

The original documents are located in Box D22, folder “Associated Industries, Inc., Cleveland, OH, March 10, 1967” of the Ford Congressional Papers: Press Secretary and Speech File at the Gerald R. Ford Presidential Library.

Copyright Notice

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 The Council donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections.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

Johnson & Unger
Great, great man.
Bur. of Int. Rev. -
New board -

1.8
9.

SPEECH TO THE ASSOCIATED INDUSTRIES, INC., CLEVELAND, O.

FRIDAY, MARCH 10, 1967

112/126

Adam

THERE IS GROWING ACCEPTANCE IN AMERICA TODAY OF A DANGEROUS MYTH. THAT MYTH IS THAT THE AMERICAN BUSINESSMAN TODAY NEED HAVE NO CARE FOR THE MORROW BECAUSE THE PRESIDENT OF THE UNITED STATES JUST WON'T LET THE ECONOMY GO SOUR.

THE TALK GOES THAT THE PRESIDENT HAS TOO BIG A STAKE IN PROSPERITY AS A POLITICAL ISSUE TO ALLOW EVEN A MILD RECESSION TO DEVELOP.

TO BUY THIS KIND OF THINKING, YOU FIRST HAVE TO ACCEPT TWO BASIC PREMISES.

ONE IS THAT THE PRESIDENT HAS THE POWER TO AVERT



A RECESSION AND TO KEEP THE ECONOMY HEALTHY. ANOTHER IS THAT THE PRESIDENT HAS THE WILL AND THE WISDOM REQUIRED TO KEEP BOUNCE IN THE ECONOMY AND PREVENT IMBALANCE.

THE PRESIDENT DOES HAVE TREMENDOUS POWER, OF COURSE, BUT HIS POWER IS NOT UNLIMITED, AND IT WOULD BE EXCEEDINGLY DANGEROUS IF IT WERE.

EVEN IF YOU ACCEPT THE FIRST PREMISE--THAT THE PRESIDENT HAS THE POWER TO AVERT RECESSIONS, CONTROL INFLATION AND MAINTAIN ECONOMIC GROWTH--EVENTS OF THE RECENT PAST POINT UP A PERFORMANCE THAT HAS FALLEN FAR SHORT OF THE MARK.

THE PAST IS PROLOGUE IN ECONOMICS AS IN OTHER ASPECTS OF OUR LIVES AND OUR HISTORY AS A NATION. WITH LIGHT FROM THE PAST, LET US EXAMINE THE MYTH THAT AMERICAN BUSINESS

ask the question - based on performance



the nation

*White House at
The Present
Time ?*

CAN ¹ ENTRUST THE HEALTH OF THE ECONOMY TO THE ~~MAN NOW~~
HOLDING THE HIGHEST OFFICE IN THE LAND.

WE KNOW THAT THE MASSIVE TAX CUTS OF 1964 AND 1965 TRIGGERED ONE OF THE GREATEST BOOMS THIS COUNTRY HAS EVER SEEN. REPUBLICANS AND DEMOCRATS ALIKE SUPPORTED THESE TAX REDUCTIONS.

I ALSO SUBMIT--AND IN MY VIEW THERE IS NO ARGUING THIS--THAT THE JOHNSON ADMINISTRATION DOOMED THE BOOM BY FAILING TO SLOW DOWN THE ECONOMY SUFFICIENTLY WHEN IT BECAME OVERHEATED IN LATE 1965 AND EARLY 1966.

LET'S REVIEW WHAT HAPPENED TO TAKE THE BLOOM FROM THE BOOM AND TRANSFORM THE ECONOMY INTO A SHAKY CREATURE CURRENTLY AFFLICTED WITH ASSORTED ACHES AND PAINS.



INFLATION BECAME A DEFINITE THREAT IN LATE 1965. THE FEDERAL RESERVE BOARD, WHICH FORTUNATELY IS INDEPENDENT OF WHITE HOUSE POLITICAL INFLUENCE, RAISED THE REDISCOUNT RATE TO THROTTLE DOWN THE MONEY SUPPLY.

INSTEAD OF WELCOMING THIS BLOW AGAINST INFLATIONARY PRESSURES, PRESIDENT JOHNSON COMPLAINED ABOUT THE RESERVE BOARD'S ACTION AND THEN PROCEEDED TO ACT AS THOUGH THE DANGER OF STABILITY-WRECKING PRICE INCREASES DIDN'T EXIST. HE DID THIS BY SENDING THE CONGRESS A GUNS-AND-BUTTER BUDGET WHICH CONTINUED AND ACCELERATED THE SHARPEST UPTREND IN FEDERAL SPENDING SINCE WORLD WAR II. APPARENTLY, THAT'S WHAT HE MEANT WHEN HE SAID, "LET US CONTINUE."

THE PRESIDENT DID NOT PROPOSE AN INCOME TAX INCREASE.



In 1966

mutually

1

1

HE SAID NOTHING ABOUT A FIGHT AGAINST INFLATION OR ABOUT
SETTING WARTIME PRIORITIES. HE SPURNED ALL ~~REPUBLICAN~~
PLEAS THAT ^{*from business, from Republicans & many others*} NON-ESSENTIAL DOMESTIC SPENDING BE CUT BECAUSE
THERE WAS A WAR ON, ONE WHICH HE AND HIS ADVISORS WELL
KNEW WOULD UNDOUBTEDLY BE OF GROWING INTENSITY AND
INCREASING COST.

THE PRESIDENT GAVE A TOKEN NOD IN THE DIRECTION OF
AN INFLATION FIGHT, BUT IT WAS LIKE SPLASHING A CUP OF
WATER ON A BONFIRE. HE PROPOSED--AND CONGRESS APPROVED--
REIMPOSITION OF EXCISE TAX CUTS VOTED IN 1965. HE ALSO
PROPOSED--AND CONGRESS AGREED--THAT COLLECTION OF
CORPORATE INCOME TAXES BE ACCELERATED AND THAT RATES ON
INDIVIDUAL INCOME TAX WITHHOLDING BE INCREASED.

BUT FOR THE MOST PART PRESIDENT JOHNSON'S FISCAL



POLICIES LAST YEAR STIMULATED AN ALREADY OVERHEATED ECONOMY AND BROUGHT ON THE UPSURGE IN PRICES WHICH CONTINUES TO PLAGUE ALL AMERICANS AND PROMISES A NEW ROUND OF PRICE RISES--COST-PUSH INFLATION WHERE LAST YEAR WE HAD THE DEMAND-PULL VARIETY.

AS WE MOVED THROUGH 1966, THE ADMINISTRATION FAILED TO ACT DECISIVELY TO HALT INFLATION. SEEING NO HELP FROM THE WHITE HOUSE, THE RESERVE BOARD CONTINUED TO TURN UP THE SCREWS ON INTEREST RATES. THE RESULT: THE HIGHEST INTEREST RATES IN 40 YEARS, DRYING UP OF MORTGAGE MONEY, GREATLY INCREASED PUBLIC BORROWING COSTS WHICH WILL BE A BURDEN TO TAXPAYERS FOR MANY YEARS TO COME, AND A VIRTUAL DEPRESSION IN THE HOMEBUILDING INDUSTRY.

DETERMINED TO PUSH HIS GREAT SOCIETY PROGRAMS,

Poverty
—
—



PRESIDENT JOHNSON PURSUED POLICIES THAT FED INFLATION AND HELPED PUSH UP INTEREST RATES. THE ADMINISTRATION STEPPED UP ITS DOMESTIC AS WELL AS MILITARY SPENDING AND WENT INTO THE SHORT-TERM MONEY MARKET TO BORROW THE MONEY TO DO IT. ADMINISTRATION OFFICIALS USED THE DEVICE OF THE PARTICIPATION SALES CERTIFICATE, A NEW, HIGH-INTEREST BORROWING GIMMICK, AND THUS CONTRIBUTED TO THE DEMAND FOR SHORT-TERM MONEY AND THE UPWARD PUSH ON INTEREST RATES.

HAVING IGNORED ^{responsible} ~~REPUBLICAN~~ DEMANDS THAT HE ELIMINATE NON-ESSENTIAL DOMESTIC SPENDING, PRESIDENT JOHNSON ALSO REJECTED THE SUGGESTION OF MOST PROMINENT ECONOMISTS AND HIS OWN ECONOMIC ADVISERS THAT HE SEEK AN INCOME TAX INCREASE.



TREASURY SECRETARY HENRY FOWLER RECENTLY COMPLAINED

ABOUT "MONDAY MORNING QUARTERBACKING" WHEN FACED WITH CRITICISM FROM THE JOINT ECONOMIC COMMITTEE OF THE CONGRESS ABOUT ADMINISTRATION FISCAL AND MONETARY POLICIES IN 1966.

MR. FOWLER SEEMS TO BE SAYING THAT THIS ADMINISTRATION CANNOT LEARN FROM ITS MISTAKES. THIS IS ALSO LIKE SAYING THAT IT DOESN'T MAKE SENSE FOR A FOOTBALL COACH TO USE MOVIES OF LAST SATURDAY'S GAME SO THE BOYS CAN DO A BETTER JOB ~~SOME~~ NEXT SATURDAY.

WE'VE COME A LONG WAY IN FOOTBALL SINCE MY DAYS AT THE UNIVERSITY OF MICHIGAN, WHEN THE STRATEGY WAS A PUNT, A PASS AND A PRAYER. AND I TRUST WE'VE COME A LONG WAY IN ECONOMICS AND THE ART OF MANAGING THE ECONOMY. BUT JUST AS THERE ARE GOOD COACHES AND BAD



COACHES, THERE ARE GOOD MANAGERS AND BAD MANAGERS.

I SAID AT THE OUTSET THAT YOU CAN ONLY TRUST THE HEALTH OF THE ECONOMY TO A CHIEF EXECUTIVE WITH THE WILL AND THE WISDOM TO KEEP ZIP IN IT AND AVOID SERIOUS ECONOMIC DISLOCATIONS.

IT'S CRYSTAL CLEAR TO ME WHY MR. JOHNSON DID NOT SEEK AN INCOME TAX INCREASE IN 1966. [IT JUST HAPPENED TO BE AN ELECTION YEAR.] *There was an election last year.*

THE PRESIDENT MOVED LAST SEPTEMBER TO SUSPEND THE 7 PER CENT INVESTMENT TAX CREDIT AS AN ALLEGED BLOW AGAINST INFLATION. THAT MADE NOBODY MAD BUT BUSINESS.

AS THE PRESIDENT'S AIDES HAVE REVEALED, HE BELIEVES THE BEST POLITICS IS THE BEST ECONOMICS. I BELIEVE JUST AS FIRMLY THAT THE BEST ECONOMICS IS THE BEST POLITICS.



I SUGGEST THOSE WHO FEEL THE PRESIDENT JUST WON'T LET ANYTHING BAD HAPPEN TO THE ECONOMY BEFORE THE 1968 ELECTION TAKE ANOTHER READING IN THE LIGHT OF PAST EXPERIENCE.

LET'S LOOK AT THE CURRENT ECONOMIC PICTURE.

THERE IS SAG AND DRAG IN THE ECONOMY.

WE ARE IN THE MIDST OF A NEW TREMENDOUS FEDERAL SPENDING SPLURGE. *\$ 2 billion increase in Great Society.*

THE PRESIDENT HAS PROPOSED A 6 PER CENT SURTAX ON INDIVIDUAL AND CORPORATE INCOME.

BUSINESS PROFITS ARE CAUGHT IN A COST-PRICE SQUEEZE AND ARE SHOWING A GENERAL DECLINE.

THE PRESIDENT HAS PROPOSED AN AVERAGE 20 PER CENT



INCREASE IN SOCIAL SECURITY BENEFITS, INVOLVING PAYROLL TAX INCREASES ULTIMATELY ADDING UP TO 11.6 PER CENT (COMBINED EMPLOYEE-EMPLOYER RATE) ON \$10,800 OF INCOME. EVEN ADMINISTRATION OFFICIALS ADMIT THAT A SOCIAL SECURITY INCREASE OF THAT SIZE WOULD ADD TO INFLATIONARY PRESSURES.

CONSUMERS ARE BUYING LESS AND SAVING MORE. AUTO-MOBILE SALES HAVE SLUMPED TO THE POINT WHERE MORE THAN 25,000 WORKERS HAVE BEEN LAID OFF. MAY I REMIND YOU THAT THE AUTOMOBILE INDUSTRY IS THE BELLWETHER OF THE ECONOMY.

CREDIT IS EASING. WHILE THIS HELPS "AT HOME," THE "HOT MONEY" THAT FLOWED INTO THIS COUNTRY FROM ABROAD LAST YEAR BECAUSE OF OUR HIGH INTEREST RATES PROBABLY WILL BEGIN SHIFTING BACK AND THUS AGGRAVATE OUR BAD BALANCE OF PAYMENTS SITUATION.



THE SHARP RISE IN THE COST OF LIVING LAST YEAR HAS LAID THE FOUNDATION FOR A BIG UNION PUSH FOR WAGE INCREASES IN 1967. ALL INDICATIONS ARE THAT THESE WAGE BOOSTS WILL RUN GENERALLY FROM 5 TO 8 PER CENT.

THE AFL-CIO RECENTLY ANNOUNCED THAT LABOR WILL TRY TO KEEP WAGES RISING AT LEAST AS FAST AS LIVING COSTS. THAT SHOULD COME AS NO SURPRISE TO ANYBODY. THIS IS A NATURAL CONSEQUENCE OF THE JOHNSON ADMINISTRATION'S FAILURE TO MAINTAIN PRICE STABILITY IN 1966.

IN HIS ECONOMIC REPORT IN JANUARY, THE PRESIDENT PREDICTED THAT CONSUMER PRICES WOULD RISE ABOUT 2.5 PER CENT IN 1967 AS COMPARED WITH 3.5 PER CENT LAST YEAR. MY GUESS IS THERE WILL BE A FLAREUP OF COST-PUSH INFLATION THAT WILL MAKE THE PRESIDENT'S FIGURE LOOK RIDICULOUS.



IN THAT CONNECTION, IT SEEMS STRANGE THAT AFL-CIO PRESIDENT GEORGE MEANY SHOULD ENDORSE PRESIDENT JOHNSON MORE THAN 20 MONTHS BEFORE THE 1968 ELECTION.

MR. JOHNSON, YOU MAY REMEMBER, PROMISED IN JANUARY 1966 TO SEND CONGRESS RECOMMENDATIONS FOR BETTER HANDLING OF NATIONAL EMERGENCY STRIKES. NOTHING HAPPENED. AND LAST JANUARY, A YEAR LATER, THE PRESIDENT DIDN'T EVEN MENTION THE SUBJECT IN HIS 1967 STATE OF THE UNION MESSAGE.

MR. JOHNSON WAS UNABLE TO DELIVER TO ORGANIZED LABOR ON HIS PROMISE TO REPEAL SECTION 14B OF THE TAFT-HARTLEY ACT, THE RIGHT-TO-WORK PROVISION. PERHAPS HE IS TRYING TO BALANCE THE SCALES A BIT BY FORGETTING ABOUT NATIONAL EMERGENCY STRIKE LEGISLATION.



REPUBLICANS DISLIKE COMPULSORY ARBITRATION JUST AS MUCH AS MR. MEANY. BUT WE DO BELIEVE SOME IMPROVEMENTS CAN BE MADE IN THE GOVERNMENT'S MACHINERY FOR DEALING WITH NATIONAL EMERGENCY STRIKES. WE DO NOT ENVISAGE ANTI-LABOR LEGISLATION OF ANY KIND. WE HAVE PROPOSED THAT A BIPARTISAN COMMITTEE OF BOTH HOUSES OF CONGRESS MAKE AN IMMEDIATE STUDY OF THE PROBLEM IN THE HOPE OF BETTER PROTECTING THE PUBLIC INTEREST AND THE INTEREST OF ALL CONCERNED.

THIS MATTER IS PARTICULARLY URGENT AT THIS TIME BECAUSE ORGANIZED LABOR'S PUSH FOR WAGE INCREASES TO OFFSET THE SHARP RISE IN LIVING COSTS MAY MAKE 1967 A YEAR OF ABNORMAL LABOR-MANAGEMENT STRIFE.

THE FAITH MANY BUSINESSMEN HAVE IN THE JOHNSON



ADMINISTRATION ASTOUNDS ME IN VIEW OF THE ADMINISTRATION'S HANDLING OF WAGE-PRICE GUIDELINES, NOW DECEASED AND UNLAMENTED.

THESE GUIDELINES WERE, OF COURSE, SIMPLY INFORMAL WAGE AND PRICE CONTROLS. THE RECORD SHOWS THAT THE CONTROLS WERE APPLIED IN ARBITRARY AND DISCRIMINATORY FASHION. THE ADMINISTRATION USED A PICK-AND-CHOOSE TECHNIQUE, SINGLING SOME PARTICULAR INDUSTRY FOR ATTACK, LETTING OTHER PRICE INCREASES GO UNCENSORED AND GENERALLY IGNORING WAGE INCREASES IN EXCESS OF THE GUIDELINES.

WHEN THE WAGE INCREASES WON BY THE AIRLINE MECHANICS EXPLODED THE FICTION OF THE GUIDELINES, THE WHEELS WERE REALLY OFF THE BUGGY.



IS THE PRESIDENT DOING A GOOD JOB OF MANAGING THE ECONOMY?
THE FEDERAL BUDGET IS SUNK DEEP IN DEFICIT AND HAS
BEEN FOR SIX FISCAL YEARS.

THE PRESIDENT HAS EXPRESSED A PREFERENCE FOR THE
NATIONAL INCOME ACCOUNTS BUDGET BECAUSE THIS MAKES HIS
PROJECTED FISCAL 1968 DEFICIT LOOK SMALLER. SO LET'S
LOOK AT IT.

ACCORDING TO THAT BUDGET, FEDERAL SPENDING TOTALLED
\$118 BILLION IN FISCAL 1965 AND ROSE TO \$132 BILLION IN
FISCAL 1966. THIS FISCAL YEAR FEDERAL SPENDING IS
PROJECTED AT \$154 BILLION, AND FOR FISCAL 1968 IT'S
FIGURED AT \$169 BILLION. THINK OF IT! THOSE ARE
SUCCESSIVE ANNUAL SPENDING INCREASES OF \$14 BILLION,
\$21 BILLION AND \$16 BILLION--A GRAND TOTAL OF \$51 BILLION



MORE SPENDING IN JUST THREE YEARS.

IS ALL OF THIS INCREASED SPENDING DUE TO THE VIETNAM WAR? OH, NO! LAY ASIDE THE VIETNAM EXPENDITURES AND YOU STILL FIND AN INCREASE OF \$29 BILLION IN FEDERAL SPENDING BETWEEN FISCAL 1965 AND FISCAL 1968--AN ANNUAL INCREASE OF ROUGHLY \$10 BILLION. THIS IS TWO-AND-A-HALF TIMES THE INCREASE IN THE ANNUAL RATE OF SPENDING IN THE THREE YEARS FROM FISCAL 1962 TO FISCAL 1965.

REPUBLICANS HAVE CALLED FOR A NEW DIRECTION IN THE NATION'S AFFAIRS. FEDERAL SPENDING IS GROWING IN EVERY DIRECTION UNDER PRESIDENT JOHNSON.

THIS IS WHY THE CONGRESS MUST REEXAMINE EVERY FEDERAL SPENDING PROGRAM. IF WE DON'T BRING FEDERAL SPENDING



UNDER CONTROL, THE VERY FOUNDATIONS OF OUR ECONOMIC SYSTEM MAY BE WEAKENED.

THE PRESENT TREND IN WASHINGTON INFECTS PEOPLE WITH THE DISINCENTIVE SICKNESS.

A PHILOSOPHY OF GIVEAWAY AND HIGH TAXES, A FORMULA OF SPEND AND SPEND, TAX AND TAX, ELECT AND ELECT DISCOURAGES THOSE OF OUR CITIZENS WHO WOULD LIKE TO KEEP A GOODLY PORTION OF WHAT THEY MAKE.

WE ARE SPENDING BILLIONS TO FIGHT POVERTY. IT THEREFORE SHOCKED THE HOUSE APPROPRIATIONS COMMITTEE LAST YEAR TO DISCOVER THE DIRECT WELFARE COSTS ARE CONTINUING TO CLIMB.

THIRTY YEARS OF WELFARE HAVE ONLY SUSTAINED POVERTY. THERE MUST BE A BETTER ANSWER.



THERE IS GREAT NEED FOR INCENTIVE PROGRAMS IN THIS COUNTRY IN PLACE OF GOVERNMENT GIVEAWAYS AND THE BIG STICK.

REPUBLICANS HAVE FASHIONED A PROGRAM WHICH WE BELIEVE WOULD TRIGGER A MASSIVE ASSAULT ON URBAN ILLS AND ON STRUCTURAL UNEMPLOYMENT, A TRUE PARTNERSHIP BETWEEN GOVERNMENT AND INDUSTRY.

SHARING OF FEDERAL INCOME TAX REVENUE WITH THE CITIES AND STATES IS THE KEY. THIS WOULD REVITALIZE STATE AND LOCAL GOVERNMENT AND ALLOW LOCAL UNITS TO ATTACK THEIR PROBLEMS IN PROPER PRIORITY AND WITHOUT THE DELAY AND CRIPPLING CONTROLS BUILT INTO THE TRADITIONAL GRANT-IN-AID PROGRAM.

WE PROPOSE, TOO, TAX CREDITS TO PROMOTE A NATIONWIDE




ATTACK BY INDUSTRY ON THE PERILS OF AIR AND WATER POLLUTION
IN COOPERATION WITH LOCAL AND REGIONAL UNITS OF GOVERNMENT.

WE ALSO PROPOSE A TAX CREDIT TO TOUCH OFF LARGESCALE
ON-THE-JOB TRAINING BY THE BEST TRAINER OF THEM ALL--
INDUSTRY. THIS IS THE WAY TO ATTACK STRUCTURAL UNEMPLOYMENT
AND TO MOVE UP MEN ALREADY ON THE JOB. WE CALL IT OUR
HUMAN INVESTMENT ACT.

SUCH INCENTIVE PROGRAMS COUPLED WITH HEALTHY GROWTH
IN THE ECONOMY CAN DO MORE TO LICK POVERTY THAN ALL OF
THE GOVERNMENT'S ANTI-POVERTY PROGRAMS ROLLED TOGETHER.

WE WOULD SEEK TO PUT BUSINESS AND INDUSTRIAL TALENT
TO WORK ON ALL OF OUR SOCIAL PROBLEMS, CREATING A KIND
OF "CITIES INDUSTRY" WHICH WOULD APPLY THE PROBLEM-SOLVING
TECHNIQUES OF THE SPACE INDUSTRY.



OUR NATION CAN ONLY BE AS STRONG AS ITS FREE-ENTERPRISE ECONOMY. WE CANNOT SPEND OURSELVES RICH. THE NEW DEALERS THREE DECADES AGO PROVED THE FALLACY OF THAT THEORY.

LET US, THEN, FOLLOW THE TRUE PATH TO PROGRESS FOR AMERICA--PROGRESS THAT WILL BE REALIZED WHEN WE USE TO THE FULLEST THE GOD-GIVEN TALENTS AND ABILITIES OF ALL OUR CITIZENS AND LEAVE TO EACH AN ADEQUATE MEASURE OF HIS REWARD.

---END---



AN ADDRESS BY HOUSE MINORITY LEADER GERALD R. FORD, R-MICH.

TO THE ASSOCIATED INDUSTRIES, INC., AT CLEVELAND, OHIO

There is growing acceptance in America today of a dangerous myth. That myth is that the American businessman today need have no care for the morrow because the President of the United States just won't let the economy go sour.

The talk goes that the President has too big a stake in prosperity as a political issue to allow even a mild recession to develop.

To buy this kind of thinking, you first have to accept two basic premises.

One is that the President has the power to avert a recession and to keep the economy healthy. Another is that the President has the will and the wisdom required to keep bounce in the economy and prevent imbalance.

The President does have tremendous power, of course. But his power is not unlimited, and it would be exceedingly dangerous if it were.

Even if you accept the first premise--that the President has the power to avert recessions, control inflation and maintain economic growth--events of the recent past point up a performance that has fallen far short of the mark.

The past is prologue in economics as in other aspects of our lives and our history as a Nation. With light from the past, let us examine the myth that American business can entrust the health of the economy to the man now holding the highest office in the land.

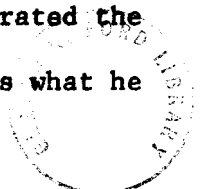
We know that the massive tax cuts of 1964 and 1965 triggered one of the greatest booms this country has ever seen. Republicans and Democrats alike supported these tax reductions.

I also submit--and in my view there is no arguing this--that the Johnson Administration doomed the boom by failing to slow down the economy sufficiently when it became overheated in late 1965 and early 1966.

Let's review what happened to take the bloom from the boom and transform the economy into a shaky creature currently afflicted with assorted aches and pains.

Inflation became a definite threat in late 1965. The Federal Reserve Board, which fortunately is independent of White House political influence, raised the rediscount rate to throttle down the money supply.

Instead of welcoming this blow against inflationary pressures, President Johnson complained about the Reserve Board's action and then proceeded to act as though the danger of stability-wrecking price increases didn't exist. He did this by sending the Congress a guns-and-butter budget which continued and accelerated the sharpest uptrend in federal spending since World War II. Apparently, that's what he meant when he said, "Let us continue."
(MORE)



The President did not propose an income tax increase. He said nothing about a fight against inflation or about setting wartime priorities. He spurned all Republican pleas that non-essential domestic spending be cut because there was a war on, one which he and his advisors well knew would undoubtedly be of growing intensity and increasing cost.

The President gave a token nod in the direction of an inflation fight, but it was like splashing a cup of water on a bonfire. He proposed--and Congress approved--reimposition of excise tax cuts voted in 1965. He also proposed--and Congress agreed--that collection of corporate income taxes be accelerated and that rates on individual income tax withholding be increased.

But for the most part President Johnson's fiscal policies last year stimulated an already overheated economy and brought on the upsurge in prices which continues to plague all Americans and promises a new round of price rises--cost-push inflation where last year we had the demand-pull variety.

As we moved through 1966, the Administration failed to act decisively to halt inflation. Seeing no help from the White House, the Reserve Board continued to turn up the screws on interest rates. The result: The highest interest rates in 40 years, drying up of mortgage money, greatly increased public borrowing costs which will be a burden to taxpayers for many years to come, and a virtual depression in the home-building industry.

Determined to push his Great Society programs, President Johnson pursued policies that fed inflation and helped push up interest rates. The Administration stepped up its domestic as well as military spending and went into the short-term money market to borrow the money to do it. Administration officials used the device of the participation sales certificate, a new, high-interest borrowing gimmick, and thus contributed to the demand for short-term money and the upward push on interest rates.

Having ignored Republican demands that he eliminate non-essential domestic spending, President Johnson also rejected the suggestion of most prominent economists and his own economic advisers that he seek an income tax increase.

Treasury Secretary Henry Fowler recently complained about "Monday morning quarterbacking" when faced with criticism from the Joint Economic Committee of the Congress about Administration fiscal and monetary policies in 1966.

Mr. Fowler seems to be saying that this Administration cannot learn from its mistakes. This is also like saying that it doesn't make sense for a football coach to use movies of last Saturday's game so the boys can do a better job come next Saturday.

(MORE)

We've come a long way in football since my days at the University of Michigan, when the strategy was a punt, a pass and a prayer. And I trust we've come a long way in economics and the art of managing the economy. But just as there are good coaches and bad coaches, there are good managers and bad managers.

I said at the outset that you can only trust the health of the economy to a Chief Executive with the will and the wisdom to keep zip in it and avoid serious economic dislocations.

It's crystal clear to me why Mr. Johnson did not seek an income tax increase in 1966. It just happened to be an election year.

The President moved last September to suspend the 7 per cent investment tax credit as an alleged blow against inflation. That made nobody mad but business.

As the President's aides have revealed, he believes the best politics is the best economics. I believe just as firmly that the best economics is the best politics.

I suggest those who feel the President just won't let anything bad happen to the economy before the 1968 election take another reading in the light of past experience.

Let's look at the current economic picture.

There is sag and drag in the economy.

We are in the midst of a new tremendous federal spending splurge.

The President has proposed a 6 per cent surtax on individual and corporate income.

Business profits are caught in a cost-price squeeze and are showing a general decline.

The President has proposed an average 20 per cent increase in Social Security benefits, involving payroll tax increases ultimately adding up to 11.6 per cent (combined employee-employer rate) on \$10,800 of income. Even Administration officials admit that a Social Security increase of that size would add to inflationary pressures.

Consumers are buying less and saving more. Automobile sales have slumped to the point where more than 25,000 workers have been laid off. May I remind you that the automobile industry is the bellwether of the economy.

Credit is easing. While this helps "at home," the "hot money" that flowed into this country from abroad last year because of our high interest rates probably will begin shifting back and thus aggravate our bad balance of payments situation.

The sharp rise in the cost of living last year has laid the foundation for a big union push for wage increases in 1967. All indications are that these wage boosts will run generally from 5 to 8 per cent.

(MORE)

The AFL-CIO recently announced that labor will try to keep wages rising at least as fast as living costs. That should come as no surprise to anybody. This is a natural consequence of the Johnson Administration's failure to maintain price stability in 1966.

In his Economic Report in January, the President predicted that consumer prices would rise about 2.5 per cent in 1967 as compared with 3.5 per cent last year. My guess is there will be a flareup of cost-push inflation that will make the President's figure look ridiculous.

In that connection, it seems strange that AFL-CIO President George Meany should endorse President Johnson more than 20 months before the 1968 election.

Mr. Johnson, you may remember, promised in January 1966 to send Congress recommendations for better handling of national emergency strikes. Nothing happened. And last January, a year later, the President didn't even mention the subject in his 1967 State of the Union Message.

Mr. Johnson was unable to deliver to organized labor on his promise to repeal Section 14B of the Taft-Hartley Act, the Right-To-Work provision. Perhaps he is trying to balance the scales a bit by forgetting about national emergency strike legislation.

Republicans dislike compulsory arbitration just as much as Mr. Meany. But we do believe some improvements can be made in the government's machinery for dealing with national emergency strikes. We do not envisage anti-labor legislation of any kind. We have proposed that a bipartisan committee of both Houses of Congress make an immediate study of the problem in the hope of better protecting the public interest and the interest of all concerned.

This matter is particularly urgent at this time because organized labor's push for wage increases to offset the sharp rise in living costs may make 1967 a year of abnormal labor-management strife.

The faith many businessmen have in the Johnson Administration astounds me in view of the Administration's handling of wage-price guidelines, now deceased and unlamented.

These guidelines were, of course, simply informal wage and price controls. The record shows that the controls were applied in arbitrary and discriminatory fashion. The Administration used a pick-and-choose technique, singling some particular industry for attack, letting other price increases go uncensored and generally ignoring wage increases in excess of the guidelines.

When the wage increases won by the airline mechanics exploded the fiction of the guidelines, the wheels were really off the buggy.

(MORE)

Is the President doing a good job of managing the economy?

The federal budget is sunk deep in deficit and has been for six fiscal years.

The President has expressed a preference for the National Income Accounts Budget because this makes his projected fiscal 1968 deficit look smaller. So let's look at it.

According to that budget, federal spending totalled \$118 billion in fiscal 1965 and rose to \$132 billion in fiscal 1966. This fiscal year federal spending is projected at \$154 billion, and for fiscal 1968 it's figured at \$169 billion. Think of it! Those are successive annual spending increases of \$14 billion, \$21 billion and \$16 billion--a grand total of \$51 billion more spending in just three years.

Is all of this increased spending due to the Vietnam War? Oh, no! Lay aside the Vietnam expenditures and you still find an increase of \$29 billion in federal spending between fiscal 1965 and fiscal 1968--an annual increase of roughly \$10 billion. This is two-and-a-half times the increase in the annual rate of spending in the three years from fiscal 1962 to fiscal 1965.

Republicans have called for a New Direction in the Nation's affairs. Federal spending is growing in every direction under President Johnson.

This is why the Congress must reexamine every federal spending program. If we don't bring federal spending under control, the very foundations of our economic system may be weakened.

The present trend in Washington infects people with the Disincentive Sickness.

A philosophy of giveaway and high taxes, a formula of spend and spend, tax and tax, elect and elect discourages those of our citizens who would like to keep a goodly portion of what they make.

We are spending billions to fight poverty. It therefore shocked the House Appropriations Committee last year to discover the direct welfare costs are continuing to climb.

Thirty years of welfare have only sustained poverty. There must be a better answer.

There is great need for incentive programs in this country in place of government giveaways and the big stick.

Republicans have fashioned a program which we believe would trigger a massive assault on urban ills and on structural unemployment, a true partnership between government and industry.

Sharing of federal income tax revenue with the cities and states is the key. This would revitalize state and local government and allow local units to attack their problems in proper priority and without the delay and crippling controls built into the traditional grant-in-aid program.

(MORE)

We propose, too, tax credits to promote a nationwide attack by industry on the perils of air and water pollution in cooperation with local and regional units of government.

We also propose a tax credit to touch off largescale on-the-job training by the best trainer of them all, industry. This is the way to attack structural unemployment and to move up men already on the job. We call it our Human Investment Act.

Such incentive programs coupled with healthy growth in the economy can do more to lick poverty than all of the government's anti-poverty programs rolled together.

We would seek to put business and industrial talent to work on all of our social problems, creating a kind of "cities industry" which would apply the problem-solving techniques of the space industry.

Our Nation can only be as strong as its free-enterprise economy. We cannot spend ourselves rich. The New Dealers three decades ago proved the fallacy of that theory.

Let us, then, follow the true path to progress for America--progress that will be realized when we use to the fullest the God-given talents and abilities of all our citizens and leave to each an adequate measure of his reward.

#

AN ADDRESS BY HOUSE MINORITY LEADER GERALD R. FORD, R-MICH.

TO THE ASSOCIATED INDUSTRIES, INC., AT CLEVELAND, OHIO

There is growing acceptance in America today of a dangerous myth. That myth is that the American businessman today need have no care for the morrow because the President of the United States just won't let the economy go sour.

The talk goes that the President has too big a stake in prosperity as a political issue to allow even a mild recession to develop.

To buy this kind of thinking, you first have to accept two basic premises.

One is that the President has the power to avert a recession and to keep the economy healthy. Another is that the President has the will and the wisdom required to keep bounce in the economy and prevent imbalance.

The President does have tremendous power, of course. But his power is not unlimited, and it would be exceedingly dangerous if it were.

Even if you accept the first premise—that the President has the power to avert recessions, control inflation and maintain economic growth—events of the recent past point up a performance that has fallen far short of the mark.

The past is prologue in economics as in other aspects of our lives and our history as a Nation. With light from the past, let us examine the myth that American business can entrust the health of the economy to the man now holding the highest office in the land.

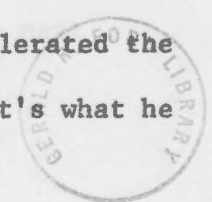
We know that the massive tax cuts of 1964 and 1965 triggered one of the greatest booms this country has ever seen. Republicans and Democrats alike supported these tax reductions.

I also submit—and in my view there is no arguing this—that the Johnson Administration doomed the boom by failing to slow down the economy sufficiently when it became overheated in late 1965 and early 1966.

Let's review what happened to take the bloom from the boom and transform the economy into a shaky creature currently afflicted with assorted aches and pains.

Inflation became a definite threat in late 1965. The Federal Reserve Board, which fortunately is independent of White House political influence, raised the rediscount rate to throttle down the money supply.

Instead of welcoming this blow against inflationary pressures, President Johnson complained about the Reserve Board's action and then proceeded to act as though the danger of stability-wrecking price increases didn't exist. He did this by sending the Congress a guns-and-butter budget which continued and accelerated the sharpest uptrend in federal spending since World War II. Apparently, that's what he meant when he said, "Let us continue."
(MORE)



The President did not propose an income tax increase. He said nothing about a fight against inflation or about setting wartime priorities. He spurned all Republican pleas that non-essential domestic spending be cut because there was a war on, one which he and his advisors well knew would undoubtedly be of growing intensity and increasing cost.

The President gave a token nod in the direction of an inflation fight, but it was like splashing a cup of water on a bonfire. He proposed--and Congress approved--reimposition of excise tax cuts voted in 1965. He also proposed--and Congress agreed--that collection of corporate income taxes be accelerated and that rates on individual income tax withholding be increased.

But for the most part President Johnson's fiscal policies last year stimulated an already overheated economy and brought on the upsurge in prices which continues to plague all Americans and promises a new round of price rises--cost-push inflation where last year we had the demand-pull variety.

As we moved through 1966, the Administration failed to act decisively to halt inflation. Seeing no help from the White House, the Reserve Board continued to turn up the screws on interest rates. The result: The highest interest rates in 40 years, drying up of mortgage money, greatly increased public borrowing costs which will be a burden to taxpayers for many years to come, and a virtual depression in the home-building industry.

Determined to push his Great Society programs, President Johnson pursued policies that fed inflation and helped push up interest rates. The Administration stepped up its domestic as well as military spending and went into the short-term money market to borrow the money to do it. Administration officials used the device of the participation sales certificate, a new, high-interest borrowing gimmick, and thus contributed to the demand for short-term money and the upward push on interest rates.

Having ignored Republican demands that he eliminate non-essential domestic spending, President Johnson also rejected the suggestion of most prominent economists and his own economic advisers that he seek an income tax increase.

Treasury Secretary Henry Fowler recently complained about "Monday morning quarterbacking" when faced with criticism from the Joint Economic Committee of the Congress about Administration fiscal and monetary policies in 1966.

Mr. Fowler seems to be saying that this Administration cannot learn from its mistakes. This is also like saying that it doesn't make sense for a football coach to use movies of last Saturday's game so the boys can do a better job come next Saturday.

(MORE)

We've come a long way in football since my days at the University of Michigan, when the strategy was a punt, a pass and a prayer. And I trust we've come a long way in economics and the art of managing the economy. But just as there are good coaches and bad coaches, there are good managers and bad managers.

I said at the outset that you can only trust the health of the economy to a Chief Executive with the will and the wisdom to keep zip in it and avoid serious economic dislocations.

It's crystal clear to me why Mr. Johnson did not seek an income tax increase in 1966. It just happened to be an election year.

The President moved last September to suspend the 7 per cent investment tax credit as an alleged blow against inflation. That made nobody mad but business.

As the President's aides have revealed, he believes the best politics is the best economics. I believe just as firmly that the best economics is the best politics.

I suggest those who feel the President just won't let anything bad happen to the economy before the 1968 election take another reading in the light of past experience.

Let's look at the current economic picture.

There is sag and drag in the economy.

We are in the midst of a new tremendous federal spending splurge.

The President has proposed a 6 per cent surtax on individual and corporate income.

Business profits are caught in a cost-price squeeze and are showing a general decline.

The President has proposed an average 20 per cent increase in Social Security benefits, involving payroll tax increases ultimately adding up to 11.6 per cent (combined employee-employer rate) on \$10,800 of income. Even Administration officials admit that a Social Security increase of that size would add to inflationary pressures.

Consumers are buying less and saving more. Automobile sales have slumped to the point where more than 25,000 workers have been laid off. May I remind you that the automobile industry is the bellwether of the economy.

Credit is easing. While this helps "at home," the "hot money" that flowed into this country from abroad last year because of our high interest rates probably will begin shifting back and thus aggravate our bad balance of payments situation.

The sharp rise in the cost of living last year has laid the foundation for a big union push for wage increases in 1967. All indications are that these wage boosts will run generally from 5 to 8 per cent.

(MORE)

The AFL-CIO recently announced that labor will try to keep wages rising at least as fast as living costs. That should come as no surprise to anybody. This is a natural consequence of the Johnson Administration's failure to maintain price stability in 1966.

In his Economic Report in January, the President predicted that consumer prices would rise about 2.5 per cent in 1967 as compared with 3.5 per cent last year. My guess is there will be a flareup of cost-push inflation that will make the President's figure look ridiculous.

In that connection, it seems strange that AFL-CIO President George Meany should endorse President Johnson more than 20 months before the 1968 election.

Mr. Johnson, you may remember, promised in January 1966 to send Congress recommendations for better handling of national emergency strikes. Nothing happened. And last January, a year later, the President didn't even mention the subject in his 1967 State of the Union Message.

Mr. Johnson was unable to deliver to organized labor on his promise to repeal Section 14B of the Taft-Hartley Act, the Right-To-Work provision. Perhaps he is trying to balance the scales a bit by forgetting about national emergency strike legislation.

Republicans dislike compulsory arbitration just as much as Mr. Meany. But we do believe some improvements can be made in the government's machinery for dealing with national emergency strikes. We do not envisage anti-labor legislation of any kind. We have proposed that a bipartisan committee of both Houses of Congress make an immediate study of the problem in the hope of better protecting the public interest and the interest of all concerned.

This matter is particularly urgent at this time because organized labor's push for wage increases to offset the sharp rise in living costs may make 1967 a year of abnormal labor-management strife.

The faith many businessmen have in the Johnson Administration astounds me in view of the Administration's handling of wage-price guidelines, now deceased and unlamented.

These guidelines were, of course, simply informal wage and price controls. The record shows that the controls were applied in arbitrary and discriminatory fashion. The Administration used a pick-and-choose technique, singling some particular industry for attack, letting other price increases go uncensored and generally ignoring wage increases in excess of the guidelines.

When the wage increases won by the airline mechanics exploded the fiction of the guidelines, the wheels were really off the buggy.

(MORE)

Is the President doing a good job of managing the economy?

The federal budget is sunk deep in deficit and has been for six fiscal years.

The President has expressed a preference for the National Income Accounts Budget because this makes his projected fiscal 1968 deficit look smaller. So let's look at it.

According to that budget, federal spending totalled \$118 billion in fiscal 1965 and rose to \$132 billion in fiscal 1966. This fiscal year federal spending is projected at \$154 billion, and for fiscal 1968 it's figured at \$169 billion. Think of it! Those are successive annual spending increases of \$14 billion, \$21 billion and \$16 billion--a grand total of \$51 billion more spending in just three years.

Is all of this increased spending due to the Vietnam War? Oh, no! Lay aside the Vietnam expenditures and you still find an increase of \$29 billion in federal spending between fiscal 1965 and fiscal 1968--an annual increase of roughly \$10 billion. This is two-and-a-half times the increase in the annual rate of spending in the three years from fiscal 1962 to fiscal 1965.

Republicans have called for a New Direction in the Nation's affairs. Federal spending is growing in every direction under President Johnson.

This is why the Congress must reexamine every federal spending program. If we don't bring federal spending under control, the very foundations of our economic system may be weakened.

The present trend in Washington infects people with the Disincentive Sickness.

A philosophy of giveaway and high taxes, a formula of spend and spend, tax and tax, elect and elect discourages those of our citizens who would like to keep a goodly portion of what they make.

We are spending billions to fight poverty. It therefore shocked the House Appropriations Committee last year to discover the direct welfare costs are continuing to climb.

Thirty years of welfare have only sustained poverty. There must be a better answer.

There is great need for incentive programs in this country in place of government giveaways and the big stick.

Republicans have fashioned a program which we believe would trigger a massive assault on urban ills and on structural unemployment, a true partnership between government and industry.

Sharing of federal income tax revenue with the cities and states is the key. This would revitalize state and local government and allow local units to attack their problems in proper priority and without the delay and crippling controls built into the traditional grant-in-aid program.

(MORE)

We propose, too, tax credits to promote a nationwide attack by industry on the perils of air and water pollution in cooperation with local and regional units of government.

We also propose a tax credit to touch off largescale on-the-job training by the best trainer of them all, industry. This is the way to attack structural unemployment and to move up men already on the job. We call it our Human Investment Act.

Such incentive programs coupled with healthy growth in the economy can do more to lick poverty than all of the government's anti-poverty programs rolled together.

We would seek to put business and industrial talent to work on all of our social problems, creating a kind of "cities industry" which would apply the problem-solving techniques of the space industry.

Our Nation can only be as strong as its free-enterprise economy. We cannot spend ourselves rich. The New Dealers three decades ago proved the fallacy of that theory.

Let us, then, follow the true path to progress for America--progress that will be realized when we use to the fullest the God-given talents and abilities of all our citizens and leave to each an adequate measure of his reward.

#