SPEECH BEFORE 74TH ANNUAL CONVENTION OF U.S. SAVINGS & LOAN

"Please do not write here"

Oftentimes introductions more memorable than speech that follows.

MONDAY, NOV. 21, 1966 - 11AM

THANK YOU FOR THAT KIND INTRODUCTION. IT IS A GREAT PLEASURE TO ATTEND THE 74TH ANNUAL CONVENTION OF THE UNITED STATES SAVINGS AND LOAN LEAGUE. AS YOU KNOW, I APPEAR HERE AS MINORITY LEADER OF THE HOUSE OF REPRESENTATIVES. LET ME SAY I AM DELIGHTED THAT AS A RESULT OF recent ~~LAST WEEK'S~~ ELECTIONS I AM NOW MORE OF A "LEADER" AND LESS OF A "MINORITY."

In a few weeks ~~NEXT YEAR~~, WHEN House ~~WE~~ REPUBLICANS CAUCUS, WE CAN FORGET ABOUT MEETING IN A PHONE BOOTH. With the help of 56 million voters WE CAN now RESERVE A ROOM INSTEAD.

YOU MAY KNOW THAT SENATOR DIRKSEN HAD BEEN ORIGINALLY SCHEDULED TO MAKE THIS APPEARANCE on behalf of the Republicans, BUT IS UNDERGOING FURTHER WORK ON HIS BROKEN HIP. I CAN ASSURE YOU THAT NOTHING MAKES ME PROUDER THAN BEING ABLE TO STAND IN FOR

THAT GREAT AMERICAN AND THAT GREAT LEADER OF OUR PARTY IN THE SENATE who with limited troops has carried on so effectively.

I AM PROUD TO BE HERE. BUT I MUST ADMIT IT MAKES ME A BIT NERVOUS TO BE IN THE PRESENCE OF MEN AND WOMEN WHO CONTROL $130 BILLION IN ASSETS. DO YOU REALIZE THAT EVEN A DEMOCRATIC ADMINISTRATION HAS A HARD TIME SPENDING THAT

44%

MUCH IN A YEAR? OF COURSE, THEY TRY. and will probably try again but ~~OH, HOW THEY TRY!~~ in the next two years we intend to erect a few roadblocks.

WHEN IT COMES TO HOUSING AND BANKING LEGISLATION, A REPUBLICAN'S ROLE IS NOT TOO DIFFICULT. WE RELY HEAVILY ON THE JUDGMENT OF THE RANKING REPUBLICAN MEMBER OF THE HOUSE BANKING COMMITTEE, CONGRESSMAN WILLIAM WIDNALL OF NEW JERSEY, AND THE OTHER able REPUBLICAN MEMBERS OF THAT COMMITTEE. BILL WIDNALL HAS ATTENDED MANY OF YOUR MEETINGS. HE IS RECOGNIZED AND RESPECTED ON BOTH SIDES OF THE AISLE

AS A TRUE EXPERT ON HOUSING AND FINANCIAL LEGISLATION. BILL IS A REAL FIGHTER, BUT THERE HAVE BEEN MANY OCCASIONS WHEN HE HAS WORKED WITH THE ADMINISTRATION AND THE OTHER SIDE TO DEVELOP LEGISLATION WHICH THE ENTIRE CONGRESS CAN SUPPORT. A CASE IN POINT IS THE RECENT INCREASE IN THE CEILING ON THE INSURANCE OF SAVINGS ACCOUNTS AND DEPOSITS. WHEN BILL WIDNALL ANNOUNCED THAT HE HAD STUDIED THE MATTER AND WAS IN FAVOR OF THE INCREASE, OTHER REPUBLICAN HOUSE MEMBERS SAID, "THAT'S GOOD ENOUGH FOR ME."

WE NEVER LOSE OUR PRIDE IN OUR HOME STATE. MY GOOD FRIEND OF THE MICHIGAN LEAGUE, DON WALL, TELLS ME THAT MICHIGAN'S 71 SAVINGS AND LOAN ASSOCIATIONS HAVE TOTAL ASSETS OF $3.4 BILLION. THAT IS A 400 PERCENT INCREASE IN JUST THE PAST DECADE. SUCH SPECTACULAR GROWTH IS A REAL TRIBUTE TO THE SERVICES THAT SAVINGS AND LOAN ASSOCIATIONS

ARE OFFERING TO THE PUBLIC, AND IT IS FIRM EVIDENCE THAT THE PEOPLE IN MICHIGAN BELIEVE IN YOUR INSTITUTIONS. BUT THE FIGURE I AM PROUDEST OF--AND THIS, TOO, IS A GREAT REFLECTION ON THE MICHIGAN ASSOCIATIONS--IS THAT IN THE 1960 CENSUS MICHIGAN LED THE NATION IN HOME OWNERSHIP WITH 74 PERCENT OF OUR CITIZENS LIVING IN THEIR OWN HOMES.

Despite this high percentage of home ownership I am deeply concerned, as you are, about the serious drop in new housing starts, particularly the latest monthly figures — new starts under 900,000

2

I AM DELIGHTED THAT ONE OF OUR OUTSTANDING DETROIT CITIZENS, HANS GEHRKE (HAWNS GER-KEY), HAS JUST BEEN INSTALLED AS VICE PRESIDENT OF THIS GREAT NATIONAL ORGANIZATION. I KNOW HE WILL PROVIDE YOU WITH GREAT LEADERSHIP, JUST AS YOU RECEIVED FROM ANOTHER FINE DETROIT LEADER WHO WAS YOUR PRESIDENT IN 1951--WALTER RAY.

YOUR OFFICE IN WASHINGTON ALSO DOES A GREAT JOB FOR YOU. AND WITH THAT, I WILL QUIT TOSSING OUT BOUQUETS.

I MAY TOSS SOME BRICKBATS TODAY, DESPITE THE FACT THE CAMPAIGN IS OVER. BUT IF I DO, IT WILL BE IN THE NATIONAL INTEREST AND IN THE INTEREST OF ALL OF AMERICA'S HOMEOWNERS AND TAXPAYERS. Property Ins, You have had on your program Administration spokesman - I will present a different viewpoint. BUT, as you know COMPETITION is good.

YOU PEOPLE ARE IN THE BUSINESS OF LENDING MONEY, AND THOSE LOANS ARE USED TO BUILD HOMES. THEREFORE THE TOPIC OF GREATEST INTEREST TO YOU IS TIGHT MONEY. WHERE IS MONEY TIGHTEST? IN THE HOME MORTGAGE FIELD, BECAUSE IT HAS BEEN SIPHONED OFF FOR A MULTITUDE OF OTHER USES.

UNFORTUNATELY, AND TRAGICALLY, ONE OF THE FORCES WHICH PRODUCED THE TIGHT MONEY SITUATION IS THE FEDERAL GOVERNMENT.

YOU AND I KNOW THAT THE GOVERNMENT COMPETES WITH YOU AND OTHERS FOR PRIVATE MONEY - the savings of our people.

ALL THE MONEY THE GOVERNMENT USES COMES FROM PRIVATE SOURCES, WHETHER IT IS TAX REVENUE OR BORROWED MONEY.

THE QUESTION OF HOW THAT MONEY IS TO BE OBTAINED INVOLVES DEEP POLICY CONSIDERATIONS, AND THE METHODS USED HAVE GREAT AND VARYING IMPACT ON THE NATION'S ECONOMY.

CURRENTLY WE ARE LOOKING AHEAD TO THE 90TH CONGRESS. AND WE HOPE TO CORRECT SOME OF THE MISTAKES OF THE 89TH AND TO AVOID ANY FRESH ERRORS IN THE UPCOMING TWO YEARS.

SOMETIMES WE SEE MORE CLEARLY INTO THE FUTURE IF WE FIRST LOOK BACK AND SEE WHERE WE HAVE BEEN--ANALYZE WHAT WE HAVE DONE.

THE AMERICAN PEOPLE HEARD MUCH TALK IN THE LAST ELECTION CAMPAIGN ABOUT THE RUBBER STAMP 89TH CONGRESS. NOW HOW DID SUCH A TERM ORIGINATE?

[PAUSE]

LET'S REVIEW FOR A MINUTE THE PASSAGE OF WHAT'S KNOWN AS THE PARTICIPATION SALES ACT OF 1966. THIS new + very contraversial MEASURE TRAVERSED THE DISTANCE FROM PRESIDENTIAL RECOMMENDATION TO LAW IN JUST 34 DAYS.

IN JUST THE BRIEF PERIOD FROM APRIL 20 TO MAY 23 THIS HIGHLY IMPORTANT PIECE OF LEGISLATION CLEARED BOTH HOUSES OF CONGRESS DESPITE THE FACT THAT THIS LEGISLATION CARRIED WITH IT GRAVE CONSEQUENCES FOR THE ECONOMY AND FOR SUCH BUSINESSES AS YOUR OWN.

DEMOCRATS ON THE HOUSE BANKING AND CURRENCY COMMITTEE ALLOTED THIS MAJOR LEGISLATION ONLY THREE HOURS OF HEARINGS AND CONDUCTED THOSE HEARINGS IMMEDIATELY AFTER RECEIVING THE ADMINISTRATION BILL. REPUBLICAN MEMBERS OF THE COMMITTEE PROTESTED BUT WERE OVERRIDDEN. NO OPPOSITION WITNESSES WERE PERMITTED TO TESTIFY.

THIS, OF COURSE, IS A TRAVESTY ON THE LEGISLATIVE PROCESS. BUT MORE SERIOUS THAN THAT ARE THE EVIL CONSEQUENCES OF PARTICIPATION SALES AT A PARTICULAR JUNCTURE IN OUR NATION'S ECONOMIC AFFAIRS AND THE FURTHER POTENTIAL FOR EVIL IN KEEPING THIS LAW ON THE BOOKS.

I DEMANDED REPEAL OF THE PARTICIPATION SALES ACT DURING THE LAST SESSION OF CONGRESS, AND I DO SO AGAIN-- HERE AND NOW.

WHY DO I & many others SAY THIS? I RENEW MY CALL FOR REPEAL BECAUSE IN JUST THE FEW MONTHS THAT HAVE ELAPSED SINCE PASSAGE OF THE PARTICIPATION SALES ACT, EXPERIENCE HAS SHOWN THIS TO BE A DANGEROUS DEVICE WHICH TENDS TO INJURE THENATION'S ECONOMIC HEALTH. IT ALSO IS A MEANS OF GOVERNMENT FINANCING WHICH IS extremely COSTLY TO THE TAXPAYER.

THE PARTICIPATION SALES ACT OF 1966 AUTHORIZED SIX FEDERAL CREDIT AGENCIES TO SELL PRIVATE INVESTORS A MULTI-BILLION-DOLLAR TOTAL OF PARTICIPATION CERTIFICATES--A "BENEFICIAL INTEREST" IN AN EARMARKED POOL OF FEDERAL AGENCY ASSETS SUCH AS A GROUPING OF MORTGAGES OR LOANS.

THE INVESTORS DON'T BUY THE ASSETS. THEY MAKE THEIR MONEY AVAILABLE TO THE GOVERNMENT IN EXCHANGE FOR A FULL-FAITH-AND-CREDIT PROMISE THAT THE FEDERAL GOVERNMENT WILL REPAY THEM THEIR PRINCIPAL PLUS A LIBERAL RETURN ON THEIR MONEY. WHAT MAKES PARTICIPATION CERTIFICATES ATTRACTIVE TO INVESTORS IS THAT THE INTEREST RATE IS CONSIDERABLY HIGHER THAN THAT ON GOVERNMENT BONDS. YET THERE IS NO RISK, SINCE THE TREASURY STANDS BEHIND THIS PAPER.

THE ADMINISTRATION WAS ENTHRALLED WITH THE PARTICIPATION

CERTIFICATES PLAN BECAUSE THIS KIND OF GOVERNMENT FINANCING IS NOT REFLECTED IN THE ADMINISTRATIVE BUDGET. THIS HAPPENS BECAUSE FUNDS RAISED BY THE AGENCIES IN CAPITAL MARKETS ARE COUNTED AS AN OFFSET AGAINST FUNDS DRAWN OUT OF THE TREASURY BY THESE AGENCIES.

ANOTHER WAY TO PUT IT IS THAT PRESIDENT JOHNSON WOULD HAVE HAD TO CONFESS TO A PROJECTED FISCAL 1967 BUDGET DEFICIT OF $6 BILLION LAST JANUARY IF HE HAD NOT COME UP WITH HIS SCHEME TO SELL $4.2 BILLION WORTH OF PARTICIPATION CERTIFICATES.

IN RETROSPECT, THE PARTICIPATION CERTIFICATES TECHNIQUE OF RAISING FEDERAL MONEY HAS BEEN FOUND TO HURT THE ECONOMY AT A TIME WHEN THERE IS EXCEPTIONALLY HEAVY BORROWING BY OTHERS.

THERE SEEMS LITTLE QUESTION THAT PARTICIPATION SALES CONTRIBUTED TO THE TIGHTNESS OF MONEY THIS YEAR AND HELPED FORCE UP INTEREST RATES.

THE PRESIDENT IN EFFECT ADMITTED THIS WHEN, ON SEPT. 8, HE CALLED OFF PARTICIPATION SALES FOR THE REST OF THIS CALENDAR YEAR AND UNTIL MARKET CONDITIONS IMPROVE MATERIALLY.

BUT IT IS CLEAR unfortunately THAT ADMINISTRATION OFFICIALS PLAN TO RESUME PARTICIPATION SALES AS SOON AS THEY BELIEVE IT FEASIBLE TO DO SO.

THEREFORE THE QUESTION OF WHETHER PARTICIPATION CERTIFICATES ARE A SOUND WAY TO FINANCE ACTIVITIES OF THE FEDERAL CREDIT AGENCIES IS STILL VERY MUCH ALIVE. I CONTEND THE EVIDENCE REQUIRES THAT THE PARTICIPATION SALES ACT OF 1966 BE REPEALED IN THE BEST INTERESTS OF THE NATION.

YOU WILL AGREE THAT FEDERAL CREDIT DEVICES SHOULD BE USED TO SUPPLEMENT PRIVATE LENDING, NOT SUBSTITUTE FOR IT. FEDERAL CREDIT SHOULD BE EMPLOYED TO STIMULATE AND ENCOURAGE PRIVATE LENDING ACTIVITY, NOT COMPETE WITH IT.

WHAT HAS HAPPENED AS A RESULT OF THE ~~JOHNSON~~ ADMINISTRATION'S USE OF PARTICIPATION CERTIFICATES?

IT SEEMS UNDEBATABLE THAT SOME SAVINGS WHICH NORMALLY WOULD HAVE FLOWED INTO SAVINGS AND LOAN ASSOCIATIONS AND MUTUAL SAVINGS BANKS WERE DIVERTED INTO PC'S. IN FACT, FINANCIAL INSTITUTIONS THEMSELVES FOUND THE INTEREST RATES ON PC'S SO ATTRACTIVE THAT THEY BOUGHT PC'S WITH FUNDS THAT OTHERWISE MIGHT HAVE BEEN USED TO FINANCE NEW HOUSING.

WE NOT ONLY HAVE THE GOVERNMENT DISRUPTING NORMAL SAVING AND LENDING ACTIVITIES WITH THIS NEW KIND OF CREDIT

ANIMAL, THE PC; WE NOW HAVE THE GOVERNMENT ABOUT TO OFFER A 5 PERCENT INTEREST RETURN ON U.S. SAVINGS CERTIFICATES. AGAIN, OF COURSE, SAVINGS AND LOAN ASSOCIATIONS AND MUTUAL SAVINGS BANKS WILL BE PLACED AT A COMPETITIVE DISADVANTAGE.

THE SALE OF TREASURY SAVINGS CERTIFICATES THROUGH PAYROLL SAVINGS PLANS AT INTEREST RATES GENERALLY COMPETITIVE WITH THOSE OFFERED BY SAVINGS INSTITUTIONS IS AN ALARMING DEVELOPMENT.

TWO NEW FACTORS STAND OUT: ONE, THESE SAVINGS CERTIFICATES WILL HAVE SPECIAL APPEAL FOR THE MIDDLE-INCOME WAGE EARNER--THE BACKBONE OF THE SAVINGS AND LOAN INDUSTRY; SECOND, UNLESS THE TENTATIVE GROUND RULES ARE CHANGED, THESE CERTIFICATES WILL COMPETE FOR FUNDS IN THE SHORT-TERM MARKET, AN ENTIRELY NEW FORM OF GOVERNMENT COMPETITION WITH THE PRIVATE SAVINGS INDUSTRY.

THIS DEVELOPMENT POINTS UP THE NEED FOR A FRESH LOOK AT THE 4-1/4 PERCENT CEILING ON LONGTERM GOVERNMENT MATURITIES, WHICH HAS FORCED SO MUCH OF OUR TREASURY REFINANCING INTO THE SHORT-TERM MARKET. IF, AS SOME ECONOMISTS WARN, THE PERIOD OF HIGH INTEREST RATES CONTINUES FOR A LONGER PERIOD THAN AT FIRST ANTICIPATED, THE NEED FOR MOVING A PORTION OF TREASURY REFINANCING INTO THE LONGER-TERM MARKET BECOMES THAT MUCH MORE ACUTE.

THE TREASURY DEPARTMENT NO DOUBT WILL EMPLOY FREE "PUBLIC SERVICE" RADIO, TV AND NEWSPAPER ADVERTISING IN PROMOTING ITS NEW SAVINGS CERTIFICATES. UNDER THE IMPACT OF SUCH A TREMENDOUS ADVERTISING CAMPAIGN, SAVERS--THOSE ELIGIBLE TO BUY THE SAVINGS CERTIFICATES--COULD SHIFT THEIR ENTIRE EMPHASIS FROM SAVINGS AND LOANS TO GOVERNMENT SAVINGS CERTIFICATES.

SPEAKING FOR HOUSE REPUBLICANS, I CAN ASSURE YOU THAT EVERY EFFORT WILL BE MADE TO GUARD AGAINST ANY SEVERE DISLOCATIONS IN PERSONAL SAVINGS FLOW. AT THIS CRITICAL TIME IN OUR NATION'S ECONOMIC AFFAIRS, WE CANNOT AFFORD TO DO ANYTHING LESS.

THE UNFORTUNATE DEVELOPMENTS I HAVE DESCRIBED--HEAVY EXPERIMENTATION WITH PARTICIPATION CERTIFICATES, AND THE UPCOMING SALE OF 5 PERCENT SAVINGS CERTIFICATES--CONSTITUTE EVENTS OF GRAVE CONSEQUENCE FOR THE SAVINGS INDUSTRY. THEY ADD UP TO GOVERNMENT INTERFERENCE AND COMPETITION WITH THE FREE FLOW OF COMMERCE AND FINANCE, AND EXPERIMENTS IN DEBT MANAGEMENT WHICH ARE DANGEROUS FOR THE FUTURE OF THE NATION.

IN ADDITION, THE PC SCHEME IS A BLOW TO THE TAXPAYER. IF THE FEDERAL CREDIT AGENCIES KEEP SELLING PC'S UNTIL

ABOUT $10 BILLION WORTH ARE OUTSTANDING, THIS WOULD COST THE TAXPAYERS ABOUT $250 MILLION MORE IN INTEREST OUTLAYS IN 10 YEARS. THIS WOULD BE ADDED TO THE STEADILY RISING INTEREST CHARGES--NOW IN EXCESS OF $13 BILLION A YEAR--ON THE CURRENT FEDERAL DEBT.

I'VE MENTIONED THAT PC'S DISTORT THE FEDERAL GOVERNMENT'S ADMINISTRATIVE BUDGET. THE DANGER IN THIS IS NOT ONLY THAT THE PEOPLE ARE DECEIVED; WE ALSO COULD HAVE A SITUATION IN WHICH THE CONGRESS ITSELF WOULD BE MISLED--MISLED INTO VIEWING THE FEDERAL BUDGET AS BALANCED IN TIMES WHEN BILLIONS OF DOLLARS WORTH OF PC'S ARE OUTSTANDING, WITH THE FULL FAITH AND CREDIT OF THE FEDERAL GOVERNMENT BEHIND THEM.

THERE IS DANGER, TOO, THAT FEDERAL CREDIT AGENCIES MAY FIND IT EASY TO EXPAND THEIR LENDING PROGRAMS REGARDLESS

OF MERIT. THAT IS HARDLY GOOD BUSINESS.

THE LAST FEDERAL NATIONAL MORTGAGE ASSOCIATION SALE OF PC'S TOOK PLACE IN JUNE. THE AMOUNT: $530 MILLION.

I strongly URGE THAT THE ~~JOHNSON~~ ADMINISTRATION ABANDON ITS LARGESCALE EXPERIMENT WITH PC'S AND RELY ON SALE OF REGULAR TREASURY ISSUES, WITH AN INCREASE IN THE 4-1/4 PERCENT INTEREST RATE ON LONGTERM MATURITIES TO EASE THE SHIFT IN POLICY.

IT'S TIME IT OCCURRED TO THE ~~JOHNSON~~ ADMINISTRATION, TOO, THAT HOLDING DOWN non-essential, non military FEDERAL SPENDING IS A BIG HELP IN HANDLING FEDERAL CREDIT.

I ASSURE YOU THAT THE ~~JOHNSON~~ ADMINISTRATION WILL GET ALL POSSIBLE GUIDANCE FROM REPUBLICANS IN THE 90TH CONGRESS--

We did our best in the last Congress but with more Troops we will win some victories next year.

187 STRONG--IN BEATING A PATH TO FISCAL SANITY. THIS IS A GIANT STRIDE ALONG THE PATH OF PROGRESS.

NO NATION HAS EVER SOLVED ITS ECONOMIC ILLS THROUGH CHRONIC DEFICIT SPENDING--AND THIS NATION HAS SEEN SIX CONSECUTIVE YEARS OF FEDERAL RED INK.

TALK OF AN INCREASE IN PERSONAL AND CORPORATE INCOME TAXES AS A WEAPON AGAINST INFLATION CONTINUES IN THE ~~JOHNSON~~ ADMINISTRATION.

YOU MAY BE SURE THAT REPUBLICANS WILL INSIST ON DEEP FEDERAL SPENDING CUTS AS THE BEST WAY TO AVOID A TAX INCREASE. ACTUALLY, THE ~~JOHNSON~~ ADMINISTRATION SHOULD HAVE PUT THIS NATION ON A WARTIME FINANCIAL FOOTING IN JANUARY, 1966 WITH, FIRST, SHARP REDUCTIONS IN DOMESTIC EXPENDITURES AND, SECOND, A TAX INCREASE IF SPENDING CUTS

FAILED TO DO THE JOB.

NOW THERE IS some DANGER THAT A TAX INCREASE WILL BE TOO GREAT A JOLT TO THE ECONOMY. THERE ARE SIGNS THAT THE ECONOMY IS SLOWING DOWN AND THAT A TAX INCREASE AT THIS POINT IN TIME COULD BE THE WRONG MEDICINE.

THE SAFEST COURSE, AND I BELIEVE THE ADVISABLE COURSE, IS TO MAKE NOW THE DEEP SPENDING CUTS T I mean deep THAT SHOULD HAVE BEEN ORDERED IN EARLY 1966.

A TAX INCREASE IN 1967 COULD BE A TRAGIC MISTAKE.

FROM THE BUSINESS POINT OF VIEW, A TAX INCREASE COULD HAVE ITS GREATEST IMPACT PRECISELY WHEN BUSINESS DOES NOT NEED A DEPRESSANT BUT MAYBE EVEN A PEP PILL. FROM THE POINT OF VIEW OF THE WORKER, IT WOULD TAKE AN ADDITIONAL

SLICE OUT OF THE PAYCHECKS OF WAGE-EARNERS ALREADY HURT BY SHARP PRICE INCREASES.

FROM YOUR POINT OF VIEW, IT WOULD BE A BLOW TO THE SAVINGS INSTITUTIONS BECAUSE IT WOULD REDUCE THE EARNINGS RESIDUE THAT WORKERS MIGHT BE EXPECTED TO DEPOSIT IN SAVINGS ACCOUNTS.

YOU NO DOUBT ARE AWARE THAT SAVINGS AS A PERCENTAGE OF GROSS DISPOSABLE INCOME DROPPED TO 4.8 PERCENT IN THE THIRD QUARTER OF THIS YEAR FROM 5.3 IN THE SECOND QUARTER. IN FACT, ON A PERCENTAGE BASIS, THIS IS THE LOWEST QUARTERLY SHOWING FOR SAVINGS IN THREE YEARS.

IF PERSONAL INCOME TAXES WERE INCREASED, AMERICANS WOULD HAVE LESS DISPOSABLE INCOME. THEY PROBABLY WOULD SAVE LESS. THAT CERTAINLY WOULD NOT HELP THE TIGHT MONEY

SITUATION, PARTICULARLY WHERE THE SAVINGS AND LOANS ARE CONCERNED.

THERE IS LITTLE DOUBT IN MY MIND THAT A TAX INCREASE WOULD FURTHER COMPLICATE LIFE FOR YOU ~~PEOPLE~~ IN THE SAVINGS AND LOAN BUSINESS AND WOULD PUT A FRESH SQUEEZE ON THE HOME BUILDING INDUSTRY BY RESTRICTING THE SAVINGS THAT CREATE MORTGAGE MONEY. THIS CERTAINLY IS NOT HEALTHY AT A TIME WHEN HOUSING STARTS HAVE FALLEN TO A 20-YEAR LOW.

IN APPRAISING THE ADVISABILITY OF AN INCOME TAX INCREASE, WE MUST REMEMBER, TOO, THAT A $1 BILLION INCREASE IN THE SOCIAL SECURITY PAYROLL TAX WILL TAKE EFFECT ON JANUARY 1, 1967. THIS IN ITSELF WILL LIFT A BIG CHUNK OF DISPOSABLE INCOME OUT OF THE HANDS OF THE CONSUMER AND SAVER.

A BETTER COURSE THAN A TAX INCREASE IN 1967 WOULD BE

TO STIMULATE A SPIRIT OF THRIFT IN THE AMERICAN PEOPLE-- TO ENCOURAGE THEM TO SAVE MORE MONEY, PLUNK IT DOWN IN A SAVINGS ACCOUNT. [I CURRENTLY AM CONSIDERING A PROPOSAL TO DO JUST THIS, BUT I HAVE NOT YET DECIDED WHETHER IT IS FEASIBLE.]

In this current crisis

THIS I PROMISE YOU. REPUBLICANS WILL DO EVERYTHING IN THEIR POWER TO CUT UNNECESSARY FEDERAL SPENDING IN A BONA FIDE EFFORT TO PREVENT A TAX INCREASE NEXT YEAR AND TO DAMPEN THE FIRES OF INFLATION.

OF COURSE, REPUBLICANS ARE NOT YET IN THE MAJORITY IN THE HOUSE, AND SO I CANNOT MAKE A FIRM PLEDGE THAT TAXES WILL NOT BE RAISED. WE WILL NEED, SHALL WE SAY, SOME SMALL MEASURE OF COOPERATION FROM THE ~~JOHNSON~~ ADMINISTRATION AND FROM DEMOCRATS IN THE HOUSE.

WE ARE ENTERING UPON A MOST CRUCIAL PERIOD FOR OUR NATION. IT IS A TESTING TIME, A TIME WHICH DEMANDS THAT THE NEW CONGRESS WEIGH MOST CAREFULLY EACH OF THE ECONOMIC DECISIONS REQUIRED ~~OF IT~~ IN 1967.

MEN OF MODERATE PERSUASION WILL HAVE A MAJOR VOICE IN THE NEXT CONGRESS AS A RESULT OF THE 1966 ELECTIONS. I THINK YOU CAN RELY UPON THEM TO ACT WISELY, TO MAKE JUDGMENTS IN THE BEST INTERESTS OF ALL THE PEOPLE.

IN THE NOVEMBER 8 ELECTION THE PEOPLE FLASHED A YELLOW CAUTION LIGHT. THEY SAID, "SLOW DOWN, WE WANT PROGRESS, BUT WE WANT PROGRESS AT A PACE + at a price WE CAN AFFORD."

THE 90TH CONGRESS WILL TAKE A CLOSE LOOK AT THE ~~JOHNSON~~ ADMINISTRATION PROGRAMS RAMMED THROUGH THE LEGISLATIVE FUNNEL IN THE PAST TWO YEARS. WHERE FRESH EXAMINATION

SHOWS A NEW PROGRAM TO BE ILL-ADVISED, ON OUR SIDE OF THE AISLE WE WILL MARSHALL ALL THE VOTES WE CAN ASSEMBLE TO SHUT OFF FUNDS.

THERE WILL BE A FERMENT OF IDEAS IN THE NEW CONGRESS.

THIS FERMENT WILL BE ~~PARTICULARLY~~ PRODUCTIVE & constructive ON THE REPUBLICAN SIDE.

WE WILL REVIEW; WE WILL REAPPRAISE; WE WILL TAKE STOCK. WE WILL EXAMINE WHAT WE HAVE DONE AND DECIDE WHAT IS GOOD AND WHAT IS NOT. WE WILL MOVE AHEAD. WE WILL NOT STAND STILL.

IN THE NEXT CONGRESS REPUBLICANS WILL BE A FORCE TO BE RECKONED WITH. WE WILL DEVELOP OUR OWN POSITIONS ON THE MAJOR ISSUES OF THE DAY--VIETNAM, INFLATION, TIGHT MONEY, AND CRIME.

WITH GREATER STRENGTH COMES GREATER RESPONSIBILITY. THIS IS GOOD FOR THE REPUBLICAN PARTY AND THIS IS GOOD FOR THE NATION.

THE PEOPLE WERE THE REAL WINNERS IN THE 1966 ELECTIONS. THEY GAVE NEW MEANING TO DEMOCRACY. THEY REVIVED THE TWO-PARTY SYSTEM. THEY REESTABLISHED THE CONGRESS AS AN INDEPENDENT BRANCH OF GOVERNMENT.

Winston Churchill once said – "Democracy is the worst form of govt, except it is better than anything else that's ever been tried."

ONCE AGAIN THE AMERICAN PEOPLE HAVE DEMONSTRATED THEIR GREAT GOOD SENSE. AND FOR THAT WE CAN ALL BE GRATEFUL.

They remembered what Ben Franklin once said – He

THANK YOU-----

---END---

FOR RELEASE ON DELIVERY AT 11 A.M., MON., NOV. 21, 1966

ADDRESS BY REP. GERALD R. FORD, R-MICH.
at
74TH ANNUAL CONVENTION OF THE U.S. SAVINGS & LOAN LEAGUE, N.Y.C., N. Y.

Thank you for that kind introduction. It is a great pleasure to attend the 74th Annual Convention of the United States Savings and Loan League. As you know, I appear here as Minority Leader of the House of Representatives. Let me say I am delighted that as a result of last week's elections I am now more of a "leader" and less of a "minority." Next year, when we Republicans caucus, we can forget about meeting in a phone booth. We can reserve a room instead.

You may know that Senator Dirksen had been originally scheduled to make this appearance, but is undergoing further work on his broken hip. I can assure you that nothing makes me prouder than being able to stand in for that great American and that great leader of our Party in the Senate.

I am proud to be here. But I must admit it makes me a bit nervous to be in the presence of men and women who control $130 billion in assets. Do you realize that even a Democratic Administration has a hard time spending that much in a year? Of course, they try. Oh, how they try!

When it comes to housing and banking legislation, a Republican's role is not too difficult. We rely heavily on the judgment of the ranking Republican member of the House Banking Committee, Congressman William Widnall of New Jersey, and the other Republican members of that committee. Bill Widnall has attended many of your meetings. He is recognized and respected on both sides of the aisle as a true expert on housing and financial legislation. Bill is a real fighter, but there have been many occasions when he has worked with the Administration and the other side to develop legislation which the entire Congress can support. A case in point is the recent increase in the ceiling on the insurance of savings accounts and deposits. When Bill Widnall announced that he had studied the matter and was in favor of the increase, other Republican House members said, "That's good enough for me."

We never lose our pride in our home state. My good friend of the Michigan League, Don Wall, tells me that Michigan's 71 savings and loan associations have total assets of $3.4 billion. That is a 400 percent increase in just the past decade. Such spectacular growth is a real tribute to the services that savings and loan associations are offering to the public, and it is firm evidence that the people in Michigan believe in your institutions. But the figure I am proudest of--and this, too, is a great reflection on the Michigan associations--is that in the 1960 census Michigan led the nation in home ownership with 74 percent of our citizens living in their own homes.

I am delighted that one of our outstanding Detroit citizens, Hans Gehrke, has just been installed as Vice President of this great national organization. I know he will provide you with great leadership, just as you received from another fine Detroit leader who was your President in 1951--Walter Ray.

Your office in Washington also does a great job for you. And with that, I will quit tossing out bouquets.

I may toss some brickbats today, despite the fact the campaign is over. But if I do, it will be in the national interest and in the interest of all of America's homeowners and taxpayers.

You people are in the business of lending money, and those loans are used to build homes. Therefore the topic of greatest interest to you is tight money. Where is money tightest? In the home mortgage field, because it has been siphoned off for a multitude of other uses.

Unfortunately, and tragically, one of the forces which produced the tight money situation is the federal government.

You and I know that the government competes with you and others for private money.

All the money the government uses comes from private sources, whether it is tax revenue or borrowed money.

The question of how that money is to be obtained involves deep policy considerations, and the methods used have great and varying impact on the nation's economy.

Currently we are looking ahead to the 90th Congress, and we hope to correct some of the mistakes of the 89th and to avoid any fresh errors in the upcoming two years.

Sometimes we see more clearly into the future if we first look back and see where we have been--analyze what we have done.

The American people heard much talk in the last election campaign about the rubber stamp 89th Congress. Now how did such a term originate?

Let's review for a minute the passage of what's known as the Participation Sales Act of 1966. This measure traversed the distance from Presidential recommendation to law in just 34 days.

In just the brief period from April 20 to May 23 this highly important piece of legislation cleared both Houses of Congress and was signed into law. It was literally whisked through the Congress despite the fact that this legislation carried with it grave consequences for the economy and for such businesses as your own.

Democrats on the House Banking and Currency Committee allotted this major legislation only three hours of hearings and conducted those hearings immediately after receiving the Administration bill. Republican members of the committee protested but were overridden. No opposition witnesses were permitted to testify.

This, of course, is a travesty on the legislative process. But more serious than that are the evil consequences of Participation Sales at a particular juncture in our nation's economic affairs and the further potential for evil in keeping this law on the books.

I demanded repeal of the Participation Sales Act during the last session of Congress, and I do so again--here and now.

Why do I say this? I renew my call for repeal because in just the few months that have elapsed since passage of the Participation Sales Act, experience has shown this to be a dangerous device which tends to injure the nation's economic health. It also is a means of government financing which is costly to the taxpayer.

The Participation Sales Act of 1966 authorized six federal credit agencies to sell private investors a multi-billion-dollar total of participation certificates--a "beneficial interest" in an earmarked pool of federal agency assets such as a grouping of mortgages or loans.

The investors don't buy the assets. They make their money available to the government in exchange for a full-faith-and-credit promise that the federal government will repay them their principal plus a liberal return on their money. What makes Participation Certificates attractive to investors is that the interest rate is considerably higher than that on government bonds. Yet there is no risk, since the Treasury stands behind this paper.

The Administration was enthralled with the Participation Certificates plan because this kind of government financing is not reflected in the administrative budget. This happens because funds raised by the agencies in capital markets are counted as an offset against funds drawn out of the Treasury by these agencies.

Another way to put it is that President Johnson would have had to confess to a projected fiscal 1967 budget deficit of $6 billion last January if he had not come up with his scheme to sell $4.2 billion worth of Participation Certificates.

In retrospect, the Participation Certificates technique of raising federal money has been found to hurt the economy at a time when there is exceptionally heavy borrowing by others.

There seems little question that Participation Sales contributed to the tightness of money this year and helped force up interest rates.

The President in effect admitted this when, on September 8, he called off Participation Sales for the rest of this calendar year and until market conditions improve materially.

But it is clear that Administration officials plan to <u>resume</u> Participation Sales as soon as they believe it feasible to do so.

Therefore the question of whether Participation Certificates are a sound way to finance activities of the federal credit agencies is still very much alive. I contend the evidence requires that the Participation Sales Act of 1966 be repealed in the best interests of the nation.

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You will agree that federal credit devices should be used to supplement private lending, not substitute for it. Federal credit should be employed to stimulate and encourage private lending activity, not compete with it.

What has happened as a result of the Johnson Administration's use of Participation Certificates?

It seems undebatable that some savings which normally would have flowed into savings and loan associations and mutual savings banks were diverted into PC's. In fact, financial institutions themselves found the interest rates on PC's so attractive that they bought PC's with funds that otherwise might have been used to finance new housing.

We not only have the government disrupting normal saving and lending activities with this new kind of credit animal, the PC; we now have the government about to offer a 5 percent interest return on U.S. savings certificates. Again, of course, savings and loan associations and mutual savings banks will be placed at a competitive disadvantage.

The sale of Treasury savings certificates through payroll savings plans at interest rates generally competitive with those offered by savings institutions is an alarming development.

Two new factors stand out: One, these savings certificates will have special appeal for the middle-income wage earner--the backbone of the savings and loan industry; second, unless the tentative ground rules are changed, these certificates will compete for funds in the short-term market, an entirely new form of government competition with the private savings industry.

This development points up the need for a fresh look at the 4¼ percent ceiling on longterm government maturities, which has forced so much of our Treasury refinancing into the short-term market. If, as some economists warn, the period of high interest rates continues for a longer period than at first anticipated, the need for moving a portion of Treasury refinancing into the longer-term market becomes that much more acute.

The Treasury Department no doubt will employ free "public service" radio, TV and newspaper advertising in promoting its new savings certificates. Under the impact of such a tremendous advertising campaign, savers--those eligible to buy the savings certificates--could shift their entire emphasis from savings and loans to government savings certificates.

Speaking for House Republicans, I can assure you that every effort will be made to guard against any severe dislocations in personal savings flow. At this critical time in our nation's economic affairs, we cannot afford to do anything less.

The unfortunate developments I have described--heavy experimentation with

Participation Certificates, and the upcoming sale of 5 percent savings certificates--constitute events of grave consequence for the savings industry. They add up to government interference and competition with the free flow of commerce and finance, and experiments in debt management which are dangerous for the future of the nation.

In addition, the PC scheme is a blow to the taxpayer. If the federal credit agencies keep selling PC's until about $10 billion worth are outstanding, this would cost the taxpayers about $250 million more in interest outlays in 10 years. This would be added to the steadily rising interest charges--now in excess of $13 billion a year--on the current federal debt.

I've mentioned that PC's distort the federal government's administrative budget. The danger in this is not only that the people are deceived. We also could have a situation in which the Congress itself would be misled--misled into viewing the federal budget as balanced in times when billions of dollars worth of PC's are outstanding, with the full faith and credit of the federal government behind them.

There is danger, too, that federal credit agencies may find it easy to expand their lending programs regardless of merit. That is hardly good business.

The last Federal National Mortgage Association sale of PC's took place in June. The amount: $530 million.

I urge that the Johnson Administration abandon its largescale experiment with PC's and rely on sale of regular Treasury issues, with an increase in the 4¼ percent interest rate on longterm maturities to ease the shift in policy.

It's time it occurred to the Johnson Administration, too, that holding down federal spending is a big help in handling federal credit.

I assure you that the Johnson Administration will get all possible guidance from Republicans in the 90th Congress--187 strong--in beating a path to fiscal sanity. This is a giant stride along the path of progress.

No nation has ever solved its economic ills through chronic deficit spending--and this nation has seen six consecutive years of federal red ink.

Talk of an increase in personal and corporate income taxes as a weapon against inflation continues in the Johnson Administration.

You may be sure that Republicans will insist on deep federal spending cuts as the best way to avoid a tax increase. Acutally, the Johnson Administration should have put this nation on a wartime financial footing in January 1966 with, first, sharp reductions in domestic expenditures and, second, a tax increase if spending cuts failed to do the job.

Now there is danger that a tax increase will be too great a jolt to the economy. There are signs that the economy is slowing down and that a tax increase at this point in time could be the wrong medicine.

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The safest course, and I believe the advisable course, is to make now the deep spending cuts that should have been ordered in early 1966.

A tax increase in 1967 could be a tragic mistake.

From the business point of view, a tax increase could have its greatest impact precisely when business does not need a depressant but maybe even a pep pill. From the point of view of the worker, it would take an additional slice out of the paychecks of wage earners already hurt by sharp price increases.

From your point of view, it would be a blow to the savings institutions because it would reduce the earnings residue that workers might be expected to deposit in savings accounts.

You no doubt are aware that savings as a percentage of gross disposable income dropped to 4.8 percent in the third quarter of this year from 5.3 percent in the second quarter. In fact, on a percentage basis, this is the lowest quarterly showing for savings in three years.

If personal income taxes were increased, Americans would have less disposable income. They probably would save less. That certainly would not help the tight money situation, particularly where the savings and loans are concerned.

There is little doubt in my mind that a tax increase would further complicate life for you people in the savings and loan business and would put a fresh squeeze on the home building industry by restricting the savings that create mortgage money. This certainly is not healthy at a time when housing starts have fallen to a 20-year low.

In appraising the advisability of an income tax increase, we must remember,too, that a $1 billion increase in the Social Security payroll tax will take effect on January 1, 1967. This in itself will lift a big chunk of disposable income out of the hands of the consumer and saver.

A better course than a tax increase in 1967 would be to stimulate a spirit of thrift in the American people--to encourage them to save more money, plunk it down in a savings account. I currently am considering a proposal to do just this, but I have not yet decided whether it is feasible.

This I promise you. Republicans will do everything in their power to cut unnecessary federal spending in a bona fide effort to prevent a tax increase next year and to dampen the fires of inflation.

Of course, Republicans are not yet in the majority in the House, and so I cannot make a firm pledge that taxes will not be raised. We will need, shall we say, some small measure of cooperation from the Johnson Administration and from Democrats in the House.

We are entering upon a most crucial period for our Nation. It is a testing time,

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a time which demands that the new Congress weigh most carefully each of the economic decisions required of it in 1967.

Men of moderate persuasion will have a major voice in the next Congress as a result of the 1966 elections. I think you can rely upon them to act wisely, to make judgments in the best interests of all the people.

In the November 8 election the people flashed a yellow caution light. They said, "Slow down; we want progress, but we want progress at a pace we can afford."

The 90th Congress will take a close look at the Johnson Administration programs rammed through the legislative funnel in the past two years. Where fresh examination shows a new program to be ill-advised, on our side of the aisle we will marshall all the votes we can assemble to shut off funds.

There will be a ferment of ideas in the new Congress.

This ferment will be particularly productive on the Republican side.

We will review; we will reappraise; we will take stock. We will examine what we have done and decide what is good and what is not. We will move ahead. We will not stand still.

In the next Congress Republicans will be a force to be reckoned with. We will develop our own positions on the major issues of the day--Vietnam, inflation, tight money, and crime.

With greater strength comes greater responsibility. This is good for the Republican Party and this is good for the Nation.

The people were the real winners in the 1966 elections. They gave new meaning to democracy. They revived the two-party system. They reestablished the Congress as an independent branch of government.

Once again the American people have demonstrated their great good sense. And for that we can all be grateful. Thank you.

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FOR RELEASE ON DELIVERY AT 11 A.M., MON., NOV. 21, 1966

ADDRESS BY REP. GERALD R. FORD, R-MICH.

at

74TH ANNUAL CONVENTION OF THE U.S. SAVINGS & LOAN LEAGUE, N.Y.C., N. Y.

Thank you for that kind introduction. It is a great pleasure to attend the 74th Annual Convention of the United States Savings and Loan League. As you know, I appear here as Minority Leader of the House of Representatives. Let me say I am delighted that as a result of ~~[illegible]~~ the Nov 8 election, I am now more of a "leader" and less of a "minority." Next year, when we Republicans caucus, we can forget about meeting in a phone booth. We can reserve a room instead.

You may know that Senator Dirksen had been originally scheduled to make this appearance, but is undergoing further work on his broken hip. I can assure you that nothing makes me prouder than being able to stand in for that great American and that great leader of our Party in the Senate.

I am proud to be here. But I must admit it makes me a bit nervous to be in the presence of men and women who control $130 billion in assets. Do you realize that even a Democratic Administration has a hard time spending that much in a year? Of course, they try. Oh, how they try!

When it comes to housing and banking legislation, a Republican's role is not too difficult. We rely heavily on the judgment of the ranking Republican member of the House Banking Committee, Congressman William Widnall of New Jersey, and the other Republican members of that committee. Bill Widnall has attended many of your meetings. He is recognized and respected on both sides of the aisle as a true expert on housing and financial legislation. Bill is a real fighter, but there have been many occasions when he has worked with the Administration and the other side to develop legislation which the entire Congress can support. A case in point is the recent increase in the ceiling on the insurance of savings accounts and deposits. When Bill Widnall announced that he had studied the matter and was in favor of the increase, other Republican House members said, "That's good enough for me."

We never lose our pride in our home state. My good friend of the Michigan League, Don Wall, tells me that Michigan's 71 savings and loan associations have total assets of $3.4 billion. That is a 400 percent increase in just the past decade. Such spectacular growth is a real tribute to the services that savings and loan associations are offering to the public, and it is firm evidence that the people in Michigan believe in your institutions. But the figure I am proudest of--and this, too, is a great reflection on the Michigan associations--is that in the 1960 census Michigan led the nation in home ownership with 74 percent of our citizens living in their own homes.

I am delighted that one of our outstanding Detroit citizens, Hans Gehrke, has just been installed as Vice President of this great national organization. I know he will provide you with great leadership, just as you received from another fine Detroit leader who was your President in 1951--Walter Ray.

Your office in Washington also does a great job for you. And with that, I will quit tossing out bouquets.

I may toss some brickbats today, despite the fact the campaign is over. But if I do, it will be in the national interest and in the interest of all of America's homeowners and taxpayers.

You people are in the business of lending money, and those loans are used to build homes. Therefore the topic of greatest interest to you is tight money. Where is money tightest? In the home mortgage field, because it has been siphoned off for a multitude of other uses.

Unfortunately, and tragically, one of the forces which produced the tight money situation is the federal government.

You and I know that the government competes with you and others for private money.

All the money the government uses comes from private sources, whether it is tax revenue or borrowed money.

The question of how that money is to be obtained involves deep policy considerations, and the methods used have great and varying impact on the nation's economy.

Currently we are looking ahead to the 90th Congress, and we hope to correct some of the mistakes of the 89th and to avoid any fresh errors in the upcoming two years.

Sometimes we see more clearly into the future if we first look back and see where we have been--analyze what we have done.

The American people heard much talk in the last election campaign about the rubber stamp 89th Congress. Now how did such a term originate?

Let's review for a minute the passage of what's known as the Participation Sales Act of 1966. This measure traversed the distance from Presidential recommendation to law in just 34 days.

In just the brief period from April 20 to May 23 this highly important piece of legislation cleared both Houses of Congress and was signed into law. It was literally whisked through the Congress despite the fact that this legislation carried with it grave consequences for the economy and for such businesses as your own.

Democrats on the House Banking and Currency Committee allotted this major legislation only three hours of hearings and conducted those hearings immediately after receiving the Administration bill. Republican members of the committee protested but were overridden. No opposition witnesses were permitted to testify.

This, of course, is a travesty on the legislative process. But more serious than that are the evil consequences of Participation Sales at a particular juncture

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in our nation's economic affairs and the further potential for evil in keeping this law on the books.

I demanded repeal of the Participation Sales Act during the last session of Congress, and I do so again--here and now.

Why do I say this? I renew my call for repeal because in just the few months that have elapsed since passage of the Participation Sales Act, experience has shown this to be a dangerous device which tends to injure the nation's economic health. It also is a means of government financing which is costly to the taxpayer.

The Participation Sales Act of 1966 authorized six federal credit agencies to sell private investors a multi-billion-dollar total of participation certificates--a "beneficial interest" in an earmarked pool of federal agency assets such as a grouping of mortgages or loans.

The investors don't buy the assets. They make their money available to the government in exchange for a full-faith-and-credit promise that the federal government will repay them their principal plus a liberal return on their money. What makes Participation Certificates attractive to investors is that the interest rate is considerably higher than that on government bonds. Yet there is no risk, since the Treasury stands behind this paper.

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