

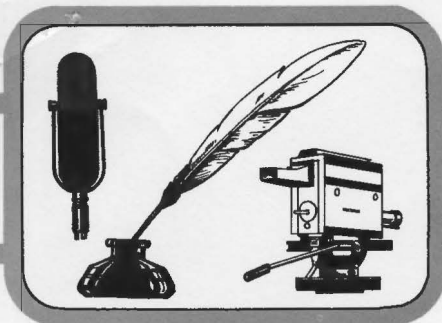
The original documents are located in Box D25, folder “House Speech H.R. 15414, June 20, 1968” of the Ford Congressional Papers: Press Secretary and Speech File at the Gerald R. Ford Presidential Library.

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

**NEWS
RELEASE**

Remarks by Rep. Gerald R. Ford, R-Mich., House Republican Leader, prepared for delivery on the floor of the House on Thursday, June 20, 1968.

Mr. Speaker, I rise in support of H.R. 15414, a bill to impose spending restraints on the Federal Government and to increase Federal revenues through a 10 per cent surcharge on the incomes of individuals and corporations.

Mr. Speaker, I support H.R. 15414 for just one reason: Our Nation is in deep trouble, financially; our fiscal situation demands that we act to slow down inflation, handcuff the robber who is picking the pockets of the American people.

Mr. Speaker, until recently I opposed the Johnson-Humphrey Administration's 10 per cent income tax surcharge. I hoped with all my heart we could avoid a tax increase. I have always felt that if the Johnson-Humphrey Administration had scaled back its spending plans beginning in 1965-1966 as an offset to the swift rise in Vietnam War expenditures we could have avoided a tax increase and could have preserved relative price stability.

But the Johnson-Humphrey Administration spurned all Republican pleas for a re-ordering of priorities, and the majority in the Congress repeatedly defeated Republican economy moves on record votes. This brings us to the position in which the American people find themselves today.

Where do we stand?

We have nearly 5 per cent a year price inflation.

We have 10 per cent a year wage inflation.

We have only a 4 per cent a year increase in productivity.

We have a 6 per cent a year upward push in unit labor costs.

Some of our interest rates are the highest in a hundred years; the interest on home mortgages is the highest in 50 years and so we recently had to lift the ceiling on FHA and GI interest rates.

We have \$20 to \$25 billion federal budget deficits.

Every rise in prices stimulates an increase in wages, and every increase in wages sets the stage for further increases in prices.

People at home and abroad are losing confidence in the dollar as inflation becomes a way of life in America and the purchasing power of the dollar steadily drops.

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The dollar is a mainstay of the international monetary system. Loss of confidence in the dollar has weakened that system. A collapse of world trade threatens unless the dollar is shored up. Because the dollar no longer is as good as gold there has been a run on the U.S. gold supply. Our gold has been dangerously reduced and is vulnerable to still greater losses.

Finally, we face the danger of a major recession if not a depression. The flowering of inflation carries with it the seeds of economic destruction. This is the bloom that dooms the boom. The inflation that is now in a trot threatens to gallop, and galloping inflation will be followed by recession from natural causes.

In short, the Nation is suffering the consequences of federal fiscal irresponsibility.

Mr. Speaker, I for one am unwilling to accept the consequences of continued federal fiscal irresponsibility. I am unwilling to accept \$20 to \$25 billion federal deficits back to back--just as I was unwilling to participate in the reckless spending which has brought us to our present pass.

Mr. Speaker, we are all aware of the perilous fiscal situation in which the Nation finds itself today, and we all know we must do something about it.

Mr. Speaker, H.R. 15414 gives us the opportunity to do something about it.

Mr. Speaker, I believe H.R. 15414 is a most vital piece of legislation. I cannot conceive of its being rejected by the Congress because I believe what is at stake here is the economic health of every American, and primarily the poor.

To continue on our present course is to follow the road to disaster.

Tax increases are painful. Nobody likes a tax increase. But the alternative to the package before us is far worse. Galloping inflation and a major recession--that is the alternative.

Let the American people consider the consequences of the trotting inflation we now are plagued with--and then ask themselves if the Congress is not acting properly in approving the package before us today.

Consider the fact that the real income of the average American worker has not improved in the slightest in the last two or three years. The weekly earnings of the average worker in non-farm employment actually were a little lower in 1966 than in 1965, and again somewhat lower in 1967 than in 1966--when his wages are adjusted for consumer price increases and the rise in Social Security and income taxes.

As for the millions of poor in America, most of the benefits provided for

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them in the anti-poverty and related programs have been wiped out by the effects of inflation.

How destructive is the inflation we now are experiencing?

The past year's increase in the cost of living is the sharpest year-to-year rise in more than 16 years.

The cost of living has gone up 20 per cent since the 1957-59 period.

The Eisenhower dollar now is worth 83 cents.

Interest rates on home mortgages have climbed to 7 or 8 per cent--and the President recently warned of a rise to 10 per cent unless we act here today.

If we fail to act affirmatively today, this Nation is certain to suffer another credit crunch as bad as that of 1966, or worse.

There is no need to go back seven or eight years to show that inflation is badly hurting the American people, the little people who don't know about hedges against inflation and just sit tight while their savings are washed away.

The cost of living has gone up 10 per cent just since January 1965 and is reaching new all-time highs each month.

What the average housewife paid \$10.89 for in January 1965 she now pays \$12 for.

The January 1965 dollar now is worth less than 91 cents.

A \$10 bill acquired in January 1965 now is worth \$9.08.

A savings account with \$500 in it as of January 1965 now is worth \$454.13 in principal, nearly \$46 less.

A \$10,000 insurance policy of three years ago now is worth \$9,083, a depreciation of \$917.

A retired American with an income of \$2,500 three years ago finds that his income has shrunk to \$2,295.50, a loss of \$204.50.

This is what is happening among the 224 million citizens of this country because the Johnson-Humphrey Administration triggered an inflationary spiral in 1965-66 with mistakes in fiscal strategy, excessive spending and downright deception.

The hour is late--very late. The argument can be made that we are trying to lock the barn door after the horse has been stolen. But I think it still is possible to catch the horse and put a halter on him. We cannot abruptly stop inflation because if we did we would stall the economy. But we can slow it down by bringing federal spending under control and increasing federal revenue.

If we place sharp restraints on federal spending now, tax relief will be possible in the future.

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I personally find the tax increase portion of the bill before us extremely distasteful. In my view, a tax increase following upon consumer price increases punishes the American people for an offense properly chargeable not to them but to the party in power.

I think the spending restraints H.R. 15414 will impose on the Johnson-Humphrey Administration and future administrations are more meaningful than the tax increase in terms of restoring the economic health of this Nation.

Basically, I take the tax increase to get the spending restraints.

There are those who argue that the tax increase will aggravate the inflation problem by adding to production costs and leading to further price increases, and that these price increases in turn will trigger demands for greater wage increases.

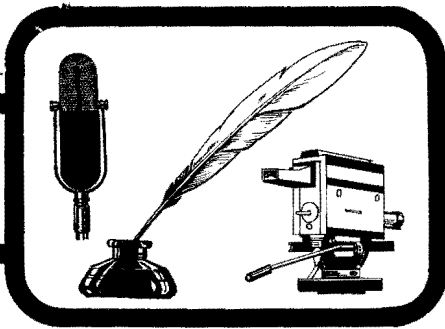
Whether this will be the immediate consequence of the tax increase can only be the subject of speculation. But we can feel certain that a tax increase will dampen consumer demand. It also can be expected that the combination of a spending hold-down and a rise in federal revenue will help to bring down interest rates over the long term.

The President has called for an austerity program. Let's give it to him. Certainly it is needed.

Let us be completely honest about the legislation we deal with today. A tax increase is politically hazardous. It makes a politician gag if not choke.

We in my party feel we are not to blame for the mess in which the Nation finds itself. For that reason I demanded earlier this year that the majority party come up with a majority for the tax and spending cut package in order to get Republican support for it. The majority party appears to have done so. I therefore urge as many of my colleagues as find it possible to do so to vote for H.R. 15414. It is a step toward a sound dollar, an economically healthy America, and genuine progress for all our citizens.

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