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# Congressional Record

PROCEEDINGS AND DEBATES OF THE 90<sup>th</sup> CONGRESS, SECOND SESSION

## Republican Balance-of-Payments Seminar

REMARKS  
OF

**HON. CHARLES E. GOODELL**

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Monday, February 5, 1968

Mr. GOODELL. Mr. Speaker, at no time in its history has the United States confronted a more serious crisis in its international financial relations than it does today. The effect of the British devaluation was to make the dollar—as the key currency in the world monetary system—even more vulnerable than it had been to speculation. Almost \$1 billion in gold moved out of this country in the single month of December, bringing our total gold reserves to their lowest point in 30 years.

The speculation against the dollar continues and has been aggravated by the announcement that our balance-of-payments deficit for 1967 will be in the \$3.5-\$4 billion zone, the largest such deficit since the crisis of 1960-61. These developments have raised grave questions as to whether the existing international monetary system has not become so fragile as to be in danger of collapsing without warning and plunging the world back into the financial chaos and trade restrictionism of the 1930's. President Johnson's response to the crisis was his announcement on New Year's Day of a comprehensive program of controls on movements of American capital abroad, on bank lending abroad, and on tourist travel, primarily to Europe.

Do these measures not already constitute an ominous step backward toward the controls and protectionism of the unlamented 1930's? Are there no other options open to the American people for resolving the crisis and rescuing the dollar? These are issues which are clearly of momentous import to the Nation, not only in terms of today but probably for years ahead.

Mr. Speaker, it was to consider these very questions that the planning and research committee of the House Republican conference, of which I have the honor to be chairman, sponsored a seminar on January 24, 1968, on the balance-of-payments problem and the President's proposals for coping with it. Some of the Nation's most distinguished authorities in the field of international monetary

affairs were panelists in our seminar. They included: Mr. Edward Bernstein, Edward Bernstein Consultants, Ltd.; Prof. Robert Triffin, Yale University; Prof. Gottfried Haberler, Harvard University; Prof. Robert A. Mundell, University of Chicago; Dr. Howard Piquet, Library of Congress; and Dr. Patrick M. Boardman, director of research, House Republican conference and professor of economics, Long Island University (C. W. Post College).

In addition, the following distinguished economic journalists and representatives of leading national associations participated in the seminar as observers: Mr. Edwin L. Dale, Jr., the New York Times; Mr. Hobart Rowen, the Washington Post; Mr. Richard Janssen, the Wall Street Journal; Dr. Carl Madden, U.S. Chamber of Commerce; Mr. George Hagedorn, National Association of Manufacturers; Mrs. Elizabeth Jager, AFL-CIO; and Mr. John Petty, Treasury Department.

We were fortunate in having in the audience and as participants in the discussions many Members of the Congress, both Democratic and Republican. The expression of interest in the seminar proceedings has been exceptional on the part of the Members, the press, and the public. In order to make this material available to a wider public, I include in the RECORD the individual supporting papers submitted by the seminar panelists and the transcript of the seminar itself:

**THE U.S. BALANCE-OF-PAYMENTS PROBLEM**  
(Seminar, Planning and Research Committee, the Republican Conference, House of Representatives, Washington, D.C., January 24, 1968)

The Committee met, pursuant to notice, at 9:30 A.M., Honorable Charles E. Goodell, presiding.

Present: Representative Charles E. Goodell, Chairman.

Dr. Patrick M. Boardman, Director of Research, House Republican Conference.

**PANELISTS**

Mr. Edward Bernstein, Edward Bernstein Consultants, Ltd.

Prof. Robert Triffin, Yale University.  
Prof. Gottfried Haberler, Harvard University.

Prof. Robert A. Mundell, University of Chicago.

Dr. Howard Piquet, Library of Congress.

**OBSERVERS**

Mr. Edwin L. Dale, Jr., the New York Times.

Mr. Hobart Rowen, the Washington Post.  
Mr. Richard Janssen, the Wall Street Journal.

Dr. Carl Madden, United States Chamber of Commerce.

Mr. George Hagedorn, National Association of Manufacturers.

Mrs. Elizabeth Jager, AFL-CIO.

Mr. John Petty, Treasury Department.

**TRANSCRIPT OF THE SEMINAR PROCEEDINGS**

Mr. GOODELL. It is my very great pleasure to welcome to our seminar today the distinguished members of our panel, my colleagues, particularly those in ranking positions on the key committees that are going to be considering this important subject in the weeks and months ahead, representatives of the Chamber of Commerce and the National Association of Manufacturers, the AFL-CIO, and particularly the gentlemen of the press.

This seminar is sponsored by the Republican Planning and Research Committee in the House of Representatives. Our subject is the balance of payments problem and President Johnson's recently announced proposals for dealing with it. As Republicans, as Members of Congress, and as Americans we are deeply concerned by the persistent deficits in our balance of payments, particularly by the record deficit of almost \$4 billion in 1967.

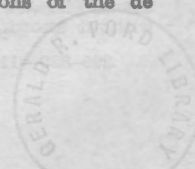
We are not meeting here on partisan terms and our participants certainly are not here as Republicans or as Democrats. They are here as experts on a most serious matter which we feel should be debated and discussed to enlighten the Congress and the American people to the fullest extent possible.

We are alarmed at the massive decline in our gold reserves which followed the devaluation of the British pound and, as a consequence of these developments, the threat of imminent international monetary crisis which hangs over this country and the entire world. We are equally concerned, may I add, by some implications of the remedies recently proposed by the President.

On January 1 and again in his State of the Union message on January 17, President Johnson proposed a series of measures of a drastic nature aimed at reducing the balance of payments deficit by \$3 billion in 1968.

Misgivings have been expressed on many sides about the possible impact on the world economy and our own long-run international position of the President's announced mandatory restrictions on direct private foreign investment, the proposals to reduce the tourist deficit by a head tax on tourists, or possibly by rationing foreign exchange to tourists, and the suggestions to allow a tax rebate for exports, and to levy new imposts on imports.

Many serious questions have been asked and must be asked concerning the domestic and international implications of the de



















(a) internationally agreed measures urgently needed to prevent a further contraction of existing reserve levels through further liquidation of dollar and sterling reserves into gold metal, and indispensable in the longer run to provide an adequate growth in world reserves through concerted reserve creation and their use for internationally agreed policy objectives;

(b) the early correction of our huge and persistent deficits of the last eighteen years (more than \$47 billion), and the recognition that residual deficits should be financed from our own reserves and borrowings from the IMF, or through other multilaterally agreed procedures, rather than through further piling up of dollar balances by increasingly reluctant lenders.

4. The first of these two remedies could be implemented through the strengthening of the existing gold pool (see my proposals in this respect in Contingency Planning for U.S. International Monetary Policy, Joint Economic Committee, December 1966, pp. 133-144, brought up to date in the accompanying paper), and the later activation of, and amendments to, the September 1967 Rio Agreement (see my testimony, on November 22, 1967, before the Subcommittee on International Exchange and Payments and the Subcommittee's Report of December 6, 1967). International agreement on these short-term and long-term reforms of the present reserve system would, by itself, bring quick and rapid improvements in our balance-of-payments situation. It would protect our dwindling reserves against wanton liquidation of IOU's incurred over many years past. It would discourage the gold bulls and the dollar bears, thus improving—or even reversing—short-term capital outflows from the U.S.

5. This should make it easier for us to finance from our own resources and international borrowings our residual deficits, enabling us to eschew quick-acting, but mutually disastrous, restraints on our capital exports.

Final balance in our international transactions imperatively demands the restoration of our current account surplus to a level adequate to the financing of the capital exports to be expected from the richest country, and most productive economy in the world. This is unlikely to be achieved, however, as long as we devote a disproportionate share of our resources to an insane policy in South-East Asia, whose main result so far is to serve the interests of Mao-Tse Tung, and to create deepening divisions not only between us and our Western Allies, but also, tragically, within our own country.

GOLD, DOLLARS, AND THE BALANCE OF PAYMENTS (By Edward M. Bernstein)

In a new year day message to the nation, President Johnson announced a very severe program to restore the U.S. balance of payments. The new program is urgent because of the threat to the dollar. The strength of the dollar depends on the strength of our payments position.

The United States has had a difficult balance of payments problem for the past ten

years. Essentially this means that the earnings from our trade surplus and foreign investments have not been sufficient to pay for our foreign investments and the aid and overseas military expenditures of the Government. Every President since Eisenhower has taken some action to strengthen the balance of payments. Despite this, only a moderate and temporary improvement was achieved. In the past two years the problem has become more acute—partly because of the costs of the Vietnam war, partly because of the inflation of 1965-66.

The devaluation of sterling weakened confidence in currencies generally and in the dollar particularly. Speculation reached fever pitch in the gold markets of London, Zurich and Paris. There was imminent danger of a breakdown of the international monetary system. The speculation was brought to an end through the cooperative action of the countries in the gold pool, but only after several hundred million dollars had come out of our gold reserves.

So long as other countries keep acquiring a surfeit of dollars, there is danger of a renewed flight into gold. Unless we restore the strength of the dollar, which is one of the pillars of the international monetary system, it will be impossible to avoid widespread monetary disorders. The remarkable prosperity of the postwar period might then end in a disastrous world-wide deflation as it did in the 1930's.

These are the facts and the fears that underline the President's action program. The program imposes a reduction of \$1 billion in U.S. direct investment abroad. It requires a return of \$500 million to this country through a reduction of bank loans to continental Europe. It envisages a reduction of nonessential travel outside the Western Hemisphere. It includes further restraints on Government spending abroad. Finally, it proposes measures to encourage a larger increase in U.S. exports which must be the principal means of restoring our long-run payments position.

The action program will entail hardships for the U.S. economy and for the world economy. There are people who believe that all this is unnecessary. Some of them seem to think that our difficulties are due to wicked foreigners who insist on converting dollars into gold. Others think that the balance of payments can be restored painlessly by letting the dollar depreciate in a free exchange market. Unfortunately, there are no easy remedies for balance of payments problems.

The outflow of gold is a consequence, not a cause of our difficulties. We cannot solve the payments problem by the ingenious device of saying that we will sell gold, but we won't buy it back. No foreign country is selling gold to us now, except as a friendly gesture, and none will sell gold to us in the future unless they run short of dollars. It is true that foreign central banks cannot continue to add indefinitely to their gold reserves except by cannibalizing our gold reserves. This is the real gold problem. The solution is to create new reserve assets, not to force a unilateral demonetization of gold. In the meantime, we can keep our gold if we

bring down the dollars we pay out to foreigners to the amount they want to spend and invest here.

The view that it would be painless to restore our balance of payments by letting the dollar depreciate in a free market is an illusion. All that a depreciation of the dollar would do is to allocate the effects of the reduction in U.S. foreign spending in a different way. In this country, it would place the greatest burden of adjustment on the consumers of import goods—through higher prices and smaller supplies. Abroad, it would place the greatest burden of adjustment on the countries that depend on exports to us. Canada, Japan, and the United Kingdom, which have balance of payments problems of their own, would find their position intolerable. They would have no alternative except to let their currencies depreciate too. Even some of the surplus countries of Europe would feel the depressing effects of a reduction of their exports to us. In order to maintain production and employment, they would probably let their currencies go down to the previous dollar rate. In the end, a depreciation of the dollar would bring improvement in the balance of payments in the wrong accounts and from the wrong countries at the cost of serious monetary and economic disruption.

To put it plainly, there will be some hardship from a reduction of U.S. payments by \$3 billion no matter how it is done. The action program minimizes the impact on the world economy. Except for the proposed tax on tourist travel, it does not restrict any trade in goods and services. Even the restraints on capital outflow are designed to avoid adverse repercussionary effects on the world economy.

The severest restrictions are on direct investment in continental Europe. Many of these countries have a balance of payments surplus and large reserves. They can absorb the balance of payments effects and they can offset any adverse impact on their economy through expansionary domestic policies. The restriction on direct investment in other developed countries (the United Kingdom, Canada, Japan and Australia) and in the oil-producing countries of the Middle East is relatively moderate. Even so, it will cause difficulties for some of the hard-pressed countries. In the less-developed countries, U.S. direct investment can grow this year by a generous 10 per cent. The restriction on bank credit to foreigners is virtually all on the developed countries of continental Europe. If they adjust their credit policies to offset reduced borrowing from this country, there will be no adverse effect on production and trade.

The action program is an emergency program. It should be a temporary program. Our first job is to see that it succeeds. That requires, above all, avoiding renewed inflation by enacting the temporary tax surcharge. Beyond that, we must strengthen our long-run competitive position by holding down prices and costs. Then, when the Vietnam war is over, we shall be able to balance our payments without controls. The world needs a strong and stable dollar. That means a strong and stable dollar without controls.

THE NEW ACTION PROGRAM ON THE U.S. BALANCE OF PAYMENTS January 18, 1968 (By Edward M. Bernstein) SUMMARY AND CONCLUSIONS

In a new year's message to the nation, President Johnson announced a new action program to improve the balance of payments by \$3 billion in 1968.

The regulations on direct investment limit capital transfers plus reinvested earnings in the less developed countries to 110 per cent of the 1965-66 average in these countries for each direct investor. For the United Kingdom, Canada, Japan, and Australia, and for the oil-producing countries outside the Western Hemisphere, capital transfers plus reinvested earnings are limited to 65 per cent of the 1965-66 average in these countries for each direct investor. In the other highly developed countries, mainly continental Europe except Finland and Greece, there is a moratorium on capital transfers, but each direct investor may reinvest earnings up to 35 per cent of his 1965-66 direct investment (capital transfers plus reinvested earnings) in these countries, provided this does not reduce remitted earnings below the 1964-66 average.

The limitations on direct investment will not create balance of payments problems for the surplus countries of continental Europe, but will cause difficulty for some others. The limitations will also be burdensome for the United Kingdom, Canada, Japan and Australia. There is no reason to expect the limitations to cause balance of payments difficulties in the less developed countries. On the other hand, there will be problems for U.S. foreign investors and for some foreign countries unless the level of plant and equipment expenditures of U.S. affiliates can be maintained at an appropriate level through funds borrowed in Europe. The limitations on direct investment are expected to result in a reduction of \$1 billion in U.S. capital transfers from U.S. companies.

The new Federal Reserve restrictions on bank credit require no relending of long-term credits repaid by developed countries of continental Europe and a reduction of 40 per cent in outstanding short-term credits to these countries. Nonbank financial institutions must reduce their outstanding foreign credits by 5 per cent. There are additional requirements for the return of liquid assets both by nonbank financial institutions and by direct investors. The return of funds through these restrictions is estimated at \$500 million.

The President has called for a reduction in non-essential travel outside the Western Hemisphere designed to reduce the "travel deficit" by \$500 million. The target reduction in U.S. Government expenditures abroad is \$500 million. The United States is also discussing with the Common Market countries the difficulties caused to U.S. trade by the rebates on exports and border charges on imports equivalent to their value-added tax.

In order to assure the success of the new program, domestic fiscal and credit policy must hold down excessive aggregate expenditure and restore the stability of prices and costs. The President has said that the enactment of a tax surcharge is the first order of business before Congress. He has also called for a new voluntary program to avoid a rise in prices and an excessive rise in wages. New price-wage guideposts are being considered.

DEALING WITH THE PAYMENTS DEFICIT

On January 1st, President Johnson delivered a Message to the Nation on the Balance of Payments. The essence of this message was that the U.S. balance of payments must

be restored quickly in order to safeguard the U.S. economy and to prevent a breakdown of the international monetary system. The new action program presented by the President is a severe one. The objective is to achieve an improvement of \$3 billion in the balance of payments in 1968.

The need for more effective measures to restore the U.S. payments position has been evident for some time. A more rigorous voluntary program had been instituted prior to the devaluation of sterling. In the first three quarters of 1967, the balance of payments was somewhat worse than it had been in the same period of 1966, omitting special transactions in both years. The modest increase in the trade balance was more than offset by increased military expenditures in Vietnam and by larger capital outflow. The failure of the trade balance to increase by more than \$500 million in 1967 was particularly disappointing. Despite the slowdown, the U.S. economy continued on a high plateau, with an increase of imports, while several other leading industrial countries were in a recession, thus holding down the growth of world trade and U.S. exports.

The devaluation of sterling in November 1967 resulted in a sharp change in the payments situation. The United Kingdom had to sell some of its dollar investments to replenish its reserves. Other foreign funds flowed out of the United States to continental Europe. Two bursts of speculation in gold necessitated large support operations by the gold pool, and after the withdrawal of France the U.S. share in the pool increased from 50 to 59 per cent. U.S. net gold sales to foreign countries, which were only \$77 million in the first three quarters of 1967, rose substantially and necessitated the withdrawal of about \$1 billion from the gold certificate fund in the last quarter. The program is proof that the United States intends to defend the dollar and the \$35-an-ounce price of gold.

MANDATORY CONTROL OF DIRECT INVESTMENT

Under emergency financial powers, President Johnson has issued an Executive Order authorizing mandatory controls of direct investment and requiring the repatriation of earnings of U.S. foreign direct investment enterprises. The administration of the order has been delegated to the Secretary of Commerce. The Secretary has issued Foreign Direct Investment Regulations governing direct investment of all enterprises except banks and financial institutions which are subject to the Federal Reserve program of foreign credit restraint.

U.S. direct investment in all countries will be limited on the basis of the 1965-66 average level of each company's direct investment. The regulations divide all countries into three groups with different limitations. The repatriation requirement is the same for all countries. Each direct investor is required to transfer to the United States from its share of the earnings of all its foreign affiliates an amount equal to the greater of (1) the same percentage of its share of total earnings as it repatriated on an average during 1964-66 or (2) so much of its share of earnings as may exceed the limits set for capital transfers in each group. Moreover, short-term financial assets abroad held other than in direct investments are required to be reduced to the average level of 1965 and 1966.

Limitations on schedule C countries

The strictest limitation on direct investment is on Schedule C countries—South Africa and continental Europe, except Greece

1 Federal Register, Vol. 33, No. 1, January 3, 1968, pp. 47-53.

and Finland. The regulations place a "moratorium" on transfers of capital to these countries in the form of new funds from the United States. However, a direct investor may reinvest annually in these countries up to 35 per cent of the average of his total investment (transfers and reinvested earnings) during 1965 and 1966, provided this does not reduce remitted earnings to a smaller percentage of his share of direct investment earnings than the 1964-66 average.

1. CAPITAL TRANSFER FOR DIRECT INVESTMENT, SCHEDULE C, 1965-66 (In millions of dollars)

Table with columns for 1965 and 1966. Rows include Common Market, Belgium and Luxembourg, France, Germany, Italy, Netherlands, Other specified countries (Denmark, Norway, Spain, Sweden, Switzerland), Other continental Europe, and South Africa. Total values are 1,193 for 1965 and 1,442 for 1966.

1 Includes countries such as Austria, Portugal, and Turkey in schedule C, and other countries such as Finland, Greece, and Ireland not in schedule C.

Source: Survey of Current Business, September 1967, p. 42.

The limitations on direct investment apply separately to each direct investor, although transfers between countries in Schedule C are permitted. Capital outflows for direct investment in this group amounted to nearly \$1.2 billion in 1965 and about \$1.4 billion in 1966. The 1967 data are not yet available, but the outflow to continental Europe in the first three quarters was \$847 million and will probably be somewhat less for the year than in 1966. It should be noted that the figures include funds borrowed by corporations domiciled in the United States through the issue of their securities abroad. The use of such funds for direct investment in all foreign countries was \$52 million in 1965, \$445 million in 1966, and \$225 million in the first three quarters of 1967.

Although U.S. companies will not be able to remit new funds from the United States to continental Europe, except Greece and Finland, they will be able to reinvest part of their earnings to finance direct investment. The earnings of U.S. direct investment enterprises in these countries averaged about \$680 million a year in 1964-66. Their reinvested earnings in this period averaged \$210 million a year. The income remitted to the United States averaged \$445 million a year. In South Africa, earnings averaged about \$104 million a year, remitted income about \$65 million a year and reinvested earnings about \$35 million a year in 1964-66. The difference between the sum of remitted income and reinvested earnings, compared with total earnings, is mainly accounted for by the foreign withholding tax on income remitted to the United States. In some instances, direct investment participation through second and tertiary companies may affect the relationship between earnings, remittances and reinvested earnings.















to pay out its entire gold reserve to back up an internationally depreciating dollar.

Because the dollar serves, together with gold, as a principal component of the international reserves of the rest of the world, doubts about its future have measurably increased the fragility of existing monetary arrangements. World reserves are normally increased each year by additions to monetary gold stocks from new production. In the last few years, however, virtually the entire world output of gold has been absorbed privately, with one-third of the total being purchased by industry and two-thirds by hoarders. The private absorption of gold was \$1.5 billion in 1966, of which \$1 billion was purchased by hoarders speculating on a devaluation of the dollar in terms of gold. New gold production, including sales from the USSR, was \$90 million less than the amount privately absorbed with the result that the monetary gold stocks of the world actually declined in 1966, the first such decline in modern monetary history.

#### DECLINE OF U.S. TRADE SURPLUS

A particular cause of concern in view of the developments here described has been the significant deterioration of the United States balance of trade. The U.S. has traditionally counted on its large surplus on trade to offset the large outflows of capital from this country, both on private and governmental account. But the trade surplus fell from its high of almost \$7 billion at the close of 1964 to less than \$4 billion in 1966. The worsening of the trade balance was due not only to Vietnam-caused increases in imports (which increased 10 percent more rapidly than exports) but to inflationary pressures in the domestic economy which raised private demands for resources which normally would have been exported. The weakness of the trade balance raises the possibility of a larger balance of payments deficit in the immediate future and therewith of the emergence of a new and more critical turn in the U.S. position in the world economy.

#### VOLUNTARY RESTRAINT OF CAPITAL OUTFLOWS

The essence of the U.S. problem is that the imperatives of the balance of payments—the need to bring domestic costs, prices, and incomes into harmonious relationships with those prevailing in the countries with which we trade—are not permitted to interfere with the ideological and political imperatives of easy money policies, expanded spending programs, and chronic budget deficits. The official U.S. position appears to be: it is not our policies which should adjust to the needs of the balance of payments, but the balance of payments which should adjust to our policies. Accordingly, the major response of the Administration to the balance of payments crisis has not been to reduce domestic inflationary pressures but rather to clamp controls on the movement of private capital out of the United States.

The so-called "guidelines" promulgated by the Administration for capital lending abroad are the counterpart in our international affairs of the "guideposts" concept in the domestic economy. Both substitute government fiat for the forces of the market; both conflict violently with the principles of freedom of enterprise and efficient allocation of economic resources.

The techniques the Administration proposes for overcoming international disequilibrium are but a throwback to the solutions used in the 1930's—the era of "international *laissez-faire*." The nations simply retreated from the international economy so that they could pursue autonomous domestic policies and they secured this retreat with the armor of exchange controls, quotas, and bilateral trade agreements. Balance of payments crises were avoided but at the heavy cost of almost total disintegration of the international economy.

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#### A RETREAT FROM PRINCIPLE

The United States, which led the way after World War II in freeing the international economy of its shackles, is now perversely retreating from its own principles. It enthusiastically supports tariff cutting under "Kennedy rounds" while adamantly resisting the internal discipline—in monetary and fiscal matters—that international trade requires.

It couples demands for "liberalization" of trade in goods and services, hypocritically, with programs to deliberalize capital movements. The restrictions on capital outflows are, in effect, a form of exchange control, while the interest equalization tax on the sale of a foreign securities in the U.S. is a disguised form of selective devaluation of the dollar. These are exceedingly drastic and, in the end, self-defeating interferences with the fundamental freedoms of Americans to carry on legitimate business activity wherever they may choose. But they are the predictable response of an Administration which seeks to avoid at all costs the modification of domestic objectives in the interest of achieving international equilibrium.

#### SELF-DEFEATING CONTROLS

In spite of the Administration's imposition of controls on capital movements, the deficit in the balance of payments has persisted. It amounted to \$1.3 billion in 1965, \$1.4 billion in 1966, and the estimated deficit for 1967 is in the \$4 billion zone. It now is clear that preoccupation with the attainment of short-run balance between receipts and payments by arbitrarily restricting activity in specific sectors, e.g., cutting back on capital outflows, can actually provoke new disequilibrium. This is because items in the balance of payments are closely interrelated; "corrections" in one item cannot be made without producing counterbalancing changes in other items.

To illustrate, exports of money capital by American corporations to their foreign subsidiaries tend to increase U.S. merchandise exports because foreign affiliates of American firms import large quantities of merchandise and services from the U.S. for their own use. The U.S. Department of Commerce has estimated that merchandise exports by American firms to their foreign affiliates in 1964 amounted to 25 percent of total U.S. exports in that year. Moreover, there is evidence that current cutbacks in U.S. long-term investment abroad will sacrifice future net inflows on such investments. Total U.S. direct investments abroad are already so large that the return of funds to the United States in the form of dividends and profits exceed the outflow of new investment. In 1966 the return on existing direct foreign investments was \$4.1 billion compared with new direct investment abroad in that year of \$3.4 billion.

Similarly, the cutbacks in U.S. bank lending abroad—which were significant contributions to the reduction in the balance of payments deficit at the time they occurred—have been largely offset by declines in foreign deposits in the U.S. Denied credit facilities in the U.S., foreign holders of dollar deposits in American banks have drawn them down instead. Again, "voluntary" prohibitions on U.S. industrial investment abroad have caused American firms to borrow abroad; this has helped measurably to push up interest rates abroad relative to the U.S., thus cancelling out in part efforts to stem capital outflows by raising interest rates here.

In sum, restrictions of investment outflows, while of help in the short run, may be moving the economy of the U.S. even farther away from balance of payments equilibrium in the long run. Instead of narrowing the deficit, they tend to widen it. This is because none of these measures is a substitute for removing a chief cause of the deficits, viz., the absence of fiscal restraint and monetary discipline within the

U.S. It is, moreover, certain that the continued reliance on guidelines and similar controls will seriously prejudice the role of the U.S. as world banker, provoke retaliatory measures in other countries, and thus ultimately force a return to the economic nationalism of the unlamented 1930s.

#### LONDON MONETARY AGREEMENT—AN ILLUSION OF STRENGTH

Spokesmen of the Administration would have it believed that the balance of payments difficulties of the United States are the outgrowth of deficiencies in the international monetary system. Statements advertising to the seriousness of the U.S. position have been coupled with emphasis on the need for reform of the international monetary system. The widely hailed London Monetary Agreement of 1967 providing for the creation of a new form of international reserve to supplement gold and dollars is expected to resolve our difficulties. In fact, these "special drawing rights or SDR's"—which are simple bookkeeping entries supported by the prestige of the International Monetary Fund—are additional lines of credit extended by the surplus countries to the deficit countries.

The power to apply the provisions of the new agreement lies in the hands of the Common Market countries who are in surplus and who represent only 18 percent of the votes in the IMF. The other 82 percent are deficit countries, including chiefly the U.S., Great Britain, and the underdeveloped countries. It is clear that the deficit countries—the only ones in need of more "international liquidity"—would like to see early creation of substantial amounts of SDRs. The steady decline in U.S. gold stocks has moved the Administration to engage in desperate maneuvering to discover new means of covering its chronic payments deficits.

But the surplus countries are understandably determined not to supply resources for that purpose. Neither the amount of new reserves to be created nor when they are to be paid have been agreed upon, nor is any decision on these matters likely to be forthcoming until the U.S. has ended its deficit.

#### THE KEY ROLE OF THE DOLLAR

The claims made by the Administration that the London accord represents "one of the great days in the history of international financial cooperation" appear vastly exaggerated. The evidence suggests that it is not the international monetary system that is in need of reform so much as the U.S. dollar, and that it is the shaky position of the dollar which puts the international monetary system in a precarious position.

If the U.S. fails to bring its international accounts into balance and if, as a result, a devaluation of the dollar in terms of gold becomes necessary, the consequence may well be a world-wide liquidity panic as all nations rush to acquire gold or attempt to prevent loss of their own gold. Naive hopes that gold can be eliminated as a component of international reserves founder on the ages-old and universal preference for the metal as the one medium of international exchange which is beyond the control of any single nation or group of nations.

The continued primacy of gold as international money makes it unlikely that the International Monetary Fund, even with the potential new resources established under the London agreement, would be able to prevent a crisis precipitated by collapse of confidence in the dollar. The IMF was designed to provide stop-gap aid to countries with temporary short-falls in their balances of payments. It was not designed and it is not able to cope with the prolonged cumulative deficits of the sort the U.S. has been experiencing. When it is recalled that a prior devaluation of a key currency—the devaluation of the British pound in 1931—triggered an international liquidity crisis and brought on world-wide

deflation and depression, the ominous character of the ongoing international deficits of the U.S. is revealed.

#### INTERNATIONAL LIQUIDITY AND TRADE

As long as the U.S. continues in the deficit position its plea for the establishment of a mechanism to produce "paper gold" must remain suspect; in fact, its motives in this respect have been all too transparent. But the urgency of the case for an increase in "international liquidity" remains dubious for more fundamental reasons. The historical record shows that there is no necessary relationship between the growth of world trade and the growth of world monetary reserves. On the contrary, both magnitudes would appear to develop in a completely unrelated way. In past periods, world trade has decreased substantially in value while world reserves have rapidly increased. At other times, for example in the post World War II period, world trade have advanced far more rapidly than the growth in reserves.

It is significant that prior to 1914 when nations allowed their internal economies to adjust to changes in the international economy, the term "shortage of international liquidity" was unheard of. It is a fact that Great Britain, the leading trading nation of the nineteenth century, supported a vast network of trade and payments on a minuscule reserve; nor did the relatively small size of the British reserve prevent her trade and that of the whole world from undergoing extremely rapid growth in this period. The equilibrating forces at work under the gold standard reduced the need for reserves to a minimum.

#### THE PHANTOM OF "WORLD LIQUIDITY"

The basic error of the "liquidity shortage" thesis is its confusion of internal with external liquidity. But the two are quite different in origin and in effect. An internal contraction or expansion of liquidity relative to physical product can normally be expected to induce a contraction or expansion of demand and of economic activity generally. Conversely, an increasing volume of business and trade cannot be supported without an increasing volume of credit and cash.

The function of *international reserves*, however, is not to consummate international transactions. These are, on the contrary, financed by ordinary commercial credit sup-

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plied by exporters or importers, or in some cases by international institutions. Of such commercial credit, there is in individual countries normally no shortage, or internal credit policy can be adjusted to make up for any untoward tightness of funds. In contrast, international reserves are required to finance only the inevitable differences between the value of a country's total imports and its total exports; their purpose is not to finance trade itself but net trade imbalances.

The alleged shortage of liquidity is not a general illness afflicting the world because of the failure of growth in gold stocks and dollar reserves to keep pace with the growth in world trade; it is a surfeit of dollars, indeed, which is the contemporary international malaise. Since the exchange reserves of one country are always the exchange deficiencies of another country, a liquidity problem emerges only in respect to some countries, viz., those with chronically unbalanced balances of payments. If all nations' imports and exports on current and capital account exactly balanced, no international movement of cash would be required at all. While this hypothetical situation is hardly likely to be realized, the principle is clear: surpluses and deficits (excesses or deficiencies of "international liquidity") arise in specific countries as the product of their individual policies and not in the world at large. No "world state" exists of which it could be said that it is short of "world liquidity."

#### DANGERS OF "PAPER GOLD"

Thus, the problematical aspects of Administration supported schemes to overcome the alleged illiquidity of the world by creating a new reserve unit is seen to lie in the fact that the deficit countries—the only ones who would require such artificial reserves—would in effect be allowed to obtain *carte blanche* for further deficits. It would be the surplus countries which would be required to exchange real goods for "paper gold" and hence to bear the burden of the continuous import of inflation to which such a perpetual motion machine would give rise.

It is conceded that there must be enough international liquidity to provide the time required for nations to make the internal adjustments called for by their balance of payments situation. But there must not be an endless supply of liquidity; liquidity must be permitted to run out for only this ulti-

mate restraint is capable of inducing the domestic economic and fiscal discipline which is the necessary condition of continued participation by each country in the international division of labor.

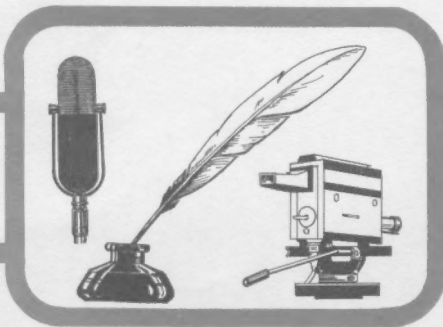
Under the guise of a noble and seemingly disinterested appeal for more international liquidity for a liquidity-starved world, the incumbent Administration is in reality seeking to continue adamantly with the economic status quo at home, come what may in the shape of balance of payments difficulties. The plea in truth is not for more liquidity for "the world", but for the United States; it is a plea for more cash with which the Administration can continue in its "guns and butter" policies.

Under the circumstances, it is not surprising that the surplus countries are resisting American attempts to have them accept "paper gold" in exchange for their real goods and services. The surplus countries see no reason for admitting the inflations being exported to them—via the balance of payments—by the deficit countries as long as the deficit countries refuse to admit some deflation or even to moderate their own internal inflationary processes.

#### THE NEED FOR DISCIPLINE AT HOME

Neither paper gold, nor "Special Drawing Rights," nor flexible rates of exchange, nor any other devices no matter how sophisticated, can dispense a deficit nation such as the United States from the adjustments of its internal economy needed to achieve external equilibrium. Chronic deficits in the balance of payments, or a continuously depreciating currency, are the result of a country's attempt to live beyond its means at home while seeking, through trade, to induce other countries to pick up the tab for the difference. This is a situation which will yield a shortage of international liquidity for the deficit country under any international monetary system.

The times are over in which the prestige and power of the dollar could compel the surplus nations to give up their own vital interests—in particular, their concern for the avoidance of inflation—against their own better judgment. In international monetary affairs, the power of decision has passed humbly from our hands. We can regain it only by returning to monetary discipline and fiscal sanity at home.



CONGRESSMAN  
**GERALD R. FORD**  
HOUSE REPUBLICAN LEADER

**NEWS  
RELEASE**

--FOR IMMEDIATE RELEASE--  
April 2, 1968

President Johnson now has a singular opportunity to begin putting this Nation's fiscal house in order.

Having decided against an attempt to seek reelection, he is free to act without regard to political considerations. He is in perfect position to launch the "austerity program" he recently declared is urgently needed in this country.

I ask that the President reconsider the position he took on management of our fiscal affairs in his address to the Nation on radio and television Sunday night. In that speech he indicated that he will simply sit back and wait for Congress to make reductions in his budget for fiscal 1969.

If the fiscal situation at the federal level is as critical as the President and his advisers have painted it, then the country cannot wait for Congress to act.

I urge instead that the President immediately outline and implement the austerity program he recently declared to be so necessary if the United States is to maintain any semblance of prosperity. This means the President should impose immediate lower spending limitations on each department and agency.

The President on his own can order a sweeping hold-down in all federal spending unrelated to the Vietnam War. In view of the fact he will not be seeking reelection, he should have no difficulty in imposing a ceiling on federal spending immediately--a ceiling which would remain in effect at least throughout the rest of his term in office.

President Johnson has sought to eliminate some of the divisiveness in this country over Vietnam by removing himself as a candidate for reelection. Let him now act to slow inflation and the continuing deterioration in the value of the dollar by cutting his own budget. He would be doing the American people a great service.

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25 July 1968



U. S. HOUSE  
OF REPRESENTATIVES

# REPUBLICAN POLICY COMMITTEE

REP. JOHN J. RHODES, (R.-ARIZ.) CHAIRMAN • 1616 LONGWORTH HOUSE OFFICE BUILDING • TELEPHONE 225-6168

## HOUSE REPUBLICAN POLICY COMMITTEE OPPOSES H.R. 15890 - A BILL THAT WOULD AUTHORIZE 428 ADDITIONAL SUPERGRADE POSITIONS.

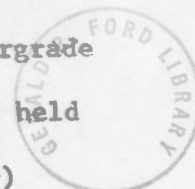
The House Republican Policy Committee is opposed to H.R. 15890. This bill would authorize 428 additional supergrade positions (GS-16, 17 and 18) in the Executive Branch.

There are at the present time a total of 9,320 supergrade posts (or their equivalent) in the Executive Branch. These positions pay between \$22,835 and \$28,000 per year. The addition of 428 such posts (365 to a general pool and 63 to specific agencies) would increase the Federal payroll by at least \$10 million a year. Moreover, a promotion to a supergrade usually creates a chain reaction of at least a dozen promotions or new appointments in the lower grades, each of which requires additional Federal expenditures.

Out of the total of 9,320 supergrade positions now in existence, Congress establishes numerical ceilings affecting only about one-half. There are no limitations on the remainder. Since 1961 there has been a total increase of over 4,000 supergrade positions. This large increase is in direct conflict with the Congressional policy that was established in Public Law 87-367.

One year ago the bill submitted by the Administration provided for an increase of 245 supergrade jobs in the "general quota pool" under the jurisdiction of the Civil Service Commission and 63 supergrades for certain specified agencies. At that time, the Chairman of the Commission, John W. Macy, Jr., testified, "The 245 that we are proposing at the present time represent the Commission's best judgment as to the number that are needed for the foreseeable future." Now in just one short year, the needs of the Commission's general quota pool have increased from 245 to 365 supergrade positions. Moreover, of the 365 general pool supergrade positions, 100 would be held

(over)



in reserve for future use.

This legislation has been recommended by the Johnson-Humphrey Administration despite the fact that we are in a fiscal crisis that has placed in jeopardy the financial structure of this Country. It would substantially expand the elite corps of the Federal bureaucracy even though in an effort to meet this crisis, a 10 percent surtax has been imposed on the American Taxpayer and the Administration has been ordered to cut \$6 billion in 1969 budget expenditures and reduce the Federal payroll by 250,000 permanent positions.

The proposed legislation is economy in reverse. It is a flagrant example of a Bureaucracy out of control determined to make its own rules and march to its own music. If this legislation is adopted, top paying jobs could be awarded in the waning days of a thoroughly discredited administration to key political appointees and cronies. We urge that H.R. 15890 be defeated.



U. S. HOUSE  
OF REPRESENTATIVES

# REPUBLICAN POLICY COMMITTEE

REP. JOHN J. RHODES, (R.-ARIZ.) CHAIRMAN • 1616 LONGWORTH HOUSE OFFICE BUILDING • TELEPHONE 225-6168

10

91st Congress  
First Session

March 11, 1969  
Statement Number 4

## STATEMENT ON INCREASE OF THE PRESENT FEDERAL BORROWING AUTHORITY

The House Republican Policy Committee urges the establishment of the federal debt ceiling in the amount of \$365 billion, and the provision of an additional temporary borrowing authority of \$12 billion to be available until June 30, 1970, to accommodate seasonal financing peaks during the present calendar year.

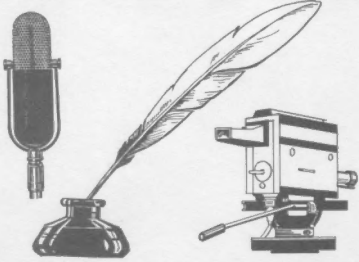
A projection of seasonal requirements indicates that the present borrowing authority limitation will be clearly inadequate in the last quarter of this calendar year. Even the financing requirements for April, 1969, will present most serious strains on prudent financial management. An increase in the current debt ceiling to accommodate immediate obligations is urgently needed.

The debt ceiling will require real expenditure restraint by the Executive Branch and the Congress. Present debt projections indicate that the proposed new ceiling will necessitate a review of the ceiling next year, thus affording a further opportunity for appraisal of the budgetary and expenditure activities of the Executive Branch and the Congress.

The Nixon Administration is currently reevaluating all federal programs for the purpose of effecting significant economies. It is hoped that this reevaluation will provide substantial reduction in federal spending.

We urge the Administration and the Congress to exert every reasonable effort toward striking a true balance between the income of the Government and its expenditures so that further increases in the debt limit will not be required.





CONGRESSMAN  
**GERALD R. FORD**  
HOUSE REPUBLICAN LEADER

**NEWS  
RELEASE**

--FOR RELEASE ON RECEIPT--  
April 24, 1969

Remarks by Rep. Gerald R. Ford, R-Mich., Republican Leader, U.S. House of Reps.,  
Placed in the Body of the Congressional Record of Thursday, April 24, 1969.

Mr. Speaker, I ask unanimous consent to proceed for one minute and to revise and extend my remarks.

Mr. Speaker, on April 21 the President of the United States sent the Congress a message urging repeal of the 7 per cent investment tax credit effective as of that date.

On that same day I endorsed President Nixon's call for repeal of the investment tax credit for several reasons but primarily because I believe such action is necessary to curb inflation and thus shield the American people from the repeated blows of price escalation.

Yesterday I was shocked to learn that the cost of living had jumped eight-tenths of one per cent during March, a rate of price rise which runs to nearly 10 per cent on an annual basis.

Mr. Speaker, as the proverb in the greatest book ever written so wisely warned: "As ye sow, so shall ye reap." We are today continuing to suffer from the inflationary policies of the past three years and the failure of the Johnson Administration to take timely action against inflationary pressures that surfaced as early as late 1965. Now the battle against inflation is infinitely more difficult to win.

Mr. Speaker, the sharp cost of living jump in March strengthens my earlier judgment that the Congress should respond as quickly as possible to President Nixon's call for repeal of the investment tax credit.

Although it is possible to read too much into one month's cost-of-living index figures, the warning signal in the March data is unmistakable.

To me it says that the fiscal and monetary measures already taken by the Administration and by the Federal Reserve Board to slow down the economy and bring inflation under control are inadequate for the task.

There is always risk involved in actions taken to dampen down the economy. But we must take such risks, carefully and judiciously, if we are to bring inflation under control.

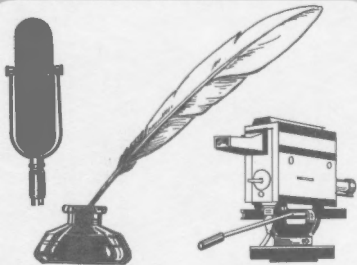
The impact of investment tax credit repeal will not be felt in the economy immediately. When it does register, cutting the income tax surcharge in half next Jan. 1 as proposed by President Nixon will probably be needed as a stimulus to the economy.

We must win the fight against inflation, for it weighs most heavily upon the poor. And runaway inflation would inevitably be followed by a deep recession and heavy unemployment.

I hope the members of this House will support the President in his efforts to repeal the investment tax credit.

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CONGRESSMAN  
**GERALD R. FORD**  
HOUSE REPUBLICAN LEADER

**NEWS  
RELEASE**

January 27, 1970

Remarks on floor of House of Representatives by Rep. Gerald R. Ford

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Mr. Speaker:

I am sure all of us here listened to the President's talk on television last night with great interest.

It was in my opinion a forthright and convincing speech.

It was a speech that recognized the value of and the need for not only educational programs, but other social programs also.

But it was a speech that also made absolutely clear what the real issue is and what it is not.

Certainly, the issue is not a debate on the merits of education or on whether federal funds should be spent on education.

Certainly the issue is not one of whether or not we should have an impacted aid program, although there is no doubt that that program needs extensive reform.

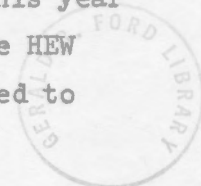
The issue was simply: inflation and the duty of the President as the national leader to control it.

In the President's mind and I'm sure in the minds of most of us here, inflation is the overriding domestic issue at this time.

This being so, the President recognizes that it is his duty and his obligation to take the necessary steps to bring it under control.

One of these steps is to keep federal spending under federal income. This, too the President is determined to do. That is why we have a balanced budget this year and why we will have one next year. That is why the President has vetoed the HEW appropriations bill. And that is why those who recognize the overriding need to control inflation will vote to sustain that veto.

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U. S. HOUSE OF REPRESENTATIVES

# REPUBLICAN POLICY COMMITTEE

REP. JOHN J. RHODES, (R.-ARIZ.) CHAIRMAN • 1616 LONGWORTH HOUSE OFFICE BUILDING • TELEPHONE 225-6168

10

91st Congress  
Second Session

January 27, 1970  
Statement Number 1

## HOUSE REPUBLICAN POLICY STATEMENT

ON

### SUPPORT OF VETO OF LABOR-HEW APPROPRIATIONS BILL

The House Republican Policy Committee supports President Nixon's veto of

the Labor-HEW appropriations bill.

The bill provides new obligational authority for FY 1970 in the amount of 19.7 billion, and appropriates \$1.26 billion more than was requested by the President. Such an increase, at this period in history, is clearly inflationary.

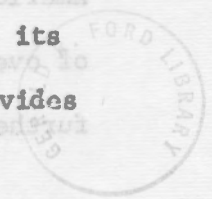
The President is making every effort to control an inflation which has reached an annual rate of more than six percent. The necessary tools to control the ever-rising cost of living must be provided by the Congress. It cannot be expected that rising costs be curbed when the Congress votes large, unbudgeted

sums which make such control impossible.

Unless inflation is halted, all government programs, including those for education, will suffer. Even more importantly, if inflation continues to run rampant, it will be to the detriment of all Americans, especially those on the lowest rung of the economic ladder. We cannot in good conscience add to the cost-of-living crisis of the old, the sick, the disabled and others on low or fixed incomes.

A major portion of the \$1.26 billion increase provides mandatory grants requiring the Administration to allocate funds regardless of real need or of its inflationary effect; a significant portion of the \$1.26 billion increase provides

(over)





lower priority items which can be postponed without lessening the quality of American education.

As President Nixon stated in his veto message, the HEW FY 1970 appropriation represents "the wrong amount for the wrong programs at the wrong time". Much of the add-on merely increases spending for existing educational programs without providing sorely-needed reforms to improve the quality of those programs and to use most beneficially and equitably each dollar appropriated.

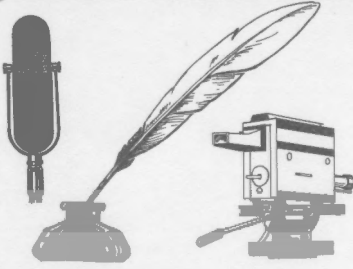
In supporting the President's veto we wish to emphasize that neither he nor we oppose the expenditure of adequate funds to meet today's bona fide educational needs. Within the framework of a balanced budget the President proposed record-high expenditures for education in FY 1970, 13% above those of last year. We support these increases.

We do not believe, however, that the addition of a \$1.26 billion spending program, late in this fiscal year and late in this academic year, at the expense of a balanced budget, can bring true benefit to education. Persistent inflation can and has proved education's worst enemy. And, despite the measures taken by this Administration to curb inflation, the cost of living has risen three percent since the HEW appropriations bill was first considered by the House of Representatives last July. Thus the economic picture is entirely different than it was when this bill was initially voted upon.

In the past decade the free spenders in the Executive Department, with the agreement of Congress, created federal deficits of \$57 billion. The increased cost of living which such deficits have brought to all Americans, is all too well known.

Inflation is largely psychological. People who make management decisions still are thinking in terms of further inflation, because they are not yet convinced that this Congress has the courage to make the hard decisions necessary to stem the inflationary tide. This vote will be a clear signal to them, and to the World--America, through its Congress, either will or will not "bite the bullet". The effect of overriding the President's veto would, therefore, be to encourage inflation, and further increase the cost of living to all Americans.

The House Republican Policy Committee urges support of President Nixon's veto.



CONGRESSMAN  
**GERALD R. FORD**  
HOUSE REPUBLICAN LEADER

**NEWS  
RELEASE**

FOR IMMEDIATE RELEASE

January 23, 1970

Statement of Rep. Gerald R. Ford (R-Mich.), House Republican Leader

Once again the House of Representatives, speaking for the American people, has upheld the President of the United States and the highest interest of the country.

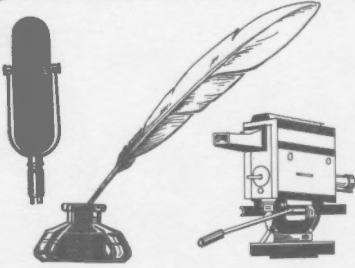
President Nixon's search for a just peace in VietNam was overwhelmingly sustained by the House on a non-partisan basis. Today we demonstrated that in domestic affairs, the Republicans in the House can sustain President Nixon on a partisan basis, if need be.

I am deeply gratified that substantially more than the constitutional number of 145 House votes to sustain a Presidential veto were cast by House Republicans. I am also profoundly pleased that so many Democrats put the soundness of the dollar and the future of the nation ahead of narrow partisanship in joining to support President Nixon on this critical issue.

I am sure this victory for every American in the field of fiscal responsibility will be followed promptly by a joint effort on the part of the President and the Congress to support all our important health and education programs adequately for the balance of this fiscal year.

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CONGRESSMAN  
**GERALD R. FORD**  
HOUSE REPUBLICAN LEADER

**NEWS  
RELEASE**

FOR IMMEDIATE RELEASE

February 2, 1970

Statement of Rep. Gerald R. Ford (R-Mich.), House Republican Leader

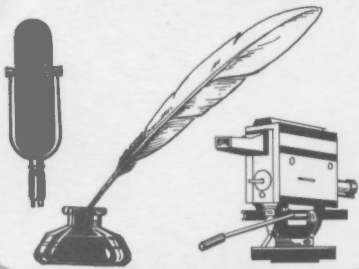
President Nixon's proposed balanced budget and his economic message are marked by courage and candor.

It is particularly gratifying that the President proposes to achieve a budget surplus without new or additional Federal taxes.

He is moving deliberately and decisively to slow down and stop the ravages of inflation as he is to slow down and stop the ravages of Vietnam. Both are difficult and dangerous situations still, but years of drift have been checked and we are now moving in new directions.

I have not examined the new budget recommendations in detail, but I have great confidence in the Secretary of Defense and in the other Cabinet Officers who have been called upon to make sharp cuts in their departmental costs for the coming fiscal year. The Congress will, as always, have an opportunity to study, adjust and finally work its will on the President's proposed budget, but the House has just demonstrated that we can sustain his promised veto of inflationary increases. The American people will support such prudent concern for their savings, the buying power of their earnings, and their tax dollars.





CONGRESSMAN  
**GERALD R. FORD**  
HOUSE REPUBLICAN LEADER

**NEWS  
RELEASE**

--FOR RELEASE AT 12 NOON WEDNESDAY--  
February 25, 1970

Remarks by Rep. Gerald R. Ford, R-Mich., Minority Leader, U.S. House of Representatives, to be placed in the Congressional Record of Wednesday, Feb. 25, 1970.

Mr. Speaker: Last Thursday the House Majority Leader placed in the Congressional Record a statement in which he castigated the Nixon Administration for the inflation President Nixon inherited from the previous Democratic administration.

This is the height of irony, Mr. Speaker -- that the Democratic floor leader in the House should seek to blame the Nixon Administration for the inflation today that is directly due to the policies of the previous Democratic Administration.

The gentleman from Oklahoma knows as well as does anyone else in this chamber that the inflation from which we continue to suffer began in 1965 and gathered speed because of excessive and often irresponsible federal spending and the uncoordinated monetary policies in the years immediately thereafter -- years when both the White House and the Congress were controlled by the Democratic Party.

The Democratic floor leader would have the American people believe that their economic lot has suddenly worsened, has deteriorated because a Republican President now sits in the White House.

The truth is that the Democrats, because of irresponsible fiscal policies, brought on inflation which a Republican President now is forced to combat, with all of the painful consequences attending such efforts.

The truth is that the real earnings of the non-farm worker in the private sector rose hardly at all in the Democratic years of 1965, 1966, 1967 and 1968 -- the years when then President Lyndon Johnson said we could have both guns and butter.

Figures I have just obtained from the Department of Labor's Bureau of Labor Statistics show that a non-farm worker's rise in gross weekly earnings between January 1965 and January 1969 were almost completely eaten up by increases in consumer prices and by income and Social Security tax increases.

The gross weekly earnings of this worker rose 19 per cent during this period -- from \$92.64 a week to \$110.25.

But what happened to those weekly earnings as a result of price increases and the rise in taxes? The advance in earnings almost vanished.

(more)

The Consumer Price Index jumped from 108.9 in January 1965 to 124.1 in January 1969, a 14 per cent rise. When a non-farm worker's gross weekly earnings were adjusted for price increases, he showed an increase in real earnings of only 4.4 per cent in that 4-year period under the Democrats.

Add to that the increase in income and Social Security taxes, and the non-farm worker's real weekly earnings drop to \$77.90 a week -- an increase in real earnings of only 0.7 per cent in four years!

That is what the American worker has to show for all of his years of struggle during the previous Democratic Administration -- a rise of 0.7 per cent in real weekly earnings. This is less than a one per cent increase in purchasing power, not much help for a growing or expanding family.

The Democratic floor leader has unfairly attacked the Nixon Administration for its efforts to combat the inflation brought on by the previous Administration, a Democratic Administration which committed 540,000 military personnel to Vietnam and refused to pay for that war, an administration which ran up federal deficits totalling \$45 billion.

He should be candid enough to tell the workers of America that the Nation is plagued by Democratic inflation -- that the Nixon Administration is finding it extremely difficult to fight that Democratic inflation because it was permitted to gain momentum while the Democrats controlled both the White House and the Congress -- that Democrats currently are not cooperating with the President in his efforts to fight Democratic inflation but are seeking to make political capital out of those efforts.

It of course is naive to expect some Democrats to make such admissions, although I must say that Sen. Edmund Muskie was frank enough to state in a recent Christian Science Monitor interview that President Nixon had inherited his problems from the previous Democratic Administration.

So we are not really being naive today. We are simply making a plea for candor. And we would also express the hope that the Democrats would stop playing politics with the people's pocketbook.

President Nixon is making a constructive effort to solve the inherited problem of inflation. He is seeking to build a strong peacetime economy that will provide jobs and industrial growth for a better America. He deserves better from the opposition party than political sabotage.



CONGRESSMAN  
**GERALD R. FORD**  
HOUSE REPUBLICAN LEADER

**NEWS  
RELEASE**

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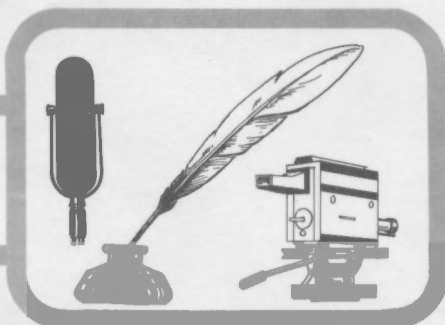
He should be candid enough to tell the workers of America that the Nation is plagued by Democratic inflation -- that the Nixon Administration is finding it extremely difficult to fight that Democratic inflation because it was permitted to gain momentum while the Democrats controlled both the White House and the Congress -- that Democrats currently are not cooperating with the President in his efforts to fight Democratic inflation but are seeking to make political capital out of those efforts.

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President Nixon is making a constructive effort to solve the inherited problem of inflation. He is seeking to build a strong peacetime economy that will provide jobs and industrial growth for a better America. He deserves better from the opposition party than political sabotage.

# # #



CONGRESSMAN  
**GERALD R. FORD**  
HOUSE REPUBLICAN LEADER

**NEWS  
RELEASE**

--FOR IMMEDIATE RELEASE--  
March 11, 1970

Remarks by Rep. Gerald R. Ford, R-Mich., placed in the Congressional Record of Wednesday, March 11, 1970.

Mr. Speaker: On Monday the distinguished Majority Leader of the House informed us that because the unemployment rate rose to 4.2 per cent in January he had concluded this Nation is in the grip of a recession.

This is a most interesting observation, Mr. Speaker, particularly if you look at the unemployment rates for the years 1961 through 1965, when Democrats were in control of both the White House and the Congress.

A look at the unemployment rates for those years tells us that the Majority Leader is making statements that are indefensible. Apparently he is trying to talk us into a recession.

If he is not trying to talk us into a recession, then he would have to assert that the United States suffered through a five-year recession in the last decade -- because in all of those years the unemployment rate exceeded the current rate of 4.2 per cent.

In 1961, the unemployment rate was a shocking 6.7 per cent. In 1962, it was 5.5 per cent. In 1963, it was 5.7; in 1964, 5.2; and in 1965, 4.5.

In 1966, the unemployment rate dropped to 3.8, less than 4 per cent, and it has remained below 4 per cent until recently.

Now to what can we attribute this drop to less than 4 per cent in unemployment -- a most welcome decline if viewed as a bit of data unrelated to other economic factors.

One does not have to hold a doctor's degree in economics to recognize that the sharp decline in unemployment in 1966 coincided with a sharp surge in the economy triggered by the Vietnam War.

Conclusion -- the only valid conclusion -- is that we have been experiencing a false prosperity generated by a war into which we were led by the previous administration.

That same false prosperity generated inflationary pressures which steadily pushed up the cost of living for every man, woman and child in America. And, as

(more)





former President Johnson said in his last Economic Report, transmitted to the Congress in January 1969: "The problems of rising prices and wages remain intense as 1969 begins."

The Majority Leader now talks of a recession. In fact, he flatly asserts that "we are in a recession" because the unemployment rate has risen to 4.2 per cent. Would he also say then that the years 1961 through 1965 were recession years?

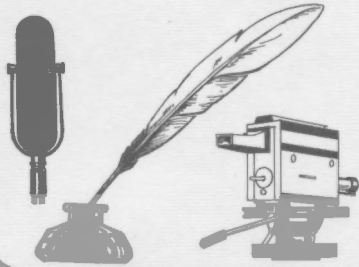
The Majority Leader talks at the same time of "Nixon inflation," and yet Lyndon Johnson in his 1969 Economic Report freely admitted that "the first significant break in relative price stability occurred early in 1965" and added that "more pervasive inflationary pressures started in the second half of 1965 when the military buildup in Vietnam began." Mr. Johnson went on to say: "Higher costs had been built into the economy during 1965 and 1966, and when the economy picked up speed in the second half of 1967, prices and wages again accelerated." "Union settlements," he said, "which had lagged in the initial stage of the advance, rose especially sharply in late 1967 and in 1968." And at that point Mr. Johnson stated that price and wage increases remained a severe problem at the beginning of 1969.

Mr. Speaker, President Nixon and others of us are fighting the inflation which was allowed to gather momentum under the previous Democratic administration. One of the unfortunate consequences of that fight is that we are in a temporary slowdown and unemployment has risen.

Mr. Speaker, rather than talking us into a recession it would better behoove the Majority Leader to lend his support to the fight against inflation. He knows full well that it has been necessary to cool off the economy in an effort to slow the rise in prices. He knows full well that a rise in unemployment is an unfortunate but inevitable result of that cooling off.

The Majority Leader has been seeking to blame the present Administration for the sins of the previous Democratic administration. This kind of "politicking" is bad for the entire country. And I doubt it is good politics because the American people know that our inflation problems were inherited from a Democratic Administration, and our fellow citizens also know that the Nixon Administration has made sound decisions which will avoid a recession, slow down inflation and preclude unacceptable unemployment.

# # #



CONGRESSMAN  
**GERALD R. FORD**  
HOUSE REPUBLICAN LEADER

**NEWS  
RELEASE**

--FOR IMMEDIATE RELEASE--  
June 17, 1970

Remarks by Rep. Gerald R. Ford, R-Mich., on the floor of the U.S. House of Representatives, Wednesday, June 17, 1970.

Mr. Speaker: President Nixon has laid it on the line in the battle against inflation. He has--to the benefit of the Nation--told the American people just what the situation is and what he will do to deal with it and, just as importantly, what he will not do. This is the kind of guidance the country needs at what I consider to be a most crucial juncture in our fight against inflation.

I am pleased that the President will appoint a National Commission on Productivity and that he has directed the Council of Economic Advisers to prepare a periodic Inflation Alert. This now becomes the key to achieving price stability. It focuses attention on the area which is central to progress toward price stability--improvements in productivity. We cannot lick inflation of the cost-push variety without gains in productivity. So this problem is paramount at this time.

The President has also laid it on the line in urging the Congress not to grant him powers he has said he will not use but to move ahead quickly to pass constructive, meaningful legislation sorely needed in this time of economic transition.

Congress should act with purposeful determination to give the President the program he has requested--stronger unemployment insurance, the Manpower Training Act, a \$50 million supplemental appropriation to provide summer jobs for students, insurance to protect small investors against brokerage house failures, a cost-of-living tie with Social Security, the Emergency Home Finance Act, the means to stimulate loans to small businesses at lower interest rates, and emergency assistance to financially-distressed railroads.

As the President so plainly and pertinently said, this is no time to play politics with the economy of this country. It is a time that demands the utmost display of responsibility on the part of business, labor and government. Above all, it is a time for affirmative action--action of the kind described by the President, action that will move this country toward a genuine prosperity based on a peacetime economy and the price stability that keeps more dollars in the pockets of the American working man.

I commend the President for his most timely statement and urge that the Congress join with him in successfully moving this country from a wartime to a peacetime economy. The problems are big enough for all of us to have a piece of the action.

###





CONGRESSMAN  
**GERALD R. FORD**  
HOUSE REPUBLICAN LEADER

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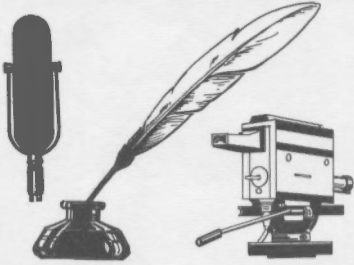
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CONGRESSMAN  
**GERALD R. FORD**  
HOUSE REPUBLICAN LEADER

**NEWS  
RELEASE**

--FOR IMMEDIATE RELEASE--

July 7, 1970

Statement by Rep. Gerald R. Ford, Republican Leader, U.S. House of Representatives

Leaders of the Democratic Party would have the American people believe that we have "a sick economy, a very sick economy," to use the words employed on television last night by Democratic National Chairman Lawrence F. O'Brien.

This is sick talk. This is playing politics with the people's pocketbook. This is the big lie technique, aimed at scaring the American people for political gain. It is simply not borne out by the facts.

The facts are that the economy is not only sound but growing. The facts are that we can expect real economic growth at an annual rate of 3 per cent to develop over the next six months. The facts are that the economy has turned the corner from Democrat wartime inflation toward Republican price stability and peacetime prosperity.

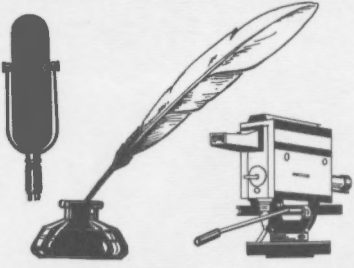
Sen. Edmund Muskie, D-Me., last night suggested we should now impose wage and price controls to halt inflation. Yet the overwhelming majority of economists in this country, without regard for political affiliation, have repeatedly stated that wage and price controls simply do not work. You do not solve the problem of inflation simply by decreeing that prices be frozen for a time. During World War II we had strict price controls, with an enormous bureaucracy to enforce them, and the Consumer Price Index still rose an average of 3.5 per cent.

As I said earlier, we have turned the corner toward price stability and a new period of healthy economic growth. The Nixon Administration, by judiciously and firmly applying appropriate monetary and fiscal policies, has managed to avoid both a deep recession and a new inflationary surge.

Inflation has been slowing, particularly in wholesale prices where it has dwindled to a 1.4 per cent rate during the second quarter. Inflation ran to more than 5 per cent in 1969 as a result of four Democratic years when inflation was allowed to gather speed unchecked. The pace rose to about 6 per cent in the first quarter of 1970 but it now is falling back to an annual rate of 4.5 per cent or less. Most importantly, productivity has finally begun to increase and this is a most hopeful sign in the fight against inflation. So my prediction is that inflation will slow to 4 per cent or less this year.

We are on the right economic path. We can look to the future with confidence -- a future that promises high employment, diminishing unemployment, stabilization of prices, and prosperity without war.

###



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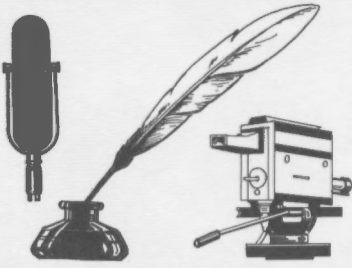
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CONGRESSMAN  
**GERALD R. FORD**  
HOUSE REPUBLICAN LEADER

**NEWS  
RELEASE**

--FOR IMMEDIATE RELEASE--  
August 10, 1970

Statement by Rep. Gerald R. Ford, Republican Leader, U.S. House of Representatives

I am today joining with Representative Frank Bow (R-Ohio), the ranking Republican Member of the Committee on Appropriations, the entire House Republican Leadership and other Minority Members of the Appropriations Committee in sponsoring the "Fiscal Responsibility Act of 1970" which would prevent budget-busting by the Congress as well as by a President.

For years Presidents and Congresses have sought to blame each other for big spending and budget deficits. No matter who wins this political argument, the American taxpayer loses.

This bill would apply a \$205,600,000,000 limitation on federal spending for fiscal year 1971 in a way that would permit Congress to control the results of its own actions on individual appropriation bills from the point of view of the total Federal budget. In order to accomplish this it would provide a means of modifying actions on individual appropriation bills if these actions collectively would exceed the limitation proposed in this bill.

Specifically:

(1) It would provide that Congressional increases over the budget on individual appropriation bills that would have the effect of increasing total expenditures above the bill's ceiling would then be subject to automatic reduction according to a formula and by an amount necessary for the budget to remain within the ceiling.

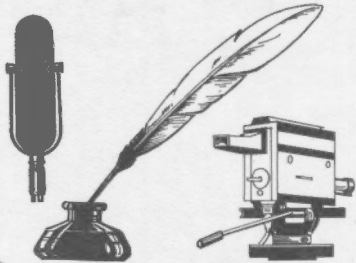
(2) It would make possible the application of this formula in those mandatory spending programs when appropriate and necessary to comply with the limitation and exempt the government from liability for any differences between the amount appropriated and the amount made available.

(3) It would ~~only~~ exempt from the ceiling those increases or decreases that result from the so-called uncontrollables -- social security trust fund payments, veterans' pension funds, etc. (as shown on p. 44 of the Budget -- House Document No. 240).

(4) It would repeal the previous expenditure limitation and substitute this one for it.

We will press for prompt consideration of this "Fiscal Responsibility Act of 1970" so that every Member of this Congress will have an opportunity to vote the same way he talks on the subject of big spending.

# # #



CONGRESSMAN  
**GERALD R. FORD**  
HOUSE REPUBLICAN LEADER

**NEWS  
RELEASE**

FOR RELEASE ON RECEIPT--

Statement by Rep. Gerald R. Ford

August 13, 1970

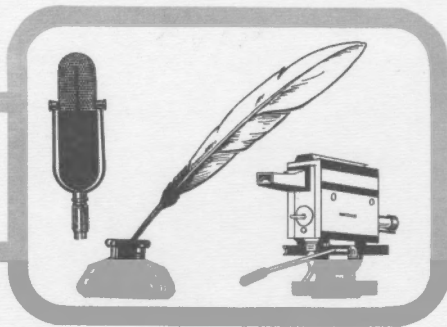
I voted to save the taxpayers nearly a billion dollars. That is the significance of my vote to sustain the presidential vetoes of the Office of Education and Housing and Urban Development-Independent Offices appropriations bills. The two vetoed bills provided \$994 million more than requested by the President, although the President's budget provided funding for education and housing at a level generously above that of the previous Administration.

The question was not whether education and housing would be adequately funded. These needs were amply met in the President's budget. The question was whether the Congress would appropriate far in excess of funding which is adequate for the times--appropriate excessive funds at a time which is critical in the fight against inflation.

This is a time when not only American families but the Federal Government should live within a sensible budget. If the Federal Government does not live within its means, how can the President ask the American people to do so? If the Congress does not cooperate with the President in holding to a sensible Federal Budget, how can the Congress expect the American people to act responsibly in the battle against inflation?

The issue in these veto override moves by the Democratic leadership in the Congress was just this: Fiscal responsibility. I am terribly disappointed that the House of Representatives has failed to fully measure up to the challenge.





CONGRESSMAN  
**GERALD R. FORD**  
HOUSE REPUBLICAN LEADER

**NEWS  
RELEASE**

--FOR IMMEDIATE RELEASE--  
August 22, 1970

The cost of living figures for July, released yesterday, indicate that inflation is definitely easing and that the Nixon Administration was right in sticking to its policies of fiscal and monetary restraint.

The Nixon "game plan" is producing a victory over inflation. That is the significance of the July figures--the fact that the rise in the cost of living in July was 0.3 of one per cent on a seasonally adjusted basis, only about half of the rate of increase recorded last winter.

The fact that the increase in cost of living is easing is also reflected in an increase in the average worker's spendable earnings--up 80 cents a week in July for a worker with three dependents. The average purchasing power of the American worker is increasing under the Nixon Administration.

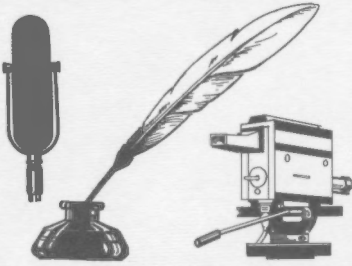
I think every American should be encouraged by the slowdown in inflation. This easing in inflation has become more pronounced in June and July. We now can look forward to a continued improvement in our overall economic situation, both from the standpoint of cost of living and the general strength of the economy.

# # #



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**CONGRESSMAN  
GERALD R. FORD  
HOUSE REPUBLICAN LEADER**

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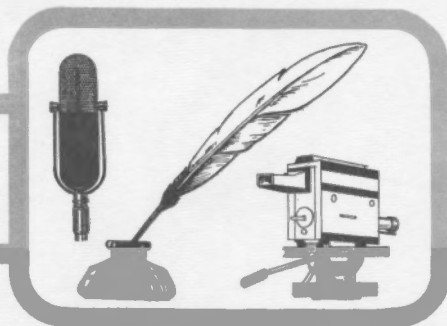
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CONGRESSMAN  
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HOUSE REPUBLICAN LEADER

**NEWS  
RELEASE**

--FOR IMMEDIATE RELEASE--

September 23, 1970

A Statement by Rep. Gerald R. Ford, R-Mich., Republican Leader, U.S. House of Reps.

There is good news today for the workers and housewives of America.

The news is that the increase in the cost of living has slowed to the lowest pace in nearly two years.

This is conclusive evidence that the Nixon Administration policies of fiscal and monetary restraint are working in the fight against inflation. This is solid evidence that all of the scare talk about the need for wage and price controls was exactly that--wild talk which flowed from a desire to reap political advantage.

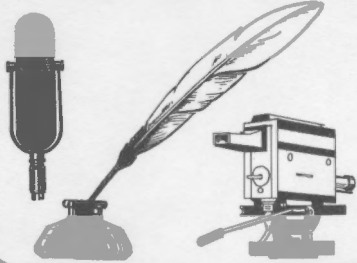
We have now not just turned the corner on inflation. We are on the road to relative price stability.

I have predicted that the Administration's policies will slow inflation down to a 3 per cent rate. I renew that prediction today. As I see it, the annual rate of consumer price advance will fall from the present level of 6 per cent to about 3 1/2 per cent by the end of this year and to 3 per cent by the summer or fall of 1971.

I firmly believe that the Administration's policies of fiscal and monetary restraint are producing a victory over inflation. This has been the Administration's game plan all along. It is a game plan which is going to push the ball over the goal line.

And now that we have started down the road to relative price stability, it is all the more important that Congress refrain from mandatory overspending--refrain from jeopardizing the economic gains we have made in our transition from a wartime to a peacetime economy.

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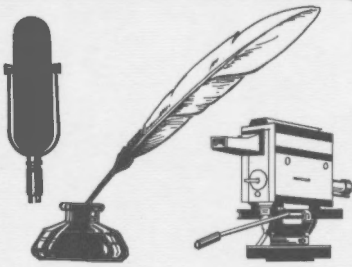
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###





CONGRESSMAN  
**GERALD R. FORD**  
HOUSE REPUBLICAN LEADER

**NEWS  
RELEASE**

--FOR RELEASE AT 12 NOON FRIDAY--  
January 29, 1971

President Nixon's fiscal 1972 budget is a carefully drawn fiscal plan which stands out as perhaps the first Federal budget clearly designed to help promote full employment and peacetime prosperity.

It is also a fair share budget, drafted to provide proper health care for our citizens regardless of economic circumstance, to place an income floor under every family in America, and to strengthen efforts to guarantee the civil rights of all Americans.

I fully support the concept of employing the Federal budget to bring about full prosperity in peacetime, in combination with monetary policy. It is far better to plan a deficit aimed at achieving prosperity with price stability than to stumble into a deficit with a blindfold on. In the one instance, we have our eyes focused on a healthy national objective; in the other, we simply sink into uncomprehending red ink.

It is time for an expansionary budget. We have turned the corner on inflation. We will continue to make progress on this problem. Meantime we cannot afford to keep a halter on the economy. Instead, we must prescribe the medicine of stimulation.

In the human needs sector of the budget, I reaffirm my support for reform of the scandalous welfare system and pledge my support for accelerated efforts to find a cure for cancer and to provide all needy Americans with proper healthy care. In combatting cancer, we must provide all the funds that can be profitably spent.

I shall also support every sound effort to restore and preserve our environment. One of the most serious shortcomings of the last Congress was its failure to establish an Environmental Financing Authority to help communities meet their share of water pollution control costs where necessary.

I am also pleased by the sharp increases in funding to fight street crime and organized crime and to bring about prison reform.

I thoroughly agree with the President that the Federal grant system must be revised. I have long favored block grants in broad problem areas, as the President has proposed under special revenue sharing, and also general sharing of completely untied revenue.

With regard to the Defense Department budget, I feel that deep thoughtless cutting by the Congress would be most ill-advised. Some of our forces are lacking in combat-readiness and must be modernized. We are confronted with the need for technological progress. We cannot afford to take a head-in-the-sand attitude toward our military needs. Our national defense is a matter of high priority.

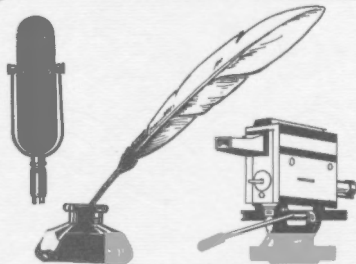
Coincidental with the need to modernize our forces is the need to modernize our military personnel policies. We must reduce our draft calls to zero and make the transition to an all-volunteer force. The funds requested by the Defense Department to this end would be well used.

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*House Galleries Only*

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CONGRESSMAN  
**GERALD R. FORD**  
HOUSE REPUBLICAN LEADER

**NEWS  
RELEASE**

--FOR IMMEDIATE RELEASE--

February 23, 1971

Statement by Rep. Gerald R. Ford

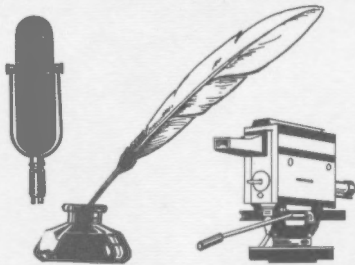
The action taken by the President to dampen inflationary pressures in the construction industry should be welcomed--not only by the American people generally but by construction workers in particular.

Suspension of the Davis-Bacon Act will increase competition in bidding on government projects. It will tend to hold down further rises in construction costs. It will tend to create more work for construction workers. In the final analysis, both the public and the construction workers will benefit.

The President is saying that the government will not have a part in abetting inflation. He is saying that the Nixon Administration will take decisive action as necessary to bring inflation under control.

###





CONGRESSMAN  
**GERALD R. FORD**  
HOUSE REPUBLICAN LEADER

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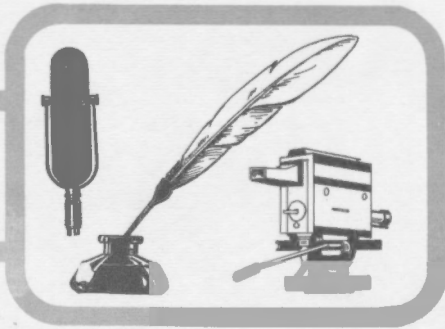
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HOUSE REPUBLICAN LEADER

**NEWS  
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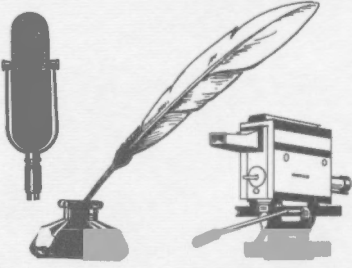
April 20, 1971

FOR RELEASE AT WILL

The board of directors of the National Police Officers Association has appointed Congressman Gerald R. Ford an honorary vice-president of the association. Ford was notified of the honor by Frank J. Schira, association executive director.

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CONGRESSMAN  
**GERALD R. FORD**  
HOUSE REPUBLICAN LEADER

**NEWS  
RELEASE**

April 20, 1971

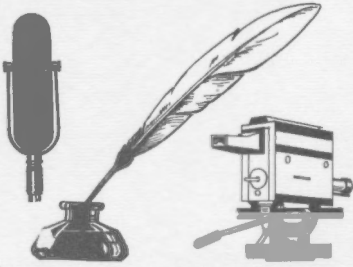
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HOUSE REPUBLICAN LEADER

**NEWS  
RELEASE**

--FOR IMMEDIATE RELEASE--

April 22, 1971

Statement by Rep. Gerald R. Ford

What is most striking and significant about the marked slowdown in the cost of living rise during the first quarter of 1971 is that it comes at a time when the economy has registered the sharpest quarterly growth in our history.

What this means is that we are now apparently enjoying the best of both worlds--a bringing of inflation under control at the same time that the economy moves briskly forward. This stands in sharp contrast to 1970, when the economy was at a virtual standstill while inflation still came on strong. That was a time when we temporarily suffered the worst of both worlds--a condition brought about by our refusal to deal firmly with inflation during the 1965-68 period.

A review of both the inflation and growth sides of the economic ledger gives us real cause for encouragement.

The cost of living during the first quarter of 1971 rose only 2.7 per cent on an annual basis, the smallest quarterly rise in four years.

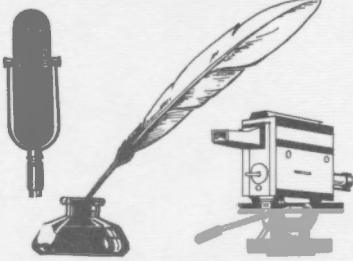
At the same time the gross national product grew by \$28.5 billion, the highest absolute increase in history. Retail sales are up. Automobile sales are setting records. Housing starts are at an annual rate of 1.9 million. Unemployment is levelling off and can be expected to move downward as the economy continues to expand and available jobs increase.

The cost of money is coming down. Interest rates have fallen sharply for the first time in 10 years. Roughly 60 days ago, U.S. Treasury bills sold at rates that marked an eight-year low.

We have genuine reasons for optimism. Overall, the economy is looking healthy.

###





CONGRESSMAN  
**GERALD R. FORD**  
HOUSE REPUBLICAN LEADER

**NEWS  
RELEASE**

--FOR IMMEDIATE RELEASE--  
April 22, 1971

Statement by Rep. Gerald R. Ford

What is most striking and significant about the marked slowdown in the cost of living rise during the first quarter of 1971 is that it comes at a time when the economy has registered the sharpest quarterly growth in our history.

What this means is that we are now apparently enjoying the best of both worlds--a bringing of inflation under control at the same time that the economy moves briskly forward. This stands in sharp contrast to 1970, when the economy was at a virtual standstill while inflation still came on strong. That was a time when we temporarily suffered the worst of both worlds--a condition brought about by our refusal to deal firmly with inflation during the 1965-68 period.

A review of both the inflation and growth sides of the economic ledger gives us real cause for encouragement.

The cost of living during the first quarter of 1971 rose only 2.7 per cent on an annual basis, the smallest quarterly rise in four years.

At the same time the gross national product grew by \$28.5 billion, the highest absolute increase in history. Retail sales are up. Automobile sales are setting records. Housing starts are at an annual rate of 1.9 million. Unemployment is levelling off and can be expected to move downward as the economy continues to expand and available jobs increase.

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CONGRESSMAN  
**GERALD R. FORD**  
HOUSE REPUBLICAN LEADER

**NEWS  
RELEASE**

--FOR RELEASE ON RECEIPT--

May 12, 1971

West German Chancellor Willi Brandt's policy of Ostpolitik (East Politics) will not benefit NATO or the Free World, House Republican Leader Gerald R. Ford declared today.

Ford said he is "disappointed" that Brandt has chosen to lead West Germany on the path of Ostpolitik. Ford said he has not discussed with President Nixon the Socialist West German premier's efforts to negotiate with the Communists. But he said he personally is convinced that Brandt is "giving away something he did not have to give away and is getting nothing in return."

Ford made his remarks in an interview with the legislative committee of the Steuben Society of America, a group which has just concluded a four-day visit to Washington, D.C. Ford will be the principal speaker at the Steuben Society's 52nd Founder's Day Banquet May 22 at the Hotel Americana in New York City.

"It appears," Ford told the Steuben Society committee, "that the West German chancellor is preempting the prerogatives of the Western powers in seeking to negotiate a final East-West settlement and a German peace treaty."

On another subject, Ford expressed the view that inequities were created by the Immigration Act of 1965. This Act, Ford said, should be reviewed by the Congress.

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U. S. HOUSE OF REPRESENTATIVES

# REPUBLICAN POLICY COMMITTEE

REP. JOHN J. RHODES, (R.-ARIZ.) CHAIRMAN • 1616 LONGWORTH HOUSE OFFICE BUILDING • TELEPHONE 225-6168

92nd Congress  
First Session

July 27, 1971  
Statement Number 7

## HOUSE REPUBLICAN POLICY COMMITTEE STATEMENT ON H.R. 8432, AS AMENDED, THE EMERGENCY LOAN GUARANTEE ACT

The House Republican Policy Committee supports the passage of H.R. 8432, as amended, the Emergency Loan Guarantee Act.

A severe economic and employment crisis has developed in the aerospace and defense industries, brought about by the substantial reduction of military requirements in Southeast Asia, the decrease of expenditures for space exploration, and the necessary application of strict fiscal and monetary policies to restrain the devastating inflationary forces unleashed during the 1960's. This combination of circumstances has contributed, to a large degree, to the present financial difficulties of the Lockheed Aircraft Corporation, the Nation's largest defense and aerospace contractor.

If the Lockheed Corporation is to avoid bankruptcy, financial assistance is immediately required, assistance which, without guarantees, is unavailable from private sources. Failure of this major U.S. enterprise would result in the loss of tens of thousands of jobs throughout the country, financial hardship for 35,000 subcontractors and suppliers (of which 27,000 are small businesses), increased procurement costs to the Department of Defense, a loss of tax revenue to the federal government and a substantial adverse effect upon our already critical international trade balance. The failure of other major enterprises, which might be similarly plagued by a temporary shortage of working capital, could have equal or greater

(over)



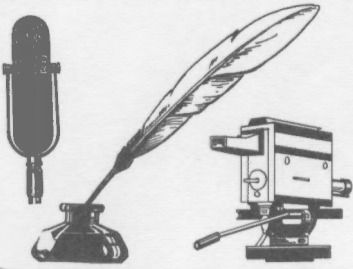
adverse effect on our economy. In every instance, the avoidance of such losses and the protection of the interests of jobholders, taxpayers, creditors and investors are of critical importance.

To establish systematic procedures for dealing with certain financial crises of major domestic enterprises, H.R. 8432, as amended, has been favorably reported by the Committee on Banking and Currency. The bill is in accordance with recommendations of the Administration and the Board of Governors of the Federal Reserve System.

H.R. 8432, as amended, establishes an Emergency Loan Guarantee Board with authority until December 31, 1973, to guarantee loans to major business enterprises facing temporary adversity, when it is determined that failure would seriously and adversely affect the economy or employment of the Nation or any region thereof. A guarantee would be made only if the Board found credit on reasonable terms were otherwise unavailable and a reasonable expectation for timely repayment of the loan existed. Dividend payments and asset transfers by the borrower would be restricted, and every effort would be made to collateralize fully the amount of the loan guarantee; the government's loan guarantee would have a prior claim to the lender's interest in any collateral securing the guaranteed loan and any earlier outstanding loan of the lender. Guarantee authority is limited to \$2 billion outstanding at any one time; it is further limited to \$250 million for any individual borrower.

H.R. 8432, as amended, provides limited loan guarantee authority to assist any major enterprise whose failure in terms of lost jobs, financial hardships and undermined confidence in the economy would be very great. It expands in a meaningful way the long-standing effort of the federal government to provide necessary credit assistance in those areas clearly in the public interest.

The House Republican Policy Committee urges the prompt passage of H.R. 8432, as amended.



CONGRESSMAN  
**GERALD R. FORD**  
HOUSE REPUBLICAN LEADER

**NEWS  
RELEASE**

--FOR RELEASE AT 12 NOON--

August 6, 1971

Remarks by Rep. Gerald R. Ford, Minority Leader, U.S. House of Representatives, on the Floor of the House Friday, August 6, 1971.

Mr. Speaker: Those Americans who have been engaging in an exercise known as "knocking the economy" have been doing their country a terrible disservice. Not only does such criticism tend to undermine the steady recovery we are experiencing but it simply does not square with the facts.

The truth is that the U.S. economy is steadily moving toward full recovery. As proof of that we have a host of second-quarter earnings reports showing solid gains in various industries and we have the recent upsurge of sales in the auto industry, the bellwether of the economy.

The automobile companies reported record retail sales of 260,990 cars during the July 11-20 selling period. This sales increase was led by General Motors, which reported a record 10-day volume of 165,663 cars.

The sales pace from June 21 through July 20 represented a seasonally adjusted annual rate of 8.5 million domestic units--or roughly a 10 million rate when imported cars are included.

The July automobile sales figures confirm earlier reports of strong retail sales activity.

Total retail sales from January to June rose at a rate of 15 per cent per year, and sales for nondurables increased at a 12 per cent per year rate during this period. These outlays should continue to rise as real incomes enlarge and the rate of personal saving moves down to more normal levels.

The pace of residential building is also encouraging. Seasonally adjusted housing starts ran at an annual rate of 1,881,000 units during the first six months of 1971. This was an increase of 48 per cent over the rate for the comparable period in 1970.

The expanding rate of spending in these key categories contributed to an increase of \$52 billion in the nation's gross national product during the first half of 1971.

During that same time, the rate of inflation, seasonally adjusted, averaged 4 per cent per year, well below the 6.2 per cent figure for the first half of 1969 when the present Administration assumed office.

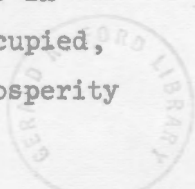
There is also evidence that unemployment has begun to move down from the peak level reached last winter.

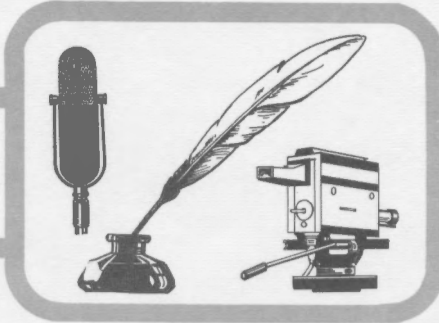
The facts are that we are taking an overheated economy back to a sustainable growth path during a period of painful transition from wartime to peacetime.

The strong growth of consumer spending is a major factor in making this transition a success.

A closing note: If all the Americans who were in military uniform or in defense jobs when the present Administration took office were still thus occupied, our unemployment rate would be 4.2 per cent. The Republican Party wants prosperity and jobs without war.

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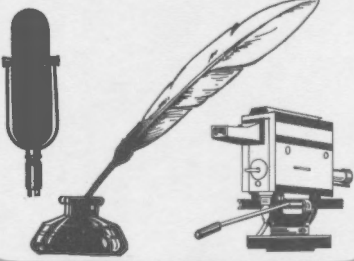
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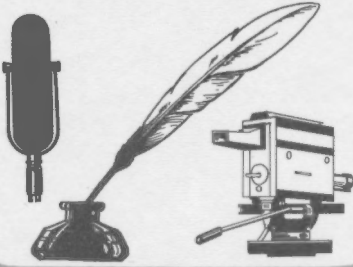
August 16, 1971

The President's prescription for the economy is strong medicine but the right action for these times. It is a coordinated, constructive combination that will promote consumer confidence, increase employment, stop inflation and make American products more competitive in both domestic and world markets.

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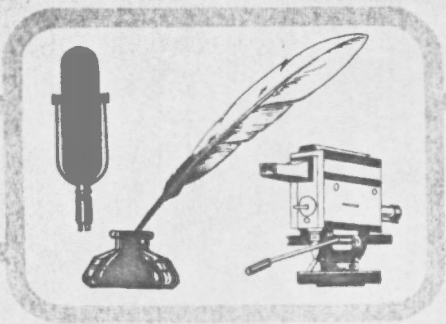
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HOUSE REPUBLICAN LEADER

**NEWS  
RELEASE**

--FOR IMMEDIATE RELEASE--

September 9, 1971

STATEMENT OF REP. GERALD R. FORD (R-MICH.), HOUSE MINORITY LEADER

I was impressed by the President's nonpartisan appeal to all Americans to work together for real prosperity without war and without inflation, and by the strong bipartisan response from the Congress.

President Nixon reassured the nation that all the elements contributing to our economic strength, including business, labor and agriculture, will be consulted in planning the system of wage and price stabilization that will follow the temporary 90-day freeze.

There is no longer any reason for anyone to fear that the sacrifices he is making will become permanent inequities. I am confident that most Members of the Congress, Democrats and Republicans, as well as the overwhelming majority of Americans will cooperate fully with the President in meeting the challenges of peace to our economy.

Internationally, President Nixon plainly put all nations on notice that the United States intends to compete vigorously but fairly and to retain its place as the number one economic power in the world. In this he surely speaks the united determination of the country.

# # #





CONGRESSMAN  
**GERALD R. FORD**  
HOUSE REPUBLICAN LEADER

**NEWS  
RELEASE**

--FOR IMMEDIATE RELEASE--  
October 8, 1971

Statement by Rep. Gerald R. Ford

President Nixon has outlined the proper course for this Nation to follow in the months ahead if its citizens are to enjoy price stability once again and the dollar is to recover its strength.

Phase II of the President's price and wage control program will demand the highest degree of good citizenship on the part of all Americans. If they respond, as I feel sure they will, the President's program to achieve price stability and promote prosperity in peacetime will succeed.

Phase II of the President's program will encourage the consumer. Prices will be controlled.

It will encourage workers. There will be equity and equality of sacrifices.

It will require sacrifice among businessmen, employes and investors.

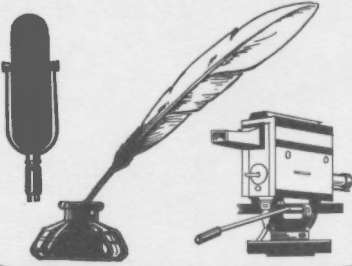
The ultimate result will be an expanded and stable economy, with more jobs and less inflation.

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--FOR IMMEDIATE RELEASE--

November 9, 1971

Comment on Pay Board Decision

The Pay Board had no other responsible choice if we are to curb inflation and bring rises in the cost of living down to the 2 to 3 per cent level by the end of next year. The decision seems to me to be reasonable and wise.

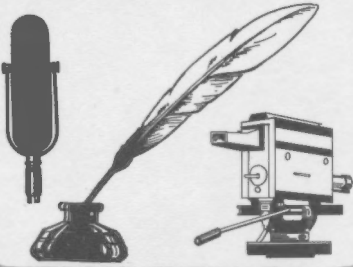
It is now vital that members of Congress determined to lick inflation knock out of the Economic Stabilization Act of 1971 the committee-approved provision which would completely undermine the Pay Board decision and destroy the President's New Economic Policy.

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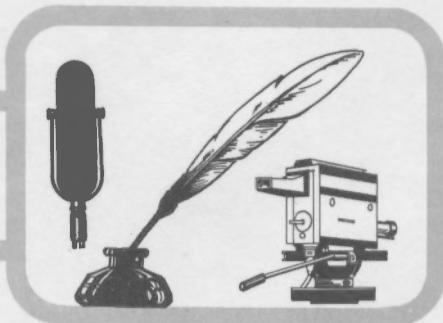
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**NEWS  
RELEASE**

--FOR RELEASE AT 12 NOON--

November 29, 1971

Remarks by Rep. Gerald R. Ford on the Floor of the U.S. House of Representatives  
Nov. 29, 1971.

MR. SPEAKER: On November 19, the Washington Post acknowledged that the U. S. economy is faring better. And indeed it was right! Revised statistics show that the real gross national product grew at an annual rate of 3.9 per cent during the third quarter of 1971, rather than the 2.9 per cent shown in earlier projections. Simultaneously, inflation, as measured by the GNP deflator, rose at an annual rate of 3.0 per cent during the third quarter, as compared to 4.0 per cent in the second quarter and 5.3 per cent in the first. The rise in the Consumer Price Index during the month of October was .1 per cent, after seasonal adjustment. This was the smallest monthly rise in the CPI since April, 1967.

It is obvious that President Nixon's New Economic Policy is working. Phase I -- the freeze -- was a great success. It clamped down hard on the inflationary spiral which we inherited from the fiscal irresponsibility of the previous Administration. It united the American people in a massive attack on the monster which has been eating away at the purchasing power of the American worker. In constructing Phase II the Administration has sought to incorporate a high degree of equity into the framework of its policies. Requests for exception to or exemption from the guidelines of the Pay Board and the Price Commission will be examined carefully on an individual basis.

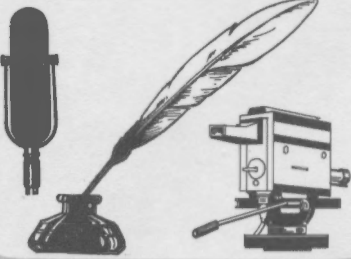
Because of these positive, innovative Administration policies, 1972 will fulfill President Nixon's prediction that it will be a great year economically. The prestigious Organization for Economic Cooperation and Development Secretariat has predicted that the U. S. economy will grow at a real rate of over 6.0 per cent during the first six months of 1972. Economic expansion at this rate will constitute a strong recovery from the economic slowdown which we experienced during most of 1970 and will return us to a path of steady economic growth in a climate of price stability.

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