

REMARKS OF SENATOR HUBERT H. HUMPHREY

KENNER PRODUCTS 5TH ANNUAL MEETING

Cincinnati, Ohio

June 17, 1977

For much of the past three years, leaving Washington to talk about the economy has been a painful task. The news too often has been about rising unemployment, accelerating inflation, slow growth or actual recession.

But the last several months have brought a wave of good news. So I am particularly pleased to be with you today.

The good news started with a surge in consumer spending in the last quarter of 1976 that drew down inventories and laid the basis for solid growth in 1977. However, the most severe winter in many years threatened to cut the recovery short by draining consumer spending power into high heating bills, slowing industrial production and virtually shutting down the construction industry.

Despite the bad weather, consumer spending remained high, there was a sharp jump in inventory investment, residential construction recovered, and real GNP grew at an annual rate of 6.4 percent.

The recovery has continued into the second quarter of 1977. Residential construction remains strong, consumer spending is still high, and state and local expenditures appear to be increasing. By all indications, the second quarter of 1977 should show just about as high a rate of growth of real GNP as the first.

The relatively strong performance of the economy also has helped to reduce unemployment. Since November of last year, total employment has grown by two million and the unemployment rate has fallen by a full percentage point to 6.9 percent.

Moreover, economic prospects for the remainder of 1977 look good, if not quite as good as they have been in the first six months. All indicators suggest that while consumer spending may slow down slightly, it will remain strong.

The public sector also will be the source of some additional stimulation in the second half of 1977. State and local governments now are operating with an overall surplus that currently is running at an annual rate of \$6 billion. That is up from a deficit in the first half of 1976.

With budgets now in overall surplus, state and local governments can be expected to increase their spending and to undertake some of the projects that were deferred during the recession.

Residential construction should continue to be a source of economic strength for some time to come. The single family market has been at the center of the construction recovery, but there are now some indications that activity may pick up in the multi-family market as well. Permits for multi-family construction, for example, have jumped 60 percent compared to last year and mortgage credit remains plentiful.

But economic progress does not mean universal prosperity. There remain a number of serious problems that have not been solved by the broad recovery of the past few months.

The general rise in employment and the definite reduction in the rate of unemployment are welcome but they cannot hide the fact that nearly seven million Americans are still "officially" unemployed.

With the strongest, richest economy in the world, the United States continues to lead the industrial nations in its rate of unemployment. And that is one international race that no one wants to win.

While up to half of the current unemployment problem may be cyclical and will be helped by a sustained economic recovery, the other half of the problem is built right into the structure of our economy. In part, this reflects the vast geographical size of the United States coupled with an economy that constantly is changing.

Technological innovation, rising imports, shifts in consumer tastes, major alterations in the pattern of government procurement, and regional competition for economic growth all can shift the location of business and leave pockets of unemployed people in economically devastated communities.

But there are other structural employment problems that are nation-wide in scope. Even in overheated economies, young people, minorities and women have to battle to find and hold jobs.

Take the case of youth unemployment.

Despite the growth of employment and the fall in the unemployment rate, more than three million young people under the age of twenty-five were looking for work but could not find it in May of this year.

The unemployment rate for white youth between the ages of 16 to 19 has fallen modestly -- but only to an unacceptable rate of 15.7 percent. That is more than twice the overall national rate. For black teenagers the rate is a tragic 38.7 percent, and in our central cities the rate exceeds 50 percent.

We are in danger of losing a significant part of the next generation to drugs, crime, and enforced idleness -- a generation to whom we are saying, "We have no use for you in our society."

Fortunately, the Congress and the President have acted forcefully on this problem. A comprehensive youth employment bill has been passed by the House and the Senate. It will be on the President's desk soon. I am proud to say that a lot of Humphrey thinking, and a good deal more Humphrey work, went into that bill.

Looking at my mail, I must say that we now have three certainties in the world -- death, taxes and rising prices. So far in 1977, both consumer and wholesale prices have been rising at close to double-digit rates.

We had Charles Schultze, Chairman of the Council of Economic Advisors, before the Joint Economic Committee last Thursday. He went to great lengths to assure us that the "underlying" inflation rate is not nearly as worrisome.

It is true that if you eliminate food and fuel prices from your calculations, the consumer price index has been rising at an annual rate of about six percent. But in Minnesota, and I suspect in Ohio and elsewhere, we do not pay just the "underlying" rate of inflation. Most of us buy food and fuel, too, and we must live with increases in their prices.

One of the important lessons of the past few years is that while inflation hurts all of us, some are affected more severely than others. Slowed economic activity, combined with rising prices, has hit hardest at the elderly and others living on fixed incomes as well as those at the bottom of the employment ladder.

I hope the cautious optimism of the Administration regarding prices is borne out by future trends. But I suspect that containing inflation is going to take a good deal of restraint on the part of Government, Labor and Business.

It will require the development of wise and comprehensive national policy, particularly regarding fuel and food. And, it will take a change in our attitude toward inflation based on the restoration of a period of relative price stability.

Inflation has hit government as well as business and consumers.

Rising prices raised costs in most cities while the recession robbed them all of needed revenues. Many large cities were left with swelling welfare and unemployment rolls when they were least able to cope with them.

As a result, America's cities are decaying in a vicious cycle of urban flight, deteriorating services, ugliness and financial collapse. Our cities are becoming the home of the poor, the deprived minorities and the elderly.

If this process is allowed to continue, all of us will lose. Our businesses cannot remain strong and prosperous when our cities suffer the social and economic cancer of blight and decay.

America's cities require the same kind of bold and imaginative commitment of will and resources that we made to the cities of Europe under the Marshall Plan. We need a National Domestic Development Bank to provide the financing it will take to restore our cities and make them attractive places in which to live and do business.

Can we do less for ourselves than we have done for Europe and now are doing in Africa, Asia and elsewhere through development banks which we finance?

The answer is clear. And we must act now.

My concern over unemployment, inflation and the urban crisis is compounded by some economic storm clouds that lie further ahead than the next six months or even the next year. A broad range of private and government economists foresee a gradual slowing of economic growth in 1978. Some expect the return of recession in 1979.

The Administration remains optimistic about the future rate of growth, the inflation rate and the possibility of achieving a balanced budget by 1981. The key assumption for the economic optimists is the hope that business investment in plant and equipment will grow at or near record levels.

Well, I am hopeful too. But the question is what public policies can do the most to bolster business confidence and turn hope into the assurance of high levels of business investment?

A big part of our economic problem has come from energy -- uncertainty about it and the price we have to pay for it.

To my mind, the answer to many of our economic problems -- including sizable private investment -- lies in a sound, well developed national energy program. We cannot remain dependent on uncertain foreign supplies of oil, and we have got to have some certainty about how much domestic energy will be available and how much it is going to cost.

I cannot emphasize too strongly how rising energy prices have changed economic reality for the United States. Vast amounts of physical plant and equipment either must be modified seriously or discarded as economically obsolete.

Residential and commercial structures will have to be insulated better. Transportation and even living patterns will have to change. And alternative sources of energy must be developed rapidly.

The impact of energy on business confidence has been compounded by other problems. Turmoil in the finances of many cities can make businessmen think twice before investing in them. High levels of unemployment raise questions about the strength and duration of the economic recovery. And inflation can upset almost everyone's future apple cart.

As many of you know, I am a small businessman myself. So I know about restoring business confidence.

When our customers spend, we are confident. Moreover, we then have the money we need to invest in improving the store. As my father use to say, "If the customer doesn't have it, we can't get it."

The key to restoring business confidence is getting millions of unemployed people back to work on good jobs with decent wages. That is the only way to utilize fully our great industrial capacity, increase productivity, encourage high levels of investment, and maintain relatively stable prices.

I have lived through hard times before. I never will forget the harsh, dry winters of the 1930's or the spiritual turmoil of the 1960's.

But I have faith in the hardiness of the American people, the energy and imagination of American business, and the soundness of American government.

In other words, I am confident in America.

#



Minnesota Historical Society

Copyright in this digital version belongs to the Minnesota Historical Society and its content may not be copied without the copyright holder's express written permission. Users may print, download, link to, or email content, however, for individual use.

To request permission for commercial or educational use, please contact the Minnesota Historical Society.



www.mnhs.org