including tax code changes, to stimulate investment. Obviously, policies to reduce inflation and interest rates are a must if we are to meet our investment needs.

It also is important that we consider new way to broaden the ownership of capital in America. Today, the vast majority of our people feel they are outside the "system" looking in. Roughly two-thirds of the value of outstanding stock, for example, is owned by about 5 percent of the adult population.

More effort is needed to broaden ownership of our great productive enterprise.

Recently, under my chairmanship, the Joint Economic Committee held hearings on this question. We soon will issue a major study on alternative approaches to broadening the ownership of wealth in America.

I call on all of you is to use your knowledge and experience in finance to promote broadened ownership in our nation. It is urgent that this be done. We also need your help in devising better ways of assuring access to credit at reasonable rates for small and promising new businesses.

In conclusion, I would like to comment briefly on the need for all of us to seriously consider the future we face in America and the tough decisions we must make.

Let me remind you that by the year 2000, it looks as if we will add another 50 million people to our nation's population, 85 percent of whom likely will be living in cities with populations of 50,000 or more.

By the year 2000, upwards of three billion people are likely to be added to the world's current four billion population. According to the World Bank, this would create over 200 cities exceeding one million each, and several over 20 million each.

And hidden behind these numbers is the fact that most of this growth and population concentration is likely to occur in the developing nations, many of whom already are falling behind in meeting even the most basic of human needs, such as food and shelter, for their present populations.

The creation of a desirable or suitable human environment within our nation requires that people be provided with the opportunity to develop life-styles and surroundings of their own choice, consistent with environmental integrity and the economic management of natural resources.

The intensifying debate between the advocates of "no growth" versus "growth at any price" within our country is an attempt to force Americans today to make a simple choice of accepting one or the other. However, I believe they will accept neither. Rather, I believe the American people, as they look anew at what kind of future they now are creating for themselves and future generations, will begin to move toward the goal of human relationships that is based upon the idea of "balance".

Growth is seen by many as the opposite of stability. Yet both are desired. Novelty is prized, but man is overwhelmed by too much change. Technology is both feared and indispensable.

Liberty versus tranquility, defense versus welfare, present versus future, use versus preservation, are dichotomous or contradictory terms reflecting the on-going contest stimulated by the demands of growth in America's history upon the achievement of national goals and the preservation of national ideals.

Our challenge then is to reach out for the "balance" in human relationships that many of us believe attainable:

- between growth and stability;
- between individual free-choice and the common good;
- between economic needs and environmental protection;
- between rich and poor, rural and urban, young and old;
- and between international, national and local goals.

Deciding how the balance is to be achieved, will challenge all Americans and their institutions. It will require new processes, new modes of thought and perhaps even new institutions. Our challenge and your challenge is to face up to these facts and get to work assuring that the right balance is established and maintained.

I have always been an optimist. No American who has his eyes open and sees the great treasure of our people, our political and economic system, and our resources can be otherwise. I am confident that we will make the right decisions and that we can all look to a bright future for ourselves, our children and our grandchildren.

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WASHINGTON, D. C.

MAY 5, 1976

Mr. Loeb - Mr. Levin

-1- (The Engine of the Economy)

THE AMERICAN ECONOMIC SYSTEM IS NOT WORKING WELL.

TODAY WE ARE JUST EMERGING FROM THE WORST RECESSION SINCE THE GREAT DEPRESSION -- A UNIQUE RECESSION IN WHICH INFLATION SOARED TO RECORD POST-WAR LEVELS.

IN 1975 WE EXPERIENCED AN UNEMPLOYMENT CRISIS WITH AN AVERAGE "OFFICIAL" RATE OF 8.5 PERCENT. AT THE SAME TIME, WE SAW PRICES INCREASE AT DOUBLE DIGIT RATES.

DR. ARTHUR BURNS HAS MADE THE SAME POINT. LAST DECEMBER HE SAID, "IF AN ^{un}EMPLOYMENT RATE OF EIGHT OR NINE PERCENT IS INSUFFICIENT TO BRING INFLATION TO A HALT, THEN OUR ECONOMIC SYSTEM IS NO LONGER WORKING AS WE ONCE SUPPOSED."

I COMPLETELY AGREE.

IT IS TIME FOR A DETAILED RE-EXAMINATION OF OUR ECONOMIC
ASSUMPTIONS AND IT IS VITALLY IMPORTANT THAT OUR NATION'S BUSINESS
LEADERS FULLY PARTICIPATE. IN THIS RE-EVALUATION, WE ALL MUST PUT

ASIDE OUR IDEOLOGICAL BIASES AND APPROACH THIS TASK IN A PRAGMATIC
WAY. THE FUTURE OF OUR DEMOCRATIC ^{capitalistic} ECONOMY RESTS ON OUR WILLINGNESS

TO EMBARK UPON THIS SOMETIMES UNSETTLING BUT ESSENTIAL MISSION.

THIS MORNING I WOULD LIKE TO RAISE SEVERAL ISSUES THAT SHOULD
BE CONSIDERED DURING THIS PROCESS.

MANY OF THE IDEAS I WILL MENTION ARE CONTROVERSIAL. IN NO
CASE DO I BELIEVE WE HAVE THE "FINAL" SOLUTION. BUT, I AM CONVINCED
THEY ARE OF ~~great~~ IMPORTANCE TO YOU AND ALL AMERICANS. AND, I NEED

THE BENEFIT OF YOUR ADVICE AND COUNSEL ON THEM.

LAST FALL, IN A MAJOR SPEECH IN ATLANTA, DR. BURNS SUGGESTED,
AS I HAVE ON MANY OCCASIONS, THAT THE GOVERNMENT SHOULD BE AN
EMPLOYER OF LAST RESORT IN TIMES OF SEVERE RECESSION AND HIGH
UNEMPLOYMENT. SURELY WE HAVE OUR DIFFERENCES ON THE WAY TO DO
DO THIS, BUT IN PRINCIPLE WE ARE TOGETHER.

I BELIEVE YOU SHOULD CAREFULLY CONSIDER THIS PROPOSITION. I
URGE YOU TO STUDY MY PROPOSAL TO PROVIDE A DECENT JOB FOR EVERY
AMERICAN ABLE AND WILLING TO WORK, THE FULL EMPLOYMENT AND BALANCED
GROWTH ACT OF 1976.

IT COSTS THE TREASURY ABOUT \$16 BILLION IN LOST TAX REVENUES
AND INCREASED SPENDING ON UNEMPLOYMENT COMPENSATION, FOOD STAMPS
AND WELFARE, FOR EACH ONE PERCENT OF UNEMPLOYMENT.

THE PRESENT APPROACH OF PROVIDING FEDERAL CHECKS RATHER THAN JOBS

IS TOO WASTEFUL AND INCONSISTENT WITH BASIC AMERICAN VALUES TO

BE CONTINUED. OUR ECONOMIC AND MANPOWER POLICIES MUST BE RESTRUCTURED

TO EMPHASIZE WORK AND PRODUCTIVITY, RATHER THAN WELFARE AND WASTE.

CONTRARY TO THE IMPRESSION SOME PEOPLE WOULD LIKE TO CREATE, THE

HUMPHREY-HAWKINS FULL EMPLOYMENT BILL WORKS PRIMARILY THROUGH THE

PRIVATE SECTOR.

THE PRINCIPLE THRUST OF THE BILL IS TO ENCOURAGE THE CREATION
OF JOB OPPORTUNITIES IN THRIVING, EXPANDING PRIVATE BUSINESSES

THROUGH TAX, CREDIT AND BUDGET POLICIES WHICH WILL STIMULATE PRIVATE

ENTERPRISE IN A BALANCED AND SUSTAINABLE WAY. MANY OF THE AUXILIARY

Emergency Public Works
PROGRAMS THAT ARE CALLED FOR IN THE BILL ARE SPECIFICALLY DESIGNED

TO PRODUCE PRIVATE JOBS. ADDITIONAL ACTIVITIES UNDER THE BILL WILL

SUPPLEMENT AND NOT SUPPLANT THE PRIVATE SECTOR.

WE NEED TO HAVE ALL OUR PEOPLE WORKING. IT IS GOOD FOR THEM
AND FOR YOU. THE WORK ETHIC WILL DIE ONLY IF WE LET IT. I AM SURE
OUR BILL HAS IMPERFECTIONS. I AM SURE IT WILL BE IMPROVED IN
COMMITTEE. BUT, I DO BELIEVE IT MOVES IN THE RIGHT DIRECTION.

Another SUBJECT THAT DESERVES YOUR ATTENTION IS THE

HUMPHREY-JAVITS BALANCED GROWTH AND ECONOMIC PLANNING ACT. I ASK
YOU TO STUDY THIS PROPOSAL IN DETAIL, AND TO GIVE ME THE BENEFIT
OF YOUR VIEWS.

THIS LEGISLATION WOULD ESTABLISH A NEW PROCEDURE FOR
ANTICIPATING ECONOMIC PROBLEMS BEFORE THEY BECOME CRISES IT ALSO
WOULD HELP US TO SEE THE IMPACT OF GOVERNMENT POLICY IN ONE AREA
ON DEVELOPMENTS IN OTHER AREAS -- THE IMPACT OF GRAIN SALES ON
OUR RAIL SYSTEM, FOR EXAMPLE.

✓ SUCH A PROCESS WOULD PROVIDE A GREAT DEAL OF NEW INFORMATION WHICH WOULD BE USED BY THE PRIVATE SECTOR IN ITS PLANNING AND BY GOVERNMENT IN ITS POLICY MAKING. ✓ IT WOULD REQUIRE THAT CONGRESS AND THE PRESIDENT, WITH BUSINESS, LABOR AND STATE AND LOCAL GOVERNMENT FULLY PARTICIPATING, DEBATE AND ESTABLISH ECONOMIC GOALS AND PRIORITIES FOR AMERICA.

✓ THE FORECASTING AND GOAL SETTING PROCESS WOULD STRENGTHEN OUR PRIVATE SECTOR INSTITUTIONS AND OUR FREE MARKET SYSTEM. ✓ AND IT WOULD REDUCE THE INCONSISTENT AND UNPREDICTABLE INTERFERENCE OF GOVERNMENT IN THE PRIVATE SECTOR.

THIS NEW PROCESS COULD BE THE BASIS FOR A MORE CONSTRUCTIVE PARTNERSHIP BETWEEN THE PUBLIC AND PRIVATE SECTORS IN THE YEARS AHEAD. SUCH A PARTNERSHIP WOULD DO A BETTER JOB OF MEETING THE NEEDS OF OUR SOCIETY.

h ANOTHER ISSUE OF GREAT CONCERN TO ME IS THE PROBLEM OF CAPITAL
FORMATION -- MEETING OUR GROWNING INVESTMENT REQUIREMENTS / As
CHAIRMAN OF THE JOINT ECONOMIC COMMITTEE, I HAVE BECOME INCREASINGLY
CONCERNED OVER THIS PROBLEM. THE COMMITTEE IS CONTINUING ITS
ANALYSIS OF THIS ISSUE.

IT IS CLEAR THAT BUSINESS INVESTMENT WILL HAVE TO BE HIGHER
OVER THE NEXT SEVERAL YEARS, IF WE ARE TO MEET THE NEEDS OF AN
EXPANDING LABOR FORCE / ONE RECENT STUDY FOR THE COUNCIL OF ECONOMIC
ADVISORS PROJECTS A NEED FOR ABOUT \$40 BILLION IN ADDITIONAL
INVESTMENT -- ABOVE RECENT LEVELS -- IN EACH OF THE NEXT FOUR YEARS.

h IN 1976, REAL INVESTMENT IS PROJECTED TO BE ROUGHLY 4 PERCENT
BELOW THE 1975 LEVEL AND 16 PERCENT BELOW THE LEVEL OF 1973.

FRANKLY, THIS JUST WON'T DO. A STRONG AND SUSTAINED ECONOMIC
RECOVERY IS ESSENTIAL IN GENERATING THE LEVEL OF INVESTMENT THAT
WE NEED.

↳ THE AVERAGE COST OF BUSINESS INVESTMENT GOODS HAS RISEN
78 PERCENT IN THE LAST TEN YEARS, WELL ABOVE THE RATE OF CONSUMER
PRICE INCREASES. ↳ AT THE SAME TIME, A NEAR DOUBLING IN INTEREST
RATES ON CORPORATE BORROWING HAS ADDED GREATLY TO THE COST OF
CAPITAL EXPANSION.

↳ CONGRESS MUST GIVE SERIOUS AND IMMEDIATE ATTENTION TO
EFFECTIVELY DESIGNED MEASURES, INCLUDING TAX CODE CHANGES, TO
STIMULATE INVESTMENT. ↳ OBVIOUSLY, POLICIES TO REDUCE INFLATION
AND INTEREST RATES ARE A MUST IF WE ARE TO MEET OUR INVESTMENT
NEEDS.

Maintain the credit!

It also is important that we consider new ways to broaden the ownership of capital in America. Today, the vast majority of our people feel they are outside the "system" looking in. Roughly two-thirds of the value of outstanding stock, for example, is owned by about 5 percent of the adult population.

More effort is needed to broaden ownership of our great productive enterprise.

Recently, under my chairmanship, the Joint Economic Committee held hearings on this question. We soon will issue a major study on alternative approaches to broadening the ownership of wealth in America.

I call on all of you to use your knowledge and experience in finance to promote broadened ownership in our nation.

IT IS URGENT THAT THIS BE DONE. WE ALSO NEED YOUR HELP IN

DEVisING BETTER WAYS OF ASSURING ACCESS TO CREDIT AT REASONABLE

RATES FOR SMALL AND PROMISING NEW BUSINESSES.

(Fed Reserve)
Reform

L IN CONCLUSION, I WOULD LIKE TO COMMENT BRIEFLY ON THE NEED

FOR ALL OF US TO SERIOUSLY CONSIDER THE FUTURE WE FACE IN AMERICA

AND THE TOUGH DECISIONS WE MUST MAKE.

L LET ME REMIND YOU THAT BY THE YEAR 2000, IT LOOKS AS IF WE WILL

ADD ANOTHER 50 MILLION PEOPLE TO OUR NATION'S POPULATION, 85 PERCENT

OF WHOM LIKELY WILL BE LIVING IN CITIES WITH POPULATIONS OF

50,000 OR MORE.

L BY THE YEAR 2000, UPWARDS OF THREE BILLION PEOPLE ARE LIKELY

TO BE ADDED TO THE WORLD'S CURRENT FOUR BILLION POPULATION.

Develop
another

L ACCORDING TO THE WORLD BANK, THIS WOULD CREATE OVER 200 CITIES

EXCEEDING ONE MILLION EACH, AND SEVERAL OVER 20 MILLION EACH.

L AND HIDDEN BEHIND THESE NUMBERS IS THE FACT THAT MOST OF
THIS GROWTH AND POPULATION CONCENTRATION IS LIKELY TO OCCUR IN
THE DEVELOPING NATIONS, MANY OF WHOM ALREADY ARE FALLING BEHIND
IN MEETING EVEN THE MOST BASIC OF HUMAN NEEDS, SUCH AS FOOD AND
SHELTER, FOR THEIR PRESENT POPULATIONS.

L THE CREATION OF A DESIRABLE OR SUITABLE HUMAN ENVIRONMENT
WITHIN OUR NATION REQUIRES THAT PEOPLE BE PROVIDED WITH THE
OPPORTUNITY TO DEVELOP LIFE-STYLES AND SURROUNDINGS OF THEIR OWN
CHOICE, CONSISTENT WITH ENVIRONMENTAL INTEGRITY AND THE ECONOMIC
MANAGEMENT OF NATURAL RESOURCES.

L THE INTENSIFYING DEBATE BETWEEN THE ADVOCATES OF "NO GROWTH"
VERSUS "GROWTH AT ANY PRICE" WITHIN OUR COUNTRY IS AN ATTEMPT TO
FORCE AMERICANS TODAY TO MAKE A SIMPLE CHOICE OF ACCEPTING ONE OR
THE OTHER.

HOWEVER, I BELIEVE THEY WILL ACCEPT NEITHER. RATHER, I BELIEVE
THE AMERICAN PEOPLE, AS THEY LOOK ANEW AT WHAT KIND OF FUTURE THEY
NOW ARE CREATING FOR THEMSELVES AND FUTURE GENERATIONS, WILL BEGIN
TO MOVE TOWARD THE GOAL OF HUMAN RELATIONSHIPS THAT IS BASED UPON
THE IDEA OF "BALANCE".

GROWTH IS SEEN BY MANY AS THE OPPOSITE OF STABILITY. YET
BOTH ARE DESIRED. NOVELTY IS PRIZED, BUT MAN IS OVERWHELMED
BY TOO MUCH CHANGE. TECHNOLOGY IS BOTH FEARED AND INDISPENSABLE.

LIBERTY VERSUS TRANQUILITY, DEFENSE VERSUS WELFARE, PRESENT
VERSUS FUTURE, USE VERSUS PRESERVATION, ARE DICHOTOMOUS OR
CONTRADICTORY TERMS REFLECTING THE ON-GOING CONTEST STIMULATED BY
THE DEMANDS OF GROWTH IN AMERICA'S HISTORY UPON THE ACHIEVEMENT OF
NATIONAL GOALS AND THE PRESERVATION OF NATIONAL IDEALS.

OUR CHALLENGE THEN IS TO REACH OUT FOR THE "BALANCE" IN

HUMAN RELATIONSHIPS THAT MANY OF US BELIEVE ATTAINABLE:

-- BETWEEN GROWTH AND STABILITY;

-- BETWEEN INDIVIDUAL FREE-CHOICE AND THE COMMON GOOD;

-- BETWEEN ECONOMIC NEEDS AND ENVIRONMENTAL PROTECTION;

-- BETWEEN RICH AND POOR, RURAL AND URBAN, YOUNG AND OLD;

-- AND BETWEEN INTERNATIONAL, NATIONAL AND LOCAL GOALS.

DECIDING HOW THE BALANCE IS TO BE ACHIEVED, WILL CHALLENGE ALL
AMERICANS AND THEIR INSTITUTIONS. IT WILL REQUIRE NEW PROCESSES,

NEW MODES OF THOUGHT AND PERHAPS EVEN NEW INSTITUTIONS OUR

CHALLENGE AND YOUR CHALLENGE IS TO FACE UP TO THESE FACTS AND GET

TO WORK ASSURING THAT THE RIGHT BALANCE IS ESTABLISHED AND

MAINTAINED.

2 I HAVE ALWAYS BEEN AN OPTIMIST. 2 NO AMERICAN WHO HAS HIS EYES
OPEN AND SEES THE GREAT TREASURE OF OUR PEOPLE, OUR POLITICAL AND
ECONOMIC SYSTEM, AND OUR RESOURCES CAN BE OTHERWISE. 2 I AM CONFIDENT
THAT WE WILL MAKE THE RIGHT DECISIONS AND THAT WE CAN ALL LOOK TO
A BRIGHT FUTURE FOR OURSELVES, OUR CHILDREN AND OUR GRANDCHILDREN.

#####

MEMORANDUM
OF CALL

TO:

1401 Rst 5:30 PM

☐ YOU WERE CALLED BY—

☐ YOU WERE VISITED BY—

Pauline Buene

OF (Organization)

296 - 0343

☐ PLEASE CALL —→

PHONE NO.
CODE/EXT. _____

☐ WILL CALL AGAIN

☐ IS WAITING TO SEE YOU

☐ RETURNED YOUR CALL

☐ WISHES AN APPOINTMENT

MESSAGE

Look over speech
one more time.

Sue
9/6

RECEIVED BY

DATE

TIME

FRASER/RUDER & FINN

WASHINGTON COMMUNICATIONS COUNSELORS

June 23, 1976

Honorable Hubert H. Humphrey
United States Senator
232 Russell Senate Building
Washington, D. C. 20510

Dear Senator Humphrey:

Attached you will find a copy of your remarks at the Loeb Rhoades conference on May 5.

We are now in the process of having all the conference speeches typed for book printing. We plan to go to press within the next ten days.

If you would like to make any changes in the attached, please notify me or my Administrative Assistant, Pauline Burns, within the next five days.

Again, many thanks for making the conference such a success.

Sincerely,

Edie Fraser

Edie Fraser
President

EF:pb

July 8, 1976
Betty South,
for our conversation today,
Pauline Burns

7/5 -
Checked with P.B. - I said we would
what's up here? - call on Monday.
Curt

SHOULD THE U. S. ECONOMY BE CENTRALLY PLANNED? That question, once almost unthinkable, now engages the attention of some of the nation's most serious economic thinkers. In the paper beginning on the opposite page, Senator Hubert H. Humphrey of Minnesota, himself co-author of legislation that would initiate national planning, explores the planned-economy issue and others confronting America as it begins its third century

Tomorrow's Economy: Reality and Probability

by Senator Hubert H. Humphrey

Whatever we wish to do in this country -- whatever our hopes may be -- the fulfillment of those hopes will require an expanding and dynamic economy, and the support of all Americans.

If we don't understand that, then we are playing a losing game. We cannot do the things that need to be done by limping along or by having some segments of the economy doing very well while others are in the doldrums. Above all, we must bring about changes that will give the nation a ^{chance for} ~~sense of~~ balanced growth and development.

We also need to understand that we do not live in a world by ourselves. We are involved internationally. Whatever we do here is conditioned by what happens elsewhere. And whatever we do has a direct effect upon other economies. The truth of that has been affirmed by our European friends, from Helmut Schmidt, Chancellor of West Germany, to the Prime Minister of Great Britain and the President of France. Each has told us that the prospects for their own recovery rest in large measure upon the rapid and full recovery of the U. S. economy.

In this year of our 200th anniversary, we must recognize the concept of international interdependence.

Too little thinking has gone on in our government at the Executive and the Congressional levels about things yet to be. We seem caught up either in current events or in nostalgia for the past. The Bicentennial Year should be a time not merely to recite the glories of yesterday, but to awaken people to the difficulties and the opportunities of tomorrow.

Many Americans have been exceptionally critical of those of us who serve in government. Well, I have an answer for them: If you don't like what we are doing, you have two choices. Either give those of us in Washington your considered advice, and hopefully we will listen, or better yet, run for office and see what you can do to straighten things out.

We live and legislate amid competing voices, galaxies of influences, numerous pressures. ^{That} ~~It~~ is one of the problems of public service. But one thing is clear. The American economic system is not working as well as it should. I say that despite the equally obvious fact that there is a basic vitality in this country. We are rich in resources. We have a vast market, from the Atlantic to the Pacific. We have a common currency, and while we are a diversity of peoples, we have a common culture. ~~We have developed a system of transportation.~~ We have skilled management, ^{of course.} not only at the top levels but at middle levels, ^{who} and a skilled labor force in which the work ethic still prevails. There are exceptions, ~~true.~~ Some in management are not worth very much and there are some workers ~~that~~ don't do their jobs. But, compared to other industrialized nations, we are ~~so~~ much more fortunate than anyone else.

"Comparison," in fact, proves my point. Germany, Japan, the Common Market -- all compare their energy reserves to ours. They compare their timber and forest resources to ours. They compare their water supplies and living space to ours.

And yet, ironically, we have put a premium upon mediocrity. But the time is coming when we will need to put a premium on excellence -- on performance.

Performance does not mean denying yourself the idealistic hope of promise. Nor is it promising too much that is the trouble. It is performing too little. This is still a young nation, buoyant and possessed of a vitality that should not be underestimated. Gear your thinking to that. Gear your plans to it. Our national energy requirements alone, for the foreseeable future, will make anything that we have seen in the past look like we were barely lighting a candle.

And yet, the minute we start talking about billions of dollars for this or that, many say, "You are going to bankrupt the country." That is a lot of nonsense. We are talking about a country that has a one trillion 500 billion dollar Gross National Product. We need to educate John Q. Citizen to ~~the difference between~~ \$1 trillion 500 billion in GNP when he has been long accustomed to a \$300 billion economy.

Many people are terrified by such figures because American business and finance is not telling them the truth. Business tells them the truth about its own needs but ^{often} does not tell them the truth about the relationship of government to those needs.

^{size of our federal budget in relation} The percentage of our capacity related to our GNP today is only about one point more than it was 20 years ago. ^{That is,} The federal budget is \$400 billion, but as a percentage of GNP, it is about what it was in 1952. Yet, the minute that somebody hears that a ~~project~~ ^{project} of government is going to cost \$5 billion, they have their mind set back in the 1930's and 40's and they say, "My goodness, that shouldn't ^{even} cost \$40 million." Nobody takes the time to compare what our incomes are today to what they were then. ^{Of course,} They were much less.

^{People must understand the nature and scope of the government's role.} It isn't a question of whether or not government is going to interface with business. The question is when and how. Because ^{government} ~~it~~ is going to be there. Leaders of industry and finance need to help educate people, to inform themselves and their associates as to what ^{that relationship is} ~~the time relationships are~~ today and what ~~they~~ ^{it} ought to be in the future.

We recently passed through a terribly difficult recession. How much worse would it have been without Social Security? Without Unemployment Compensation? Without Food Stamps? Without State, Federal and Local Government spending? I hate to think what would have happened in some of the large metropolitan areas of America without those programs. That does not mean the programs were perfect; but the organizations run by business managers aren't perfect either.

Ask yourself what it would have been like in America, with the number of elderly we have in this country, with no Social Security? What it would have been like in America, with the number of unemployed we have, with no Unemployment Compensation? Ask

yourself, with all the diversity that there is in this country today, whether or not there would have been a terrible upheaval in our urban centers, when ^{the} deep recession hit. I am suggesting that we look at our ^{democratic} capitalistic economy and remember that it rests on our willingness to embark upon sometimes unsettling but essential discussion.

In no case do I believe ^{that} we have a final solution. I am a legislator. Legislation is a series of beginnings in which many people must ^{join} ~~put~~ their hands, and then come up with some conclusions. We need calm, reasoned discussion; and we in government need advice from those outside. ^{And we need it now, because the issues are becoming clear.}

Last fall, ^{for example,} in a speech in Atlanta, Dr. Arthur Burns, ^{Chairman} of the Federal Reserve Board, suggested that the government should be an employer of last resort in times of severe recession and high unemployment.

I believe we should carefully consider his proposition. I also urge Americans to study my proposal to provide a decent job for every American able and willing to work -- the Full Employment and Balanced Growth Act of 1976. Many newspaper editorials about it simply show that the writers don't know what they are talking about. The bill has been reported to the House of Representatives; but if it passes, it will probably be vetoed.

^{In understanding that bill, we should} Consider some realities: Each one percent of unemployment costs the Treasury ^{over} about \$16 billion in lost tax revenues and increased spending on unemployment compensation, food stamps and welfare. The present approach of providing Federal checks, rather than jobs, is too wasteful and inconsistent with basic American values to be continued. Our economic and manpower policies must be restructured to emphasize work and productivity, rather than welfare and waste.

The welfare issue needs to be addressed, ^{not} from an assumption that people on welfare are a bunch of chiselers, but in an honest effort to determine the kind of welfare program we need. Is the answer a negative income tax or a ^{complicated} ~~whole~~ system such as we have today, with dozens and dozens of little programs requiring incredible amounts of administrative spending?

Contrary to an impression some people would like to create, the Humphrey-Hawkins Full Employment Bill would work primarily through the private sector. It is not a public-service jobs bill. The primary thrust is to encourage the creation of job opportunities in thriving, expanding private businesses through tax, credit and budget policies which will stimulate private enterprise in a balanced, sustainable way.

Many of the auxiliary programs called for in the bill are specifically designed to produce private jobs. Additional activities under the bill will supplement and not supplant the private sector. ^{And that is what we desperately need.}

We need to have all of our people working. It is good for ^{all of our} ~~them and for all~~ citizens. The work ethic will die only if we let it. ^{Of course,} I am sure our bill has imperfections, ^{and} I am sure it will be improved in Committee. But it moves in the right direction.

Another subject that deserves attention is the Humphrey-Javits Balanced Growth and Economic Planning Act. This legislation would establish a new procedure for anticipating economic problems before they become crises. It would also help us to see the impact of government policy in one area on developments in others -- the impact of grain sales on our rail system, for example.

A process of this sort would provide a great deal of new information which could be used by the private sector in its planning, and by government in its policy-making. It would require that Congress and the President [^] with business, labor and state and local government fully participating [^] debate and establish economic goals and priorities for America.

The forecasting and goal-setting would strengthen our private-sector institutions and our free market system. It would reduce the inconsistent, unpredictable interference of government in private business. ^{And would} ~~It could~~ be the basis for a more constructive partnership between the public and private sectors in the years ahead.

Another issue of great concern is the problem of capital formation -- meeting our growing investment requirements. As Chairman of the Joint Economic Committee, I have become increasingly concerned over this issue. It is clear that business investment will have to be higher over the next several years, if we are to meet the needs of an expanding labor force. A recent study ~~for~~ ^{by} the Council of Economic Advisors projects ~~the~~ ^{that} a need for about \$40 billion in additional investment -- above recent levels -- in each of the next four years.

In 1976, real investment is projected to be roughly four percent below the 1975 level and 16 percent below the level of 1973. Frankly, this just won't do. A strong and sustained economic recovery is essential ^{to generate} ~~in generating~~ the level of investment that we need. The average cost of business investment goods has risen 78 percent in the past ten years. That's well above the rate of consumer price increases. At the same time, a near doubling in interest rates on corporate borrowings has added greatly to the cost of capital expansion.

Congress must give serious and immediate attention to effectively-designed measures -- including tax-code changes -- to stimulate investment. Obviously, policies to reduce inflation and interest rates are also a must.

It is equally important that we consider new ways to broaden the ownership of capital. The vast majority of our people feel that they are outside the system looking in. Roughly two-thirds of the value of outstanding stock, for example, is owned by about five percent of the adult population. I call on all in the financial sector of business to use their knowledge to promote broadened ownership. It is urgent that this be done. We also need help in ~~again~~ devising better ways of assuring access to credit at reasonable rates for small and promising new businesses.

We should remind ourselves that, by the year 2000, we will probably add another 50 million people to our nation's population. Eighty-five percent of these people will

live in cities with populations of 50,000 or more. By the year 2000, upwards of three billion people are likely to be added to the world's present four billion population. According to the World Bank, this would create more than 200 cities exceeding one million each, and several over 20 million each.

And, hidden behind these numbers, is the fact that most of this growth and concentration is likely to occur in developing nations, many of whom already are falling short of meeting even the most basic human needs. People everywhere must be provided with the opportunity to develop life-styles and surroundings of their own choice, consistent with environmental integrity and the economic management of natural resources.

The intensifying debate between the advocates of no growth ^{and those who support} ~~versus~~ growth at any price is an attempt to force Americans to make a simplistic choice ^{by} of accepting one or the other. I believe they will accept neither. I believe, ^{that Americans} as they look anew at what kind of future they are now creating for themselves and for future generations, they will move toward a goal of human relationships based upon the idea of "balance:" ~~between~~ growth and stability; ~~between~~ individual free choice and the common good; ~~between~~ economic needs and environmental protection; ~~between~~ rich and poor; rural and urban; young and old; and among international, ~~and~~ national and local goals.

Deciding how ^{that} the balance is to be achieved will test all Americans and their institutions. It will require new processes, new modes of thought and perhaps even new institutions.

^{For example,} We must find answers to youth unemployment. Shall we permit hundreds of thousands of young Americans to rot in waste and apathy and lethargy and unemployment, living off the street? Living in the shadow economy of crime? Living that way year after year? Or will we find a way to put them to work?

Every study ^{I have seen} ~~ever made~~ demonstrates a direct relationship between youth unemployment and youth crime. It is a major social problem that ^{at present,} is being largely ignored. Yet ^{fault} it is a ^{social} malignancy in our ^{could} structure that ~~can~~ ultimately destroy us.

Another subject that deserves earnest attention is the question of economic planning. Particular bills are not important. Planning ^{And opponents cannot afford to act} is coming. ~~Don't dig in like King Canute,~~ trying to hold back the tide. The question, ^{will we have?} is, what kind of planning? It may not be the Humphrey-Javits bill (which was ~~but~~ an initial attempt to arouse public controversy and public discussion), but there is going to be ^{some kind of goal and priority setting} planning and we need the counsel of business ^{about what} ~~as to the kind~~ ^{of planning system} that it should be.

^{everyone} All ~~will~~ agree that we do not want economic planning under which government tells us what to do at every stage of our lives.

But ~~is~~ is it possible to do a better job of economic forecasting? Is it possible for us to state goals for employment? For production? For income? And, once having achieved that, to design private and public policies that will take us to those goals?

Is it possible to have a uniform, acceptable data base? ^{Let me give you an example.} If we had to increase our

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agricultural exports 25 percent over ~~what we did~~ last year, is there anyone who thinks that our transportation system could handle it?

~~Reject planning?~~

We depend upon agricultural exports. In the Foreign Agricultural Subcommittee, we are looking ahead ten years to what the increase in volume of farm exports will be ^{but} no one has factored in any increase in railroads or boxcars. How are we going to move the increased volume of commodities? ~~Is God going to come down and pick it up in little baskets?~~ ^{to understand these} What about ports? What about ships? We need ^{interrelationships}. If we increase our agricultural exports by 25 percent within the next five to seven years, where are we going to get the fertilizer? What is the relationship of these things to one another? That is a job for planning, ^{if you prefer, policy analysis.}

~~Reject planning?~~

^{Another example is}

Remember the "Russian Grain Deal?" The Russians got the best deal of their lives. The only time we got a better deal was when we bought Alaska from them. But when we sold Russia all that wheat, we forgot that it was going to increase the consumer's bill in our supermarkets by \$57 billion in one year. It triggered inflation. We need a better way of forecasting, of looking ahead. ~~We need planning.~~

Another problem ^{as I mentioned earlier,} is the concern over capital formation. I am a so-called liberal in politics -- whatever that means these days. ^{and} But I know one thing. You can't run ^a business without money.

I grew up in a business family. We did not live off somebody else's money. We had to live off ours. I learned early in life about inventories, accounts receivable, accounts payable, cash flow and credit and discounts. ^{and} I still run that little family business just to keep my feet on the ground. It is absentee management, but I go out there and take a look at it. And I know this: ~~that~~ ^{and} if we are going to redesign Main Street ^{put in a mall,} it is going to cost us to modernize.

Capital formation is terribly important, but many in Congress do not understand the meaning of investment requirements. We need help from the business community to get the facts across. The finance and business community ought to take a creative look at our whole monetary policy instead of getting locked in rigid dedication to the status quo.

Take a look at how the Federal Reserve System works. Maybe it works as you think it should. But maybe it needs change. I happen to think it needs a change in personnel.

I never could understand why the Federal Reserve System doesn't have a cross section of the American economy on its ^{business representative} Board. American agriculture uses more credit than anybody, and yet there isn't a single agriculturalist on the Federal Reserve Board. Agriculture is big business. But Spike Evans, in the 1930's, was the last person to represent agriculture on the Federal Reserve Board.

Why not an industrialist on the Federal Reserve Board? They are the people who

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need to borrow money. Instead, we have bankers. And ~~we~~ we have professors. ^{Of course,} (I am not opposed to that. I have to go back to teaching every time I lose my job in Washington.)

I am an optimist and history is on my side as far as America is concerned. No American who has his eyes open and sees the great treasure of our people, our political and economic systems, our fabulous resources, can be anything else but optimistic. I am confident that ~~we can~~, if we have the will, ^{we can} make the right decisions and look to a brighter future.##

QUESTION: You discussed the work ethic. How can the Federal Government help to strengthen that ethic?

SENATOR HUMPHREY: The Federal Government is only a part of it. First of all, much of it can happen in education.

The vocational and technical education schools are doing much to help. When I was young, if you went to a vocational school you were one of the poor kids and they shoved you off. You were not supposed to learn about Shakespeare or anything like that. Most people learned how to do something on the farm or in their father's grocery store. I was an apprentice pharmacist at age 17. I could have passed the pharmacy boards before I ever went to pharmacy college because I grew up with my father. He taught me. ^{But} Young people today don't have that chance. Part of the problem today is that the work ethic is for mother and father. We have got to involve young people in work habits.

We are beginning to do it, to diversify education so that ^{students} they also get out during the time that they are in school, learning by visual observation ^{and actual participation} what happens in the real world. I also think that training programs are vital.

The CETA program (the Comprehensive Educational and Training Act) helps, too. We must be willing to put people on local tasks, ^{not} not at a wage level that is competitive with what the private economy pays, but at a wage level that is better than welfare.

Another thing: We are 15 years behind in reforestation. You don't have to have a Ph.D. to learn how to plant a tree. There are forests that need to be ^{redeveloped} cleaned up, streams that need to be cleaned up, environmental ^{programs} things that need to be ^{be carried out} done, projects in which hundreds of thousands of young people with training and assistance and supervision can be brought into the pattern of earning something, ^{and} feeling that it is theirs.

It would not all have to be done by government. I would contract it out so that ^{a young person} when ~~the kid~~ got a check, he would not be getting it from the government. Let him get it from Weyerhaeuser or Horner Waldorf. There is no reason why the government has to do all this. The government can help in the financing; but in many instances I would prefer to have the private company do the hiring and then use contracts as we did in the space program.

if we would only look around us.

There are hundreds of things that we could do. ^{But instead we look all over the world.} Take a look at Washington, D.C. I read where the Secretary of State went over to Africa and said we are going to roll back the Sahara Desert. Now the Sahara Desert has been creeping at the rate of about 50 miles a year. If officials travel 10,000 miles on Air Force One or Two, they ^{can} see things to be done. But I can take them six ~~blocks~~ ^{can} eight blocks from the White House (I will even get them a cab if they want it) and I ^{can} ~~will~~ show ^{them} you places up on U Street that make the Sahara Desert look like a pleasure palace! Why can't we do something about that? I will tell you why we can't. Because if ^{a problem} it is "international," ~~and therefore~~ ^{therefore} it somehow has great ramifications. I would like somebody to come up to Capitol Hill and say, "Let's take a look at some of our cities and see what we are going to do

about them." But you know, it lacks drama. It is too controversial, and people don't know enough about the Sahara Desert to be really against it.



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