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ANNUAL CONVENTION OF THE PA. BANKERS ASSOC,  
ATLANTIC CITY, NEW JERSEY, 10:30 A.M.  
MONDAY, MAY 26, 1969

GOOD MORNING, GENTLEMEN: IT'S A GREAT PLEASURE FOR ME TO JOIN YOU HERE IN THIS EXCITING RESORT CITY.

*Mr. J. Gale  
Virginia*

I HAVE ALWAYS FELT AT HOME TALKING WITH BANKERS, <sup>simply</sup> BECAUSE I HAVE ALWAYS FELT THEY HAD MY INTEREST AT HEART.

MARK TWAIN, OF COURSE, HAD A LITTLE DIFFERENT OUTLOOK ON BANKERS. HE SAID "A BANKER IS A FELLOW WHO LENDS YOU HIS UMBRELLA WHEN THE SUN IS SHINING AND WANTS IT BACK THE MINUTE IT BEGINS TO RAIN."

I HAVE A HUNCH MAYBE <sup>my good friends</sup> DAVID KENNEDY AND BOB MAYO WISH THEY HAD GOTTEN THEIR UMBRELLAS BACK BEFORE THEY LEFT CHICAGO FOR WASHINGTON. BUT THEN SECRETARY KENNEDY DIDN'T REALIZE THAT HOUSE BANKING AND CURRENCY CHAIRMAN WRIGHT PATMAN CALLS HIMSELF



"THE LITTLE OLD RAINMAKER."

~~A HOMESPUN PHILOSOPHER WHO ALSO HAPPENED TO BE A SONG WRITER ONCE SAID, "INTO EACH LIFE SOME RAIN MUST FALL."~~

*Despite our problems at home + abroad*

RIGHT NOW I THINK WE'RE ALL ENJOYING A CONSIDERABLE QUANTITY OF SUNSHINE.

I RECALL A TIME LAST YEAR WHEN THE MILITANTS IN THIS COUNTRY WERE SHOUTING THAT THEY WERE GOING TO "TURN THIS COUNTRY AROUND" OR BURN IT DOWN.

*Hopefully + mechanically*

*slowly but surely*  
WE ARE TURNING THIS COUNTRY AROUND... TURNING IT TOWARD PERMANENT PEACE AND GENUINE PROSPERITY.

*Because the vast majority of Americans are becoming alarmed & aroused*

WE ARE TURNING THIS COUNTRY AROUND... AWAY FROM THE ARSONISTS AND ANARCHISTS.


THERE IS A NEW FIRE IN THIS COUNTRY -- THE FIRE OF FAITH. THE FIRES OF FAITH HAVE BEEN RELIT IN THIS COUNTRY -- FAITH IN OUR FREE INSTITUTIONS, FAITH IN THE FREE ENTERPRISE SYSTEM, FAITH THAT THE PRINCIPLE



OF FREEDOM ULTIMATELY WILL PREVAIL IN THE SCALES OF WORLD JUSTICE, FAITH THAT OUR NATIONAL GOVERNMENT WORKING WITH STATE AND LOCAL LEADERS AND OUR PRIVATE INSTITUTIONS CAN SOLVE THE CRUSHING PROBLEMS OF OUR TIMES.

THERE HAS BEEN A VAST CHANGE IN THE MOOD OF THE AMERICAN PEOPLE, A SHIFT IN THE TIDE. THERE IS A TIDE FOR CHANGE, BUT IT IS A TIDE FOR CHANGE BASED ON CAREFULLY REASONED DECISIONS AND ON THE GREAT FORCE FOR GOOD THAT FLOWS FROM PEOPLE WORKING WITH PEOPLE, CHANGE RISING FROM EVOLUTION AND NOT REVOLUTION.

THE FORCES OF REVOLUTION ARE AT WORK IN THIS COUNTRY BUT THEY WILL NOT PREVAIL. AS THE GREAT PHILOSOPHER PLUTARCH PUT IT: "PERSEVERANCE IS MORE PREVAILING THAN VIOLENCE; AND MANY THINGS WHICH CANNOT BE OVERCOME WHEN THEY ARE TAKEN TOGETHER YIELD



THEMSELVES WHEN TAKEN LITTLE BY LITTLE."

WE HAVE BEEN LIVING UNDER A NEW NATIONAL ADMINISTRATION FOR FOUR MONTHS. THE ADMINISTRATION CHANGED, BUT THE PROBLEMS REMAINED. THEY DID NOT DISAPPEAR.

ONE DIVIDEND FROM A CHANGE IN NATIONAL ADMINISTRATIONS IS A CHANGE IN OUTLOOK -- REEXAMINATION OF THE PROBLEMS, A SEARCHING-OUT OF DEFICIENCIES, A DEVISING OF NEW APPROACHES.

THE NEW ADMINISTRATION HAS FIRST OF ALL ESTABLISHED THE PROCESS OF EFFECTIVE DECISION-MAKING AND HAS GIVEN OUR NATIONAL PROBLEMS FRESH ANALYSIS.

AS A RESULT <sup>I believe</sup> WE HAVE MADE SUBSTANTIAL PROGRESS IN JUST FOUR MONTHS -- AS A NATION AND AS A PEOPLE. [THIS IS TRUE BY ANY STANDARD.]

WE NOW SEE A REALISTIC MOVEMENT TOWARD PEACE IN VIETNAM, SOME PROGRESS

*because the negotiators are discussing issues not the shape of the table*



TOWARD CREATING A FRAMEWORK FOR  
ISRAELI-ARAB PEACE NEGOTIATIONS IN THE  
MIDDLE EAST, A PULLING TOGETHER OF THE  
WESTERN ALLIANCE, AND STEPS TOWARD ARMS  
CONTROL TALKS WITH THE SOVIET UNION.

*Supreme Court*

WE HAVE MADE PROGRESS TOWARD  
COMBATING CRIME; PROGRESS TOWARD REBUILDING  
OUR CITIES; PROGRESS TOWARD BRINGING  
INFLATION UNDER CONTROL; PROGRESS TOWARD  
REFORMING OUR TAX STRUCTURE.

*organized crime, pornography & obscenity, narcotics*

THERE WILL BE TAX REFORM THIS  
YEAR -- AND IT PROBABLY WILL GO BEYOND THE  
NIXON ADMINISTRATION'S RECOMMENDATIONS.  
THE NATIONAL MOOD UNDERSCORES THE NEED FOR  
IT, AND CONGRESS WILL RESPOND.

ADMINISTRATION OFFICIALS ARE WORKING  
CLOSELY WITH THE HOUSE WAYS AND MEANS  
COMMITTEE. THE COMMITTEE IS ON SCHEDULE.  
THE PLAN IS TO MOVE A TAX REFORM BILL  
THROUGH THE HOUSE BEFORE ~~THE CONGRESS TAKES~~

*mid august*



A SUMMER RECESS IN MID-AUGUST.

*This is a very complicated & very broad subject but let me comment on one aspect*

SAY WHAT THE WAYS AND MEANS COMMITTEE WILL DO IN DEALING WITH TAX-EXEMPT BONDS. THIS IS THE MOST COMPLEX PROBLEM FACING THE COMMITTEE.

*As you know there are constitutional & other problems, I do not agree with the political demagogues who*

THERE IS SOME TALK OF TAXING STATE AND MUNICIPAL BONDS AND THEN REIMBURSING STATE AND LOCAL UNITS OF GOVERNMENT FOR THE ADDITIONAL INTEREST COSTS RESULTING FROM ELIMINATION OF TAX EXEMPTION. BUT WHO WOULD DECIDE EXACTLY HOW MUCH INTEREST ADD-ON OCCURRED IN EACH INSTANCE? HOW WOULD IT BE COMPUTED?

*make it appear there is no merit in the concept*

AND OF COURSE THERE ALSO IS THE INEQUITY TO INDIVIDUALS THAT ARISES FROM TAXING NEW ISSUES OF STATE AND MUNICIPAL BONDS WHILE OUTSTANDING BONDS CONTINUE TO BE TAX-EXEMPT.

NOW MEETING IN EXECUTIVE SESSION,



THE WAYS AND MEANS COMMITTEE HAS BEFORE IT PRESIDENT NIXON'S TAX REFORM PROPOSALS PLUS THE CONTINUING ADVICE OF ADMINISTRATION OFFICIALS AND THE BENEFIT OF TESTIMONY TAKEN IN THE COMMITTEE'S PUBLIC HEARINGS. THE LEGISLATION SHAPED IN THESE EXECUTIVE SESSIONS COULD BE QUITE FAR REACHING. BUT ONE WOULD HAVE TO POSSESS THE WISDOM OF SOLOMON TO PREDICT THE NET RESULT.

AT THIS POINT I WOULD LIKE TO SAY A FEW WORDS ABOUT PROSPECTS FOR BANK HOLDING COMPANY LEGISLATION IN THE 91<sup>ST</sup> CONGRESS.

*Again*  
1 THE SHAPE OF THE LAW TO COME IS UNCLEAR BUT I AM CONVINCED THE 91<sup>ST</sup> CONGRESS WILL ENACT SOME FORM OF BANK HOLDING COMPANY LEGISLATION. AT THIS POINT, THE TIMING ALSO IS UNCERTAIN.

AS YOU KNOW, THE NIXON ADMINISTRATION HAS SPONSORED A BILL WHICH IS DIFFERENT IN MANY RESPECTS FROM EITHER THE PATMAN OR





PROXIMIRE BILLS.

BECAUSE OF THE STRONG ANTI-BANK BIAS OF CHAIRMAN PATMAN, <sup>to put it mildly</sup> I DO NOT THINK THE BILL REPORTED OUT BY THE HOUSE BANKING AND CURRENCY COMMITTEE WILL <sup>necessarily</sup> DETERMINE THE ULTIMATE FORM OF THE LEGISLATION AS ENACTED. I WOULD ADD THAT I DO NOT THINK CONGRESS AS A WHOLE WILL TREAT THIS SUBJECT IN PARTISAN FASHION.

I WOULD LIKE TO SOUND THIS NOTE OF CAUTION. I AM CONCERNED THAT MANY BANKERS REGARD THIS SUBJECT AS PURELY A BANK HOLDING COMPANY ISSUE. BANKERS EVERYWHERE SHOULD REALIZE THAT THE EXTENT TO WHICH CONGRESS DEFINES BANK-RELATED ACTIVITIES FOR HOLDING COMPANIES IS BOUND TO AFFECT THE FUTURE DEFINITION OF RELATED ACTIVITIES FOR INDIVIDUAL BANKS AS WELL.

YOU ALSO ARE INTERESTED IN THE TRUTH-IN-LENDING ACT, WHICH WILL BECOME



EFFECTIVE IN MANY RESPECTS ON JUNE 30 THROUGH REGULATION Z. I AM AWARE THAT THE BANKING INDUSTRY OPPOSED THIS LEGISLATION TO SOME DEGREE. BUT MANY OF THE BANKING INDUSTRY'S LEADERS NOW SEE THE SITUATION AS A GREAT OPPORTUNITY FOR BANKING, AND I AGREE.

MANY COMPETITIVE BENEFITS WILL RESULT FOR BANKS FROM THE FACT THAT DISCLOSURE OF ANNUAL FINANCE CHARGES WILL NOW BE REQUIRED WITH REGARD TO CONSUMER CREDIT TRANSACTIONS AND CREDIT ADVERTISING.

THERE IS ONE BY-PRODUCT OF THE TRUTH-IN-LENDING ACT WHICH CONCERNS ME. AT THE SAME TIME I SEE IT AS AN OPPORTUNITY FOR OUR NATION'S BANKS.

IN MY VIEW, SPONSORS OF THE LEGISLATION WERE OVERZEALOUS IN THEIR DESIRE TO DISCLOSE <sup>all the complicated mathematics</sup> ~~EVERYTHING~~ TO THE CONSUMER ABOUT HIS OR HER CONSUMER CREDIT TRANSACTION. IT

APPEARS THAT ON A TYPICAL INSTALLMENT CONTRACT REGULATION Z REQUIRES MORE THAN 20 SEPARATE COMPUTATIONS OF DOLLAR AND PERCENTAGE FIGURES. OPEN-END CREDIT AGREEMENTS WILL INVOLVE A SIMILAR NUMBER OF COMPUTATIONS. <sup>or even greater</sup> 1

IN MANY CASES THE CONSUMER WE ARE TRYING TO PROTECT WILL SIMPLY BECOME CONFUSED. I FURTHER PREDICT THAT MANY SMALL AND MEDIUM SIZE RETAILERS WILL EITHER REFUSE TO GRANT CREDIT OR WILL TURN TO BANKS FOR ASSISTANCE.

IN MANY INSTANCES, THE BANK CREDIT CARD WILL BE THE MOST CONVENIENT ANSWER FOR THE SMALL RETAILER.

FEDERAL RESERVE BOARD AND FEDERAL TRADE COMMISSION REPRESENTATIVES HAVE BEEN URGING LOCAL RETAILERS TO CONSULT ATTORNEYS ON HOW TO COMPLY WITH THE TRUTH-IN-LENDING LAW. THIS IS AN UNREALISTIC APPROACH AND



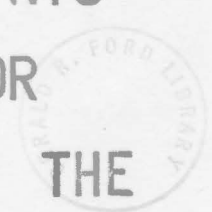
FAR TOO COSTLY FOR MANY SMALL BUSINESSMEN.

THUS THE BANKING INDUSTRY HAS AN  
OPPORTUNITY TO MAKE MANY FRIENDS, SIMPLY  
BY EXTENDING A HELPING HAND TO SMALL  
RETAILERS THROUGHOUT THE COUNTRY.

THE NATIONAL ADMINISTRATION ALSO HAS  
AN OPPORTUNITY -- AN OPPORTUNITY TO KEEP  
THE AMERICAN ECONOMY GROWING WITHOUT SHARP  
UPS AND DOWNS, TO DIRECT IT ON A COURSE OF  
STEADY AND SOUND EXPANSION AS OUR POPULATION  
GROWS.

THE PRESIDENT BELIEVES THAT WE CAN  
DO THIS IF WE STEER A COURSE THAT AVOIDS  
DRASTIC SWINGS IN FEDERAL SPENDING AND  
CREDIT POLICY, A COURSE BASED ON THE THEORY  
THAT THE BEST ECONOMICS IS THE BEST  
POLITICS.

AGAINST THAT BACKGROUND OF ADMINIS-  
TRATION POLICY, CONGRESS HAS SOME MAJOR  
DECISIONS TO MAKE IN THE WEEKS AHEAD. THE



MOST CRUCIAL OF THESE DECISIONS INVOLVES THE 10 PER CENT SURTAX.

IN MY VIEW, WE CAN MAKE THE RIGHT DECISION ON THE SURTAX ONLY IF WE LOOK AT IT FROM THE STANDPOINT OF WHAT IS BEST FOR THE ECONOMY -- WHICH IS TO SAY, WHAT IS BEST FOR THE AMERICAN PEOPLE.

EVERYONE WITH EVEN A RUDIMENTARY KNOWLEDGE OF ECONOMICS RECOGNIZES THAT THE GREATEST PROBLEM CURRENTLY FACING OUR DOMESTIC ECONOMY IS CONTINUING STRONG INFLATION AND A DEEPENING OF THE INFLATIONARY PSYCHOLOGY THAT HAS TAKEN HOLD IN THIS COUNTRY IN RECENT MONTHS.

CONSIDER THIS: AS 1965 ENDED, THE CONSUMER PRICE INDEX STOOD AT 109.9 PER CENT OF THE 1957-59 PRICE LEVEL. AS OF MARCH 31, 1969, PRICES HAD RISEN TO 125.4 PER CENT. THAT'S A 14.1 PER CENT COST-OF-LIVING JUMP IN JUST 39 MONTHS.



DEMAND-PULL WAS THE INFLATION CULPRIT  
IN 1965. SINCE MID-1967 PRICES HAVE BEEN  
PUSHED UP BY A COMBINATION OF DEMAND-PULL  
AND COST-PUSH FORCES.

WE CAN ATTAIN PRICE STABILITY  
THROUGH THE OPERATION AND INTER-ACTION OF  
THREE FORCES -- FISCAL POLICY, MONETARY  
POLICY AND THE LONG-RUN REACTION OF THE  
MARKET PLACE TO PRICE CHANGES.

I WOULD LIKE TO FOCUS THIS MORNING  
ON FISCAL POLICY, BECAUSE A DECISION ON  
EXTENDING THE SURTAX IS QUITE IMMINENT IN  
THE CONGRESS.

~~I THINK~~ WE ALL AGREE THAT WHEN  
INFLATION IS RAMPANT, GOVERNMENT FISCAL  
POLICY SHOULD BE AIMED AT TAKING THE STEAM  
OUT OF THE BOOM. SPENDING SHOULD BE RESTRICTED  
AND/OR TAX RATES SHOULD BE INCREASED.

LET ME  
COMMENT  
ON SPENDING

INFLATION IS RAMPANT, AND YET THE  
WORD I GET FROM MY LIEUTENANTS IN THE HOUSE



IS THAT EXTENSION OF THE SURTAX MAY BE IN TROUBLE. *Int. Rev. Story - 2 can understand*

ON APRIL 21 PRESIDENT NIXON PROPOSED THAT THE SURTAX BE EXTENDED AT THE 10 PER CENT LEVEL UNTIL NEXT JAN. 1 / AND THEN REDUCED TO 5 PER CENT AND THAT THE 7 PER CENT INVESTMENT TAX CREDIT BE REPEALED AS OF THAT DATE. THE REVENUE LOSS RESULTING FROM CUTTING THE SURTAX IN HALF WOULD BE OFFSET BY REPEAL OF THE INVESTMENT TAX CREDIT.

WHAT COULD BE MORE REASONABLE? AND YET THE SURTAX EXTENSION IS IN TROUBLE.

THE TROUBLE IS / THAT CONGRESS HAS NOT YET LOOKED AT THE SURTAX EXTENSION IN THE PROPER LIGHT. THE QUESTION REALLY IS NOT

WHETHER THE SURTAX SHOULD BE EXTENDED BUT

WHETHER THE TIME IS RIGHT FOR A TAX CUT, *in the battle against inflation*

BECAUSE THAT'S WHAT FAILURE TO EXTEND THE

SURTAX WOULD MEAN -- TAX REDUCTION *at the federal level.*

NOW, IF WE ARE GOING TO CUT TAXES

*must*  
WE HAVE TO TELL OURSELVES THAT THE ECONOMY  
NEEDS A PEP PILL. CAN ANYONE HONESTLY SAY  
THAT'S THE CASE?

THE PRESIDENT'S COUNCIL OF ECONOMIC ADVISERS HAS JUST ISSUED ITS ECONOMIC INDICATORS REPORT FOR THE MONTH WHICH ENDED APRIL 31. WHAT DO THE KEY INDICATORS SHOW?

TOTAL CIVILIAN EMPLOYMENT IN APRIL WAS 77,605,000, NOT ONLY AN ALL-TIME HIGH BUT 2,452,000 GREATER THAN FOR APRIL, 1968.

UNEMPLOYMENT AS A PERCENTAGE OF THE TOTAL CIVILIAN LABOR FORCE WAS 3.5 PER CENT -- THE SAME FOR APRIL 1968.

AVERAGE HOURLY EARNINGS FOR NON-AGRICULTURAL WORKERS -- ADJUSTED TO CURRENT PRICES -- WERE \$2.99 LAST MONTH -- A 19-CENT JUMP OVER APRIL, 1968.

TOTAL PERSONAL INCOME WAS AT A \$730.5 BILLION ANNUAL RATE, AN INCREASE OF \$2.8 BILLION OVER THE PRECEDING MONTH.



TOTAL INDUSTRIAL PRODUCTION REACHED 171.5 PER CENT OF THE 1957-59 AVERAGE AS COMPARED WITH 162.5 IN APRIL, 1968.

NEW CONSTRUCTION REACHED AN ANNUAL RATE OF \$91.1 BILLION COMPARED WITH \$85.3 BILLION IN APRIL, 1968.

WHAT OTHER CONCLUSION CAN WE REACH THAN THAT THE ECONOMY IS IN MANY RESPECTS EVEN MORE BUOYANT NOW THAN IT WAS IN APRIL 1968.

*in all honesty, I mean by any standards I would not*  
~~I MUST THEREFORE WARN ALL WHO WILL HEED MY WORDS THAT A TAX CUT WOULD NOT BE FISCALLY SOUND AT THIS TIME.~~

TAX REDUCTION NOW WOULD BE THE WRONG MEDICINE FOR THE ECONOMY AT THE WRONG TIME. IT WOULD ESCALATE INFLATIONARY PRESSURES.

BUT I SUGGEST THAT A DROP IN THE SURTAX TO 5 PER CENT NEXT JAN. 1 LIKELY WOULD BE A GOOD PIECE OF TIMING. I SAY THIS FROM THE STANDPOINT THAT REPEAL OF THE INVESTMENT

TAX CREDIT WILL HAVE NO IMMEDIATE IMPACT BUT WILL EXERT DRAG ON THE ECONOMY AT A TIME WHEN IT MAY NEED A STIMULANT RATHER THAN A DEPRESSANT.

I FEEL SURE THAT THE BANKING INDUSTRY SEES THE DANGER IN TAX REDUCTION WHEN INFLATION IS STILL UNCONTROLLED.

YOU COULD REMAIN ALOOF AS SO MANY PEOPLE DO WHEN THEY TURN TO THE OTHER FELLOW AND SAY, "THAT'S YOUR PROBLEM."

MY FEELING IS THAT INFLATION IS YOUR PROBLEM, TOO, IN FACT, IT'S EVERYONE'S PROBLEM.

CURRENTLY THERE IS TOO MUCH PERSONAL INVOLVEMENT IN THIS COUNTRY BY INDIVIDUALS SEEKING CONFRONTATION WITH THE FORCES OF LAW AND ORDER AND WHAT THEY CALL THE ESTABLISHMENT, THE RADICALS WHO ARE TRYING TO TEAR DOWN OUR INSTITUTIONS.

THE KIND OF PERSONAL INVOLVEMENT WE

NEED IS THAT OF AMERICANS WHO BELIEVE THAT  
OUR DEMOCRATIC FORM OF GOVERNMENT IS THE  
BEST EVER DEvised, ~~THAT WHAT'S REQUIRED TO~~  
*what we need*  
~~MAKE IT SUCCEED~~ IS CONSTRUCTIVE CONFRONTATION  
WITH THE PROBLEMS OF OUR MODERN SOCIETY.

*Diagnose  
PROBLEMS  
I have faith*

ASK YOU THIS MORNING TO BECOME  
INVOLVED -- TO MAKE YOUR WEIGHT FELT IN  
SOLVING THE PROBLEM OF INFLATION. I ASK  
YOU TO BECOME CONCERNED AND COMMITTED  
CITIZENS -- CONCERNED ABOUT LOCAL, STATE  
AND NATIONAL PROBLEMS AND COMMITTED TO  
PERSONAL ACTION IN HELPING TO SOLVE THEM.

I DO BELIEVE THE FIRES OF FAITH HAVE  
BEEN RELIT IN THIS COUNTRY. WHAT I SAID  
EARLIER THIS MORNING WAS NOT JUST RHETORIC.  
IT WAS AN EXPRESSION OF MY OWN PERSONAL  
FAITH THAT DEMOCRACY CAN BE MADE TO WORK IN  
AMERICA. AND THAT -- MAKING THE DEMOCRATIC  
PROCESS WORK -- IS THE BEST POSSIBLE  
ANSWER TO THE RADICALS WHO ARE TRYING TO



TEAR THIS COUNTRY DOWN.

LET US THEN JOIN TOGETHER...LET US  
LINK ARMS TO MOVE THIS COUNTRY FORWARD.

WE HAVE NEW LEADERSHIP -- SOUND,  
DETERMINED, SKILLED IN THE PROCESSES OF  
GOVERNMENT.

IN SUPPORT OF THAT LEADERSHIP LET US  
MAKE OUR CONTRIBUTION -- THE INDISPENSABLE  
ELEMENT -- FAITH IN OUR NATION, FAITH IN  
EACH OTHER, FAITH THAT WE CAN MOVE TOGETHER  
TOWARD A HIGHER ORDER FOR ALL MEN. FOR FAITH  
IS THE TALISMAN OF GREATNESS FOR ALL AMERICA.

-- END --



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*M Office Copy*

AN ADDRESS BY REP. GERALD R. FORD, R-MICH.  
AT THE ANNUAL CONVENTION OF THE PENNSYLVANIA BANKERS ASSOCIATION  
AT ATLANTIC CITY, NEW JERSEY  
10:30 A.M., MONDAY, MAY 26, 1969

FOR RELEASE ON DELIVERY

Good morning, gentlemen: It's a great pleasure for me to join you here in this exciting resort city.

I have always felt at home talking with bankers, because I have always felt they had my interest at heart.

Mark Twain, of course, had a little different outlook on bankers. He said "a banker is a fellow who lends you his umbrella when the sun is shining and wants it back the minute it begins to rain."

I have a hunch maybe David Kennedy and Bob Mayo wish they had gotten their umbrellas back before they left Chicago for Washington. But then Secretary Kennedy didn't realize that House Banking and Currency Chairman Wright Patman calls himself "the little old rainmaker."

A homespun philosopher who also happened to be a song writer once said, "Into each life some rain must fall."

Right now I think we're all enjoying a considerable quantity of sunshine.

I recall a time last year when the militants in this country were shouting that they were going to "turn this country around" or burn it down.

We are turning this country around...turning it toward permanent peace and genuine prosperity.

We are turning this country around...away from the arsonists and anarchists.

There is a new fire in this country -- the fire of faith. The fires of faith have been relit in this country -- faith in our free institutions, faith in the free enterprise system, faith that the principle of freedom ultimately will prevail in the scales of world justice, faith that our national government working with state and local leaders and our private institutions can solve the crushing problems of our times.

There has been a vast change in the mood of the American people, a shift in the tide. There is a tide for change, but it is a tide for change based on carefully reasoned decisions and on the great force for good that flows from people working with people, change rising from evolution and not revolution.

(more)



The forces of revolution are at work in this country but they will not prevail. As the great philosopher Plutarch put it: "Perseverance is more prevailing than violence; and many things which cannot be overcome when they are taken together yield themselves when taken little by little."

We have been living under a new national administration for four months. The administration changed, but the problems remained. They did not disappear.

One dividend from a change in national administrations is a change in outlook -- reexamination of the problems, a searching-out of deficiencies, a devising of new approaches.

The new administration has first of all established the process of effective decision-making and has given our national problems fresh analysis.

As a result we have made substantial progress in just four months -- as a Nation and as a people. This is true by any standard.

We now see a realistic movement toward peace in Vietnam, some progress toward creating a framework for Israeli-Arab peace negotiations in the Middle East, a pulling together of the Western alliance, and steps toward arms control talks with the Soviet Union.

We have made progress toward combating crime; progress toward rebuilding our cities; progress toward bringing inflation under control; progress toward reforming our tax structure.

There will be tax reform this year -- and it probably will go beyond the Nixon Administration's recommendations. The national mood underscores the need for it, and Congress will respond.

Administration officials are working closely with the House Ways and Means Committee. The Committee is on schedule. The plan is to move a tax reform bill through the House before the Congress takes a summer recess in mid-August.

At this point it is impossible to say what the Ways and Means Committee will do in dealing with tax-exempt bonds. This is the most complex problem facing the committee.

There is some talk of taxing state and municipal bonds and then reimbursing state and local units of government for the additional interest costs resulting from elimination of tax exemption. But who would decide exactly how much interest add-on occurred in each instance? How would it be computed?

And of course there also is the inequity to individuals that arises from taxing new issues of state and municipal bonds while outstanding bonds continue to be tax-exempt.

(more)

Now meeting in executive session, the Ways and Means Committee has before it President Nixon's tax reform proposals plus the continuing advice of Administration officials and the benefit of testimony taken in the committee's public hearings. The legislation shaped in these executive sessions could be quite far reaching. But one would have to possess the wisdom of Solomon to predict the net result.

At this point I would like to say a few words about prospects for bank holding company legislation in the 91st Congress.

The shape of the law to come is unclear but I am convinced the 91st Congress will enact some form of bank holding company legislation. At this point, the timing also is uncertain.

As you know, the Nixon Administration has sponsored a bill which is different in many respects from either the Patman or Proxmire bills.

Because of the strong anti-bank bias of Chairman Patman, I do not think the bill reported out by the House Banking and Currency Committee will determine the ultimate form of the legislation as enacted. I would add that I do not think Congress as a whole will treat this subject in partisan fashion.

I would like to sound this note of caution. I am concerned that many bankers regard this subject as purely a bank holding company issue. Bankers everywhere should realize that the extent to which Congress defines bank-related activities for holding companies is bound to affect the future definition of related activities for individual banks as well.

You also are interested in the Truth-In-Lending Act, which will become effective in many respects on June 30 through Regulation Z. I am aware that the banking industry opposed this legislation to some degree. But many of the banking industry's leaders now see the situation as a great opportunity for banking, and I agree.

Many competitive benefits will result for banks from the fact that disclosure of annual finance charges will now be required with regard to consumer credit transactions and credit advertising.

There is one by-product of the Truth-In-Lending Act which concerns me. At the same time I see it as an opportunity for our nation's banks.

In my view, sponsors of the legislation were overzealous in their desire to disclose everything to the consumer about his or her consumer credit transaction. It appears that on a typical installment contract Regulation Z requires more than 20 separate computations of dollar and percentage figures. Open-end credit agreements will involve a similar number of computations.

(more)

In many cases the consumer we are trying to protect will simply become confused. I further predict that many small and medium size retailers will either refuse to grant credit or will turn to banks for assistance.

In many instances, the bank credit card will be the most convenient answer for the small retailer.

Federal Reserve Board and Federal Trade Commission representatives have been urging local retailers to consult attorneys on how to comply with the Truth-In-Lending Law. This is an unrealistic approach and far too costly for many small businessmen.

Thus the banking industry has an opportunity to make many friends, simply by extending a helping hand to small retailers throughout the country.

The national Administration also has an opportunity -- an opportunity to keep the American economy growing without sharp ups and downs, to direct it on a course of steady and sound expansion as our population grows.

The President believes that we can do this if we steer a course that avoids drastic swings in federal spending and credit policy, a course based on the theory that the best economics is the best politics.

Against that background of Administration policy, Congress has some major decisions to make in the weeks ahead. The most crucial of these decisions involves the 10 per cent surtax.

In my view, we can make the right decision on the surtax only if we look at it from the standpoint of what is best for the economy -- which is to say, what is best for the American people.

Everyone with even a rudimentary knowledge of economics recognizes that the greatest problem currently facing our domestic economy is continuing strong inflation and a deepening of the inflationary psychology that has taken hold in this country in recent months.

Consider this: As 1965 ended, the Consumer Price Index stood at 109.9 per cent of the 1957-59 price level. As of March 31, 1969, prices had risen to 125.4 per cent. That's a 14.1 per cent cost-of-living jump in just 39 months.

Demand-pull was the inflation culprit in 1965. Since mid-1967 prices have been pushed up by a combination of demand-pull and cost-push forces.

We can attain price stability through the operation and inter-action of three forces -- fiscal policy, monetary policy and the long-run reaction of the market place to price changes.

(more)



I would like to focus this morning on fiscal policy, because a decision on extending the surtax is quite imminent in the Congress.

I think we all agree that when inflation is rampant, government fiscal policy should be aimed at taking the steam out of the boom. Spending should be restricted and/or tax rates should be increased.

Inflation is rampant, and yet the word I get from my lieutenants in the House is that extension of the surtax may be in trouble.

On April 21 President Nixon proposed that the surtax be extended at the 10 per cent level until next Jan. 1 and then reduced to 5 per cent and that the 7 per cent investment tax credit be repealed as of that date. The revenue loss resulting from cutting the surtax in half would be offset by repeal of the investment tax credit.

What could be more reasonable? And yet the surtax extension is in trouble.

The trouble is that Congress has not yet looked at the surtax extension in the proper light. The question really is not whether the surtax should be extended but whether the time is right for a tax cut, because that's what failure to extend the surtax would mean -- tax reduction.

Now, if we are going to cut taxes we have to tell ourselves that the economy needs a pep pill. Can anyone honestly say that's the case?

The President's Council of Economic Advisers has just issued its economic indicators report for the month which ended April 31. What do the key indicators show?

Total civilian employment in April was 77,605,000, not only an all-time high but 2,452,000 greater than for April, 1968.

Unemployment as a percentage of the total civilian labor force was 3.5 per cent -- the same as for April 1968.

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*Official Copy*

AN ADDRESS BY REP. GERALD R. FORD, R-MICH.  
AT THE ANNUAL CONVENTION OF THE PENNSYLVANIA BANKERS ASSOCIATION  
AT ATLANTIC CITY, NEW JERSEY  
10:30 A.M., MONDAY, MAY 26, 1969

FOR RELEASE ON DELIVERY

Good morning, gentlemen: It's a great pleasure for me to join you here in this exciting resort city.

I have always felt at home talking with bankers, because I have always felt they had my interest at heart.

Mark Twain, of course, had a little different outlook on bankers. He said "a banker is a fellow who lends you his umbrella when the sun is shining and wants it back the minute it begins to rain."

I have a hunch maybe David Kennedy and Bob Mayo wish they had gotten their umbrellas back before they left Chicago for Washington. But then Secretary Kennedy didn't realize that House Banking and Currency Chairman Wright Patman calls himself "the little old rainmaker."

A homespun philosopher who also happened to be a song writer once said, "Into each life some rain must fall."

Right now I think we're all enjoying a considerable quantity of sunshine.

I recall a time last year when the militants in this country were shouting that they were going to "turn this country around" or burn it down.

We are turning this country around...turning it toward permanent peace and genuine prosperity.

We are turning this country around...away from the arsonists and anarchists.

There is a new fire in this country -- the fire of faith. The fires of faith have been relit in this country -- faith in our free institutions, faith in the free enterprise system, faith that the principle of freedom ultimately will prevail in the scales of world justice, faith that our national government working with state and local leaders and our private institutions can solve the crushing problems of our times.

There has been a vast change in the mood of the American people, a shift in the tide. There is a tide for change, but it is a tide for change based on carefully reasoned decisions and on the great force for good that flows from people working with people, change rising from evolution and not revolution.

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The forces of revolution are at work in this country but they will not prevail. As the great philosopher Plutarch put it: "Perseverance is more prevailing than violence; and many things which cannot be overcome when they are taken together yield themselves when taken little by little."

We have been living under a new national administration for four months. The administration changed, but the problems remained. They did not disappear.

One dividend from a change in national administrations is a change in outlook -- reexamination of the problems, a searching-out of deficiencies, a devising of new approaches.

The new administration has first of all established the process of effective decision-making and has given our national problems fresh analysis.

As a result we have made substantial progress in just four months -- as a Nation and as a people. This is true by any standard.

We now see a realistic movement toward peace in Vietnam, some progress toward creating a framework for Israeli-Arab peace negotiations in the Middle East, a pulling together of the Western alliance, and steps toward arms control talks with the Soviet Union.

We have made progress toward combating crime; progress toward rebuilding our cities; progress toward bringing inflation under control; progress toward reforming our tax structure.

There will be tax reform this year -- and it probably will go beyond the Nixon Administration's recommendations. The national mood underscores the need for it, and Congress will respond.

Administration officials are working closely with the House Ways and Means Committee. The Committee is on schedule. The plan is to move a tax reform bill through the House before the Congress takes a summer recess in mid-August.

At this point it is impossible to say what the Ways and Means Committee will do in dealing with tax-exempt bonds. This is the most complex problem facing the committee.

There is some talk of taxing state and municipal bonds and then reimbursing state and local units of government for the additional interest costs resulting from elimination of tax exemption. But who would decide exactly how much interest add-on occurred in each instance? How would it be computed?

And of course there also is the inequity to individuals that arises from taxing new issues of state and municipal bonds while outstanding bonds continue to be tax-exempt.

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Now meeting in executive session, the Ways and Means Committee has before it President Nixon's tax reform proposals plus the continuing advice of Administration officials and the benefit of testimony taken in the committee's public hearings. The legislation shaped in these executive sessions could be quite far reaching. But one would have to possess the wisdom of Solomon to predict the net result.

At this point I would like to say a few words about prospects for bank holding company legislation in the 91st Congress.

The shape of the law to come is unclear but I am convinced the 91st Congress will enact some form of bank holding company legislation. At this point, the timing also is uncertain.

As you know, the Nixon Administration has sponsored a bill which is different in many respects from either the Patman or Proxmire bills.

Because of the strong anti-bank bias of Chairman Patman, I do not think the bill reported out by the House Banking and Currency Committee will determine the ultimate form of the legislation as enacted. I would add that I do not think Congress as a whole will treat this subject in partisan fashion.

I would like to sound this note of caution. I am concerned that many bankers regard this subject as purely a bank holding company issue. Bankers everywhere should realize that the extent to which Congress defines bank-related activities for holding companies is bound to affect the future definition of related activities for individual banks as well.

You also are interested in the Truth-In-Lending Act, which will become effective in many respects on June 30 through Regulation Z. I am aware that the banking industry opposed this legislation to some degree. But many of the banking industry's leaders now see the situation as a great opportunity for banking, and I agree.

Many competitive benefits will result for banks from the fact that disclosure of annual finance charges will now be required with regard to consumer credit transactions and credit advertising.

There is one by-product of the Truth-In-Lending Act which concerns me. At the same time I see it as an opportunity for our nation's banks.

In my view, sponsors of the legislation were overzealous in their desire to disclose everything to the consumer about his or her consumer credit transaction. It appears that on a typical installment contract Regulation Z requires more than 20 separate computations of dollar and percentage figures. Open-end credit agreements will involve a similar number of computations.

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In many cases the consumer we are trying to protect will simply become confused. I further predict that many small and medium size retailers will either refuse to grant credit or will turn to banks for assistance.

In many instances, the bank credit card will be the most convenient answer for the small retailer.

Federal Reserve Board and Federal Trade Commission representatives have been urging local retailers to consult attorneys on how to comply with the Truth-In-Lending Law. This is an unrealistic approach and far too costly for many small businessmen.

Thus the banking industry has an opportunity to make many friends, simply by extending a helping hand to small retailers throughout the country.

The national Administration also has an opportunity -- an opportunity to keep the American economy growing without sharp ups and downs, to direct it on a course of steady and sound expansion as our population grows.

The President believes that we can do this if we steer a course that avoids drastic swings in federal spending and credit policy, a course based on the theory that the best economics is the best politics.

Against that background of Administration policy, Congress has some major decisions to make in the weeks ahead. The most crucial of these decisions involves the 10 per cent surtax.

In my view, we can make the right decision on the surtax only if we look at it from the standpoint of what is best for the economy -- which is to say, what is best for the American people.

Everyone with even a rudimentary knowledge of economics recognizes that the greatest problem currently facing our domestic economy is continuing strong inflation and a deepening of the inflationary psychology that has taken hold in this country in recent months.

Consider this: As 1965 ended, the Consumer Price Index stood at 109.9 per cent of the 1957-59 price level. As of March 31, 1969, prices had risen to 125.4 per cent. That's a 14.1 per cent cost-of-living jump in just 39 months.

Demand-pull was the inflation culprit in 1965. Since mid-1967 prices have been pushed up by a combination of demand-pull and cost-push forces.

We can attain price stability through the operation and inter-action of three forces -- fiscal policy, monetary policy and the long-run reaction of the market place to price changes.

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I would like to focus this morning on fiscal policy, because a decision on extending the surtax is quite imminent in the Congress.

I think we all agree that when inflation is rampant, government fiscal policy should be aimed at taking the steam out of the boom. Spending should be restricted and/or tax rates should be increased.

Inflation is rampant, and yet the word I get from my lieutenants in the House is that extension of the surtax may be in trouble.

On April 21 President Nixon proposed that the surtax be extended at the 10 per cent level until next Jan. 1 and then reduced to 5 per cent and that the 7 per cent investment tax credit be repealed as of that date. The revenue loss resulting from cutting the surtax in half would be offset by repeal of the investment tax credit.

What could be more reasonable? And yet the surtax extension is in trouble.

The trouble is that Congress has not yet looked at the surtax extension in the proper light. The question really is not whether the surtax should be extended but whether the time is right for a tax cut, because that's what failure to extend the surtax would mean -- tax reduction.

Now, if we are going to cut taxes we have to tell ourselves that the economy needs a pep pill. Can anyone honestly say that's the case?

The President's Council of Economic Advisers has just issued its economic indicators report for the month which ended April 31. What do the key indicators show?

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