

The original documents are located in Box D22, folder “Board of Directors, National Petroleum Refiners Association, Mayflower Hotel, Washington, DC, September 19, 1967” of the Ford Congressional Papers: Press Secretary and Speech File at the Gerald R. Ford Presidential Library.

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A SPEECH BY REP. GERALD R. FORD, R-MICH., BEFORE THE BOARD OF DIRECTORS OF THE NATIONAL PETROLEUM REFINERS ASSOCIATION, AT 8 A.M. TUESDAY, SEPT. 19, AT THE MAYFLOWER HOTEL.

Is the Federal Government the repository of all the wisdom in America?

It is pretty early in the morning to pose such a question but I ask you to think about it because it is central to what has been happening in this country since January, 1964.

My own answer is that we have in Washington an Administration which professes to have all the answers despite the fact that all of the problems are continuing. In fact, we now have many more problems than we did seven years ago and they are much bigger.

To put it in blunt, non-academic language, I believe there is a know-it-all attitude on the part of the Administration which is directly responsible for many of the ills of the Nation. I think it accounts for the fact that many of our problems are going unsolved.

It is this attitude which leads Government to take a go-it-alone approach in attacking slum conditions instead of enlisting the skills and resources of private enterprise in the fight.

It is this attitude which prompts Government to interfere--not assist, but meddle--in the affairs of business and industry.

It is this attitude which leads Government to engage in unofficial price fixing through various kinds of pressure, coercive action, downright blackmail.

This is what we have experienced since 1961. But you may have noticed that recently the steam has gone out of the tactic. There is movement but no action, smoke but no fire. The reason the air has gone out of the balloon is that this Administration has so mismanaged the Nation's economy as to lack any real muscle in its latest attempts at unofficial price-fixing.

I understand that some people in the Administration now look upon the famous 1962 confrontation between the steel industry and the White House over prices as childish.

That's their word, not mine, so I am not being political. I suppose they are using it to describe Bobby Kennedy's announcement that he had ordered a Grand Jury investigation of the steel price increases and his action in routing news reporters out of bed in the middle of the night for questioning by the FBI. It could also describe the fanfare over Defense Secretary McNamara's order that all Pentagon steel purchases be shifted to companies which had not raised their prices.

You could also say it was childish for the White House to threaten the dumping of aluminum stockpiles onto the market if the aluminum producers did not roll back their announced price increases in the fall of 1965.

And, I don't know, maybe you men feel it was childish for the Interior Department to threaten you with a flood of imports last February when some refiners raised the price of gasoline a penny a gallon.

Some may call these Government actions childish. I say they add up to blackmail.

This Administration, in effect, is saying it is smarter than the men who run the great industries of America. This Administration is saying you don't know how to run your business and so they have to tell you what to do.

What has happened to the so-called free enterprise system in this country? Who's running it? The Government or the leaders of industry? Whatever happened to the forces of competition? Do we allow these forces to operate or do we take this Administration's word on what the level of prices and wages should be?

In its latest price clash with the steel industry, the White House backed off without any apparent attempts at coercion.

I don't think it was because this Administration had a change of heart in its relations with business and industry. I don't think it was because Administration officials have lost faith in themselves as fountains of wisdom. I think it was because this Administration has made such a mess of managing the economy that it could do nothing but make an empty gesture.

This Administration talks about fighting inflation. I and others have pointed out that the fight against inflation should have been launched early in 1966 with substantial cuts in domestic spending or a tax increase or both. The Administration's present push for an income tax increase comes almost two years too late.

Am I speaking in a partisan vein? Let me remind you that the International Monetary Fund in an annual report issued earlier this month criticized the United States for being too slow to fight inflation in 1966 and for depending too heavily on tight money as the answer. The IMF report went on to say that these past mistakes probably will prevent us from increasing our surplus of exports over imports, which we must do if we are to reduce the U.S. balance of payments deficit.

The inflation we experienced in 1966 was demand-pull inflation--too much money chasing too few goods. Now we are plagued with cost-push inflation--price increases prompted by the increased cost of doing business and growing profit squeeze in some industries.

In late 1965 and early 1966 the economy became over-heated. The Administration refused to cut Federal non-defense spending to cool it off. In fact, the Administration continued to stimulate the economy.

When the White House refused to act against inflation, the Federal Reserve Board raised interest rates as a brake on the economy. Interest rates soared to the highest level in more than four decades, but the consumer price index rang up a 3.3 per cent rise for the year.

When the Administration finally moved against inflation it was to suspend the 7 per cent investment tax credit. This was done against the advice of Republicans.

Last January, the Republican Leadership in the Congress urged immediate restoration of the investment tax credit. The Administration initially ignored our pleas despite the obvious softening of the economy in late 1966. It was only after the damage was done that the Administration moved to have the investment tax credit restored.

The Republican Leadership has also urged repeatedly that a system of priorities be set up so that this Nation could work in organized fashion toward a set of national goals.

Instead we have had business as usual and butter along with guns while fighting a war that is draining this country of men and wealth. It's time the Administration recognized that the war in Vietnam is this country's No. 1 priority, that we must end it quickly and honorably before we can tend in proper measure to the rest of the Nation's business.

After a period of damaging demand-pull inflation and a slump in the economy, Congress now is being asked to impose a 10 per cent surtax on individual and corporate income. This tax on a tax looms at a time of great uncertainty in the economy--a time when a majority of the economic indicators are pointing downward.

The Administration cites national employment figures as an argument for the 10 per cent surtax. They say little about the fact that businesses again have scaled down their capital spending for this year and that it will be a tiny fraction compared with the 16.7 per cent rise in 1966.

The proposed tax increase is supposed to be a weapon against inflation. But the facts are that the kind of inflation we now are experiencing is primarily the cost-push type--increases in the cost of doing business being passed along to the consumer. The increased tax on corporate income would, of course, be an added cost of doing business. Yet the Administration is actively engaged in obtaining business endorsements for the proposed tax increase.

I said at the outset that this Administration operates on the premise that it is the repository of all wisdom. If you are inclined to accept this philosophy, look again. As a famous Democrat, Alfred E. Smith, was fond of saying, "Let's look at the record."

The Administration calls the proposed 10 per cent tax surcharge a war tax. What are the facts?

It was in fiscal 1966 that Vietnam spending began to spurt tremendously. But if we lay aside the spending attributable to Vietnam, we still find a \$29 billion increase in federal spending between fiscal 1965 and fiscal 1968--or an annual increase of about \$10 billion.

The record shows that this is two-and-a-half times as large as the annual rate of increase in total Federal spending during the three preceding fiscal years--from fiscal 1962 to fiscal 1965.

That's the record, gentlemen. Neither the Vietnam War nor even total defense expenditures explains the tremendous surge in Federal spending that began in 1965.

Federal spending is now growing in every direction, and yet the President is asking his friends in the United States Senate to restore all of the cuts the House has made in his spending requests for fiscal 1968.

The record shows that since 1960 our population has grown by 10 per cent. In that same period, the Federal Government's civilian bureaucracy has swelled by 25 per cent; the cost of government payrolls, including the military, has grown by 75 per cent; the total of all government spending has risen 83 per cent; Federal non-defense spending is up 97 per cent.

In 1965 the Administration was pushing its Great Society programs. Officials knew that Vietnam costs would run \$10 billion higher than the official estimate but they denied this in testimony before committees of the Congress. Had they owned up to it, there would have been a public outcry for non-defense spending restraints and demands for a hold-down on Great Society programming.

Now we are facing an estimated fiscal 1968 deficit of \$25 to \$30 billion. We were told about this red ink deluge only recently by Administration officials--long after the Republican National Coordinating Committee had predicted a deficit of exactly those proportions.

In pursuing its request for a 10 per cent surtax, the Administration offers a vague promise to cut roughly \$2 billion in non-defense spending--after Congress has completed work on the appropriation bills. At the same time, the President is

pressuring the Congress to give him every dime he asked for last January. And at the same time, the Administration tells us there is no escape from a tax increase.

I submit that if the Administration would cooperate fully with the Congress, Federal spending not connected with the Vietnam War could be reduced or deferred sufficiently to avoid a tax increase.

At this time--with softness in the economy and the disruption caused by the auto strike--I cannot support a tax increase.

In view of this Administration's record on spending, I do not think the tax increase would be temporary. It would be a vehicle for a continued surge in Federal non-defense spending--a trend that must be brought under control.

We have reviewed the record of this Administration which seeks to substitute its economics for that of private business, an Administration which believes that Big Daddy always knows best.

Everyone agrees that price stability should be one of our top objectives. But relative price stability will come only through sound economic growth--growth which is fostered by the proper mix of fiscal and monetary policy in Washington and courage at the top to take the actions needed at the time they are needed.

Obviously there still are people in this country who haven't learned that lasting assurance of price stability can only come from the discipline of a free market and from responsible actions by business and labor leaders.

I might add that sound and impartial government generates the kind of atmosphere which helps business and labor leaders to act responsibly.

It is sound and impartial government which is the key to price stability, not Big Daddy government which substitutes its wisdom for that of the private sector.

The American people can have sound government again if only they will choose their elective leaders carefully and intelligently. Thank you.

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My own answer is that we have in Washington an Administration which professes to have all the answers despite the fact that all of the problems are continuing. In fact, we now have many more problems than we did seven years ago and they are much bigger.

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I don't think it was because this Administration had a fundamental change of heart in its relations with business and industry. I don't think it was because Administration officials have lost faith in themselves as fountains of wisdom. I think it was because the Administration has made such a mess of managing the economy that it was resigned to the facts of life.

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It is sound and impartial government which is the key to price stability, not Big Daddy government which substitutes its wisdom for that of the private sector.

America grew and prospered because of its belief in our basically free economic system. Let's not lose future progress by abandoning this allegiance and substituting for it a politically-motivated effort to manage the economy.

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