

The original documents are located in Box 17, folder “Society of Security Analysts Speech” of the Robert T. Hartmann Files at the Gerald R. Ford Presidential Library.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

AUERBACH,
POLLAK &
RICHARDSON, INC.
MEMBERS NEW YORK STOCK EXCHANGE, INC.

February 20, 1975

Mr. Robert Hartman
Counselor to the President
The White House
Washington, D.C. 20500

Dear Mr. Hartman:

On behalf of the New York Society of Security Analysts and myself, I would like to express my deep appreciation for your kindness, thoughtfulness, and hard work in making the presentation by the President, Mr. Greenspan, and Mr. Zarb the most memorable event in the history of the Society.

I enjoyed my personal contact with you and have been left with the impression that the President's entire staff must work nearly 24 hours a day with intelligence and determination which was an enlightening and very encouraging impression for myself as a citizen.

I have separately thanked the President, Mr. Greenspan, and Mr. Zarb, but I did want you to know that I fully realize and deeply appreciate your own personal contribution and effort.

If I can be of any personal reciprocal help, or if the Society can be of any such service, just let me know.

Sincerely yours,

J. Kendrick Noble, Jr.
J. Kendrick Noble, Jr.
Vice President

JKN/11



SOCIETY OF SECURITY ANALYSTS REMARKS -- FEBRUARY 13, 1975

I understand there have been a lot of rumors going around about the reason for my visit to your organization today. And before I begin, I would like to deny one of them. There is absolutely no truth to the rumor that I have come to deliver CARE packages -- from Alan Greenspan.

It is a great honor and privilege to be speaking to the Society of Security Analysts today -- because in many ways, we have shared the same problems. But we also share the same hopes and a basic optimism. An optimism best stated in this very short poem:

I believe in the future of Wall Street;

I believe in the capital gain way.

I believe in the strength of America --

And not in Eliot Janeway.

And so, looking to the future, I am confident that you in your portfolios and me in the polls, have seen our lows for the year.

Of course, I realize that not everyone shares this optimism. Eliot Janeway isn't the only voice crying economic doom in the night. Just last Sunday, George Meany was on network television to announce that the sky was falling -- and I have to admit that some of the economic forecasts of my own advisers have been strong on clouds and weak on silver linings.

But, if I may paraphrase Mark Twain, the reports of the free enterprise system's death have been greatly exaggerated.

Take a second look at these gloomy forecasts.

Even the best forecasters sometimes have trouble .

Grim statistics tend to assume a life and momentum of their own. So, when the rate of joblessness has gone up 3 percent above normal, the tendency among forecasters is to look for a further rise, not a turnaround.

Forecasts are only forecasts. They are not God-given commandments, carved upon stone. The thing we should concentrate on now is not what someone

has forecast, but what we can do to change conditions and events.

America's economic future does not depend on paper projections.

We are in a difficult situation. But if we approach it with practical, tough-minded optimism, we can cope.

And economic illness is like any other illness. Too much medicine or too little medicine can make it worse. The crucial issue is how much treatment to give.

This was what I had to decide in drawing up a comprehensive economic program. Too small a tax cut would not really help the average citizen. Too large a Federal deficit would soak up too much capital and fan the flames of inflation.

A realistic balance had to be struck. I believe the program I have submitted comes as close as possible under present conditions.

I am hopeful that we can and will have unemployment down to 6 percent by the end of this year.

But in stimulating the economy to create more jobs, neither

the Congress nor I can afford to forget the dangers of another round of uncontrolled inflation.

Unemployment is the biggest concern of the 8.2 percent of Americans temporarily out of work. But inflation is the universal enemy of not just 8.2 percent, but 100 percent of our people.

We must not fight recessionary problems with inflationary cures. I will work with the Congress to avoid this danger and will use my veto, if necessary, to protect the American people from inflationary new spending programs.

The current recession is compounded by hitting us at the same time as the energy crisis. Neither problem can be ignored; each makes solving the other more difficult.

Some would like to forget about the energy challenge and concentrate all attention and resources on recession.

I only wish we could. But we simply cannot afford to turn our backs on the energy challenge while we still have a chance to avoid a

disaster that could wreck not only our own economy, but the economic structure of all industrialized democracies.

Without question, there is a link between economic problems at home and the world energy situation complicated by the international oil cartel -- and most Americans are well aware of this.

It is my hope that a responsible majority of both parties in the Congress will not only recognize the problem, but agree on a solution.

We cannot afford any more wasted time.

Last winter's oil embargo brought widespread agreement that a comprehensive energy policy is needed. We have analyzed and debated the options. Delay will only compound the problem.

We must begin now. Our oil and gas supplies will continue to dissipate

- MORE -

--And if no action is taken, by 1977, our dollar outlay could increase to \$32 billion and with these import dollars go the jobs they would otherwise create.

Congressional action is imperative if the U.S. is to maintain its international leadership. We cannot expect other nations to tighten their belts without America doing the same. We cannot appear unwilling to take the unpleasant, but necessary steps to cure our energy and economic problems when other nations are facing up to their own problems. Oil consuming nations must unite. The surplus of Arab dollars is creating a financial crisis in Western Europe. Concerted action is essential to break the cartel's prices.

My administration has offered the first comprehensive solution to our economic and energy problems ever assembled. If we do not act now on the short-term goals, there will be unacceptable costs to the United States -- both domestically and internationally.

National recovery depends on a decisive and purposeful American policy.

-- Only by cooperative efforts among the major industrial nations, and a constructive dialogue with the oil producers can an equitable oil price be restored.

-- Only by new mechanisms of cooperation and mutual support can the industrial democracies safeguard their economies against a new embargo or international financial disruption.

-- Only if the United States takes the lead will our partners have any hope of an ultimate solution, or any incentive to commit themselves to cooperation with us.

-- And only with a determined national effort to reduce and end our growing dependence on imported oil can we and our partners recover control over our economic destiny.

(more)

In meeting the energy challenge, I seek a coalition -- not a confrontation -- with the Congress. But in order for us to work together, the Congress must do more than just criticize. And until the Congress does something more, it will be part of the energy problem -- not part of the solution.

Important as the flow of energy is to our economy, the flow of capital, and its distribution, is equally vital.

In addressing a Wall Street audience,

it is customary to point out that the American capital markets are the envy of the world financial community -- that we raise great capital for government and private industry and the changing requirements of investors.

The strength of our markets results from the vitality of our economy. It also reflects the dynamic character of those who make the markets work -- the brokers, investment bankers,

(more)

fiduciaries and "institutional" investors, and, of course, the security analysts.

It is your ingenuity which has enabled our markets to respond to new demands by governments, corporations and investors.

In the last decade alone, over \$700 billion of new capital has been raised through new security issues.

To accomplish this, you coped with significant changes in the requirements of those seeking to raise capital and in the attitudes of investors.

I doubt whether any of you would have predicted fifteen years ago the rapidity of the build-up in funds for investment in the hands of fiduciaries, or the direction this investment would take.

(more)

The system has been strained by these developments. There has been tremendous volatility in equity trading. But the market system and those who make it work have bounced back time and again.

I am heartened by the recent show of optimism in the securities markets. I hope that it reflects confidence on the part of investors that our recovery program will have the longer term benefits we expect.

- MORE -

We will not solve our problems overnight.

Demands on the capital markets of the next decade may be substantially different from those you have been dealing with in the past.

There will be an even greater requirement for new capital to meet the challenge for energy independence.

And this will occur at a time when the government will be calling on the capital markets to finance the deficit in spending critical to our plan for economic recovery.

At the same time, many corporations will be seeking equity capital in the markets to replace cash flow lost to inflation. Further complicating the problem, investors may be cautious about purchasing equities after experiencing the dramatic decline in equity values of recent years.

(more)

Yet I remain confident that the financial community will rise to challenge.

But in spite of the shock, or perhaps because of it, the securities industry may be leaner and stronger today than during the period of buoyant stock prices. The new financial community will be more balanced, more flexible, more efficient.

In recognition of the difficulty many companies face in raising needed equity capital, my economic program provides that corporations be permitted to issue a new type of preferred stock. The dividends on this stock would be deductible for income tax purposes. This proposal is intended to eliminate the tax advantage to issuing debt as opposed to equity.

The intent of Governmental action is to provide the most efficient and open system -- to enable the financial community to respond most effectively. You must provide the leadership.

America will meet the challenge. Your success will be part of

(more)

the renewal of our over-all economic system.

A security analyst told me that the most frequent request made of your profession is: "Don't tell me what to buy -- tell me when."

Well, I'd like to answer that question today. I buy America.

And I thank you.

#

SOCIETY OF SECURITY ANALYSTS REMARKS -- FEBRUARY 13, 1975

I understand there have been a lot of rumors going around about the reason for my visit to your organization today. And before I begin, I would like to deny one of them. There is absolutely no truth to the rumor that I have come to deliver CARE packages -- from Alan Greenspan.

It is a great honor and privilege to be speaking to the New York Society of Security Analysts today -- because in many ways, we have shared the same problems. But we also share the same hopes and a basic optimism. An optimism best stated in this very short poem:

I believe in the future of Wall Street;

I believe in the capital gain way.

I believe in the strength of America --

And not in Eliot Janeway.

And so, looking to the future, I am confident that you in your portfolios and me in the polls, have seen our lows for the year.

Of course, I realize that not everyone shares this optimism. Eliot Janeway isn't the only voice crying economic doom in the night. Just last Sunday, George Meany was on network television to announce that the sky was falling -- and I have to admit that some of the economic forecasts of my own advisers have been strong on clouds and weak on silver linings.

But, if I may paraphrase Mark Twain, the reports of the free enterprise system's death have been greatly exaggerated.

Take a second look at these gloomy forecasts. Even the best forecasters sometimes have trouble. Grim statistics tend to assume a life and momentum of their own. So, when the rate of joblessness has gone up 3 percent in the past year, the tendency among forecasters is to look for a further rise, not a turnaround.

Forecasts are only forecasts. They are not commandments, carved upon stone. The thing we should concentrate on now is not what someone

has forecast, but what we can do to change conditions and events.

America's economic future does not depend on paper projections.

We are in a difficult situation. But if we approach it with practical, tough-minded optimism, we can cope.

An economic illness is like any other illness. Too much medicine or too little medicine can make it worse. The crucial issue is how much treatment to give.

This was what I had to decide in drawing up a comprehensive economic program. Too small a tax cut would not really help the average citizen. Too large a Federal deficit would soak up too much capital and fan the flames of inflation.

A realistic balance had to be struck. I believe that program I have submitted comes as close as possible under present conditions.

I am hopeful that we can and will have employment moving down by the end of this year.

But in stimulating the economy to create more jobs, neither

the Congress nor I can afford to remake past errors. We cannot forget the dangers of adopting policies that surely set off another round of uncontrolled inflation during 1976 and thereafter.

Unemployment is the biggest concern of the 8.2 percent of American workers temporarily out of work. But inflation is the universal enemy of not just 8.2 percent, but 100 percent of our people.

We must not fight recessionary problems with inflationary cures.

I will work with the Congress to avoid this danger and will use my veto, if necessary, to protect the American people from inflationary new spending programs.

The budget which I proposed to the Congress calls for a \$16 billion reduction in taxes. It includes an expansion of \$30 billion or 11.4 percent in Federal expenditures. It proposes a deficit in excess of \$50 billion. That is a lot of stimulus. And yet I do not believe it is too much.

I believe that a deficit of this size can be financed in 1975 without too much trouble. I cannot say the same for a much larger deficit. That is why I say to you that I will hold the line on Federal expenditures. It is vital to the effort to restore an even greater measure of price stability during 1976 and beyond that we hold the line on expenditures. What we cannot afford is to create a deficit that is so large that it will exceed the growth in tax revenues from the growing economy which we expect. We cannot afford to lose this battle or our economic recovery will end again in another inflation-recession cycle.

The current recession is compounded by the energy crisis.

Neither problem can be ignored; each makes solving the other more difficult.

Some would like to forget about the energy challenge and concentrate all attention and resources on recession.

I only wish we could. But we simply cannot afford to turn our backs on our growing vulnerability to unreliable foreign supplies of energy. We still can avoid a disaster that could wreck not only our own economy, but the economic structure of all industrialized democracies.

Without question, there is a link between economic problems at home and the world energy situation and the complications posed by the international oil cartel --and most Americans are well aware of this.

It is my hope that a reasonable majority of both parties in the Congress will not only recognize the problem, but agree on a solution.

We cannot afford any more wasted time.

Last winter's oil embargo brought widespread agreement that a comprehensive energy policy is needed. We have analyzed and debated the options. Delay will only compound the problem.

We must begin now. Unless we do our oil and gas supplies will continue to dwindle

and costly, insecure imports will grow, unless we take immediate steps to reduce our consumption of oil and develop new supplies.

Even if all the actions I proposed to the Congress were taken immediately, we will still be importing about 8 million barrels of oil per day by the end of 1977 -- 25 percent more than at the time of the last embargo. At this level of imports:

-- Half of our oil could be coming from OPEC countries,

-- If another Arab oil embargo were to be imposed in 1977,

we could be faced with a cutoff of 4 million barrels per day

which would have serious repercussions for our economy.

-- There could be approximately a \$40 billion drop in the

Gross National Product which could leave an additional

2 million people unemployed.

Unless we begin immediately to cut consumption our dollar outlay for petroleum will continue to increase dangerously.

-- In 1970, our dollar outlay was \$2.7 billion;

-- Last year it rose to \$24 billion;

- - And if no action is taken by 1977, our dollar outlay could increase to \$32 billion.

Prompt positive American leadership is essential to any hope for the world emerging from this crisis. The United States consumes half the world's energy output. No other single nation acting alone could achieve results. Equally important only by setting the example here can we expect other countries -- more severely troubled than we -- to take the kind of tough decisions for sacrifice and privation that are required. Only through cooperation -- in conservation, in forging solid financial systems and in developing alternative sources -- can consumer countries demonstrate the strength that is essential to an effective dialogue with the producer countries. Unless we can cope soon with the problem it will seriously distort trade, capital and monetary flows.

My Administration has offered the first comprehensive solution to our economic and energy problems ever assembled. If we

do not act now on the short-term goals, there will be unacceptable costs to the United States -- both domestically and internationally.

Admittedly, my energy proposals have costs and it will impose inconveniences as will any program to deal with this problem.

But the costs of my energy proposals will be largely offset through a comprehensive set of tax reductions. My program has benefits beyond

reduced vulnerability. It tackles the problem by allowing market

forces to operate more fully. It does not rely upon rationing, allocations

or quotas. It will not further undermine the basic mechanisms which

underlie our economy. Instead of ineffective short-term palliatives

it proposes to deal with the fundamental underlying causes.

- MORE -

National recovery depends on a decisive and purposeful American policy.

- Only by cooperative efforts among the major industrial nations, and a constructive dialogue with the oil producers can an equitable oil price be restored.
- Only by new mechanisms of cooperation and mutual support can the industrial democracies safeguard their economies against a new embargo or international financial disruption.
- Only if the United States takes the lead now will our partners have any hope of an ultimate solution, or any incentive to commit themselves to cooperation with us.
- And only with a determined national effort to reduce and end our growing dependence on imported oil can we and our partners recover control over our economic destiny.

In meeting the energy challenge, I seek cooperation -- not confrontation -- with the Congress. But in order for us to work together, the Congress must do more than criticize. And until the Congress does something more, it will be part of the energy problem -- not part of the solution.

Important as the flow of energy is to our economy, the flow of capital, and its distribution, is equally vital.

In addressing a Wall Street audience, it is customary to point out that the American capital markets are the envy of the world financial community -- that we raise great capital for government and private industry and the changing requirements of investors.

The strength of our markets results from the vitality of our economy. They also reflect the dynamic character of those who make the markets work -- the brokers, investment bankers, fiduciaries and "institutional" investors, and, of course, the security analysts.

It is your ingenuity which enables our markets to respond to new demands by governments, corporations and investors. In the last decade alone, over \$700 billion of new capital has been raised through new security issues.

This was accomplished despite significant changes in the requirements of those seeking to raise capital and in the attitudes of investors.

I doubt whether many of you would have predicted fifteen years ago the rapidity of the build-up in funds for investment in the hands of fiduciaries, or the direction this investment would take.

The system has been strained by these developments. There has been tremendous volatility in equity trading. But the market system and those who make it work have bounced back time and again.

I am heartened by the recent show of optimism in the securities markets. I hope that it reflects confidence on the part of investors that our recovery program will have the longer term benefits we expect.

We will not solve our problems overnight.

Demands on the capital markets of the next decade may be substantially different from those you have been dealing with in the past.

There will be an even greater requirement for new capital to meet the challenge for energy independence. And this will occur at a time when the government will be calling on the capital markets to finance the deficit spending critical to our plan for economic recover.

Let me say that I look forward to the time when I will be able to propose a budget which will not place major demands on capital markets and when a revised economy will permit energetic efforts to arrest the growth of Government spending.

At the same time, many corporations will be seeking equity capital in the markets to replace cash flow lost to inflation. Further complicating the problem, investors may be cautious about purchasing

equities after experiencing the dramatic decline in equity values of recent years.

Yet I remain confident that the financial community will rise to the challenge.

But in spite of the shock, or perhaps because of it, the securities industry may be leaner and stronger today than during the period of buoyant stock prices. The new financial community will be more balanced, more flexible, more efficient.

In recognition of the difficulty many companies face in raising needed equity capital, my economic program provides that corporations be permitted to issue a new type of preferred stock. The dividends on this stock would be deductible for income tax purposes. The proposal is intended to eliminate the tax advantage to issuing debt as opposed to equity.

The intent of Governmental action is to provide the most efficient and open system -- to enable the financial community to respond most effectively. You must provide the leadership.

America will meet the challenge. Your success will be essential to the renewal of our over-all economic system.

A security analyst told me that the most frequent request made of your profession is: "Don't tell me what to buy -- tell me when."

Well, I'd like to answer that question today: I buy America. I buy America now.

And I thank you.

#