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AN ADDRESS BY REP. GERALD R. FORD, R-MICH.
REPUBLICAN LEADER, U.S. HOUSE OF REPRESENTATIVES
BEFORE THE AMERICAN SUPPLY AND MACHINERY MANUFACTURING ASSOCIATION
MIAMI BEACH, FLORIDA
10:30 A.M. MONDAY, MAY 22, 1972

FOR RELEASE ON DELIVERY

We have moved more than one-third of the way through an exceptionally promising year in the history of this great country of ours.

It is an exceptionally promising year because we are experiencing a turn-around in world relations unmatched in this century--the end of the Cold War as it has been waged for the past 25 years.

It is an exceptionally promising year because the United States has launched bold, unilateral initiatives to make American goods more competitive in world markets and our President has made bold, courageous moves to stimulate and stabilize our economy.

One of our foremost concerns today is the health of the U.S. economy. I would like to give you a progress report on the economy tonight in the light of the Administration's New Economic Policy. I will also touch on foreign affairs and the Administration's efforts to usher in a new era of peace.

Our New Economic Policy, as you know, is aimed at redressing our balance of trade, increasing U.S. industrial productivity, competing effectively abroad, attaining full employment, and controlling inflation.

Two other aims should be paramount at this time--keeping our defenses secure and improving the quality of life for all of our citizens.

Since January 1969 the President has been guiding our country through a series of historic transitions:

- From an era of confrontation to an era of negotiation.
- From arms competition toward arms limitation.
- From the draft to an all-volunteer service.
- From a Federal budget dominated by defense expenditures to one dominated by Human Resource Programs.
- From war to peace.
- From a wartime economy to a peacetime economy.

The dislocations and problems we have encountered in shifting from a wartime to a peacetime economy have been most severe. The President has brought nearly

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500,000 troops home from Vietnam and has sharply cut our armed forces and defense purchases. As this winding down occurred, more than 2 million men and women were released from defense and defense-related jobs.

Few Americans realize that by this June 30 the size of our armed forces will have been trimmed to 2,391,000, 73,000 less than the lowest figure for the past two decades and 1.1 million below the Vietnam War high registered in the previous Administration.

At the same time, the number of civilian employes in the Defense Department will have been cut back to 1,041,000, the lowest since 1965 and a drop of more than 300,000 from the Vietnam high.

Despite the tremendous problems engendered by the transition from a peacetime to a wartime economy--a transition complicated by the urgent necessity to fight a near-runaway inflation--America's business system was not floundering on the rocks last August 15 or any time earlier. The Administration's New Economic Policy was not a bailout for business.

The program was made necessary by four problems: The rate of inflation was not coming down fast enough; the rate of unemployment was too high, due in large part to reductions in military forces and defense contracting; international trade and fiscal problems were putting serious pressures on the strength of the dollar; and large segments of the public had been talked into a lack of confidence in America's future.

The crisis in confidence was really more severe than any crisis in the economy.

The success we have had to date with the New Economic Policy is repairing the damage in public confidence despite continuing political attacks on the President. The economy is recovering as fast as the Administration had hoped.

The economy is expanding vigorously. Most of the key monthly indicators are pointing upward. The 5.6 per cent annual growth rate for "real" Gross National Product in the first quarter of this year is a good showing in anybody's book.

More encouraging than anything else is the fact that consumer confidence is quickening. There was a 2.5 per cent spurt in retail sales in March, and this is giving the general business upswing a much more solid look.

Employment soared in March to record heights. After adjustments for seasonal factors, the number of jobholders topped 81 million as employment rose by 618,000.

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That was the largest absolute advance since April of 1960. But while the economy produced the largest one-month increase in employment in over 10 years, the labor force expanded even more sharply. The increase in the labor force--the largest such increase in 25 years--prevented the jobless rate from falling.

I predict that the unusual growth in the labor force will taper off and employment will continue to make marked gains. The result will be to push unemployment down toward the 5 per cent mark by the end of this year.

The Administration's fiscal policies will produce an increase of \$100 billion in GNP over last year. This will bring the unemployment rate down. Efforts to improve America's competitive position in world markets will increase our sales abroad and generate more jobs here at home.

In addition to pursuing stimulative fiscal policies, the Administration is also carrying out numerous programs which provide direct employment. Jobs have been found for more than 270,000 Vietnam-era veterans. The Administration's public employment program has created 145,000 new jobs. And nearly 1,100,000 Federally-supported job opportunities will be offered American youth this summer--89,000 more than last year.

Every week the pulse of the economy is beating faster. The recovery now has some bounce to it. Manufacturers' sales jumped ahead early in the first quarter of this year. The output of steel, building products, furniture and appliances has also moved higher. Machine tools have scored a 27 per cent year-to-year gain in orders in just the first two months of this year. Overall, industrial production has risen at an annual rate of more than 8 per cent since last November. Capital spending rose in the fourth quarter of 1971 and also in the first quarter of this year.

Corporate profits rose to the highest level in history in the first three months of this year. A government survey projects an 11 per cent rise in plant and equipment spending in 1972. Investment in business inventories promises to be a stimulating force in the months ahead. All the numbers add up to a definite upswing.

On inflation, the March figures give us tangible evidence of progress toward our goal of reducing the inflation rate to 2 to 3 per cent by year's end. According to the Consumer Price Index, we stopped inflation cold during the month of March. Seasonally adjusted, the increase was actually zero. While one month does not an annual rate make, I can only conclude that the fight against inflation is succeeding.

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During the four months since the freeze ended in November, the Consumer Price Index and each of its major components except food have risen at a slower rate than in the six months before the stabilization program began. In the seven months since the program was initiated, the CPI has risen at a yearly rate of 2.8 per cent, compared with 4.1 per cent in the six months preceding the freeze.

As a result of the restraint on prices, the increase in the Consumer Price Index was held to 3.4 per cent for all of 1971. That compares with a 5.5 per cent rise in 1970 and 6.1 per cent in 1969. On the basis of these facts, I would say the rate of inflation is being pushed in the right direction--downward.

The critics who declare that the price stabilization machinery has gone haywire because of the temporary post-freeze bulge are like a scorekeeper who declares that a professional golfer is out of the running because he goes one over par on the first hole. He is overlooking the fact that a good golfer is likely to pick up a birdie or two along the way to make up for his one excess.

The charge that wages are being held down while prices are rocketing out of control is simply not true. George Meany is employing the big lie technique, making a false statement and repeating it again and again.

Real wages measure whether labor is better off than it has been. And the facts are that real earnings for workers from 1970 to the present showed a 6 per cent gain, while workers registered no gain in real earnings from 1966 to 1970. In the last quarter of 1971, real earnings rose 5 per cent. In all of 1971, average weekly earnings increased 7.1 per cent, more than twice the 3.4 per cent increase in consumer prices.

As you know, corporate profits are not directly under control of the economic stabilization program although profit margins are.

Some people have complained because corporate profits rose about 16 per cent in 1971 and are expected to rise about as much, or slightly more, in 1972. Nevertheless, corporate profits will still be relatively low in 1972 and will be only 17.5 per cent higher than in 1966, six years ago. By contrast, total personal income in 1972 will be nearly 60 per cent greater than in 1966. And, similarly, average hourly earnings of all private non-agricultural workers in 1972 will be more than 40 per cent higher than in 1966.

Even a substantial increase in corporate profits this year will leave them low by historical standards and low relative to personal and wage income. Every

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American who understands the importance of profits in our free enterprise system should be concerned about this, because profits are the key to more jobs, greater productivity and the competitiveness of American industry in the world economy.

Profit is the name of the game in a free enterprise system. Our system grows in size and in strength as profits grow. Those who would put a freeze on profits would kill the goose that lays the golden eggs. To penalize industry through a freeze on profits would be robbing it of its life's blood.

Let me interject this word of caution, however. Those firms which are exceeding profit margins established under our stabilization program would do well to trim their prices voluntarily. Government action forcing price cuts should not be necessary.

Summing up, I believe there are five actions which must be taken if we are to achieve a stable economy. We should apply wage and price controls equitably, relax economic controls once inflation has been curbed, hold down Federal expenditures, reduce barriers to free international trade, and increase our efforts to smooth the transition from a wartime to a peacetime economy.

Let me say a special word about foreign trade. Our trade balance has deteriorated, falling by \$4.7 billion from the 1970 level to a deficit of \$2 billion. This is the first U.S. trade deficit in the 20th century.

We have already served notice that we will make a strong push to open a new multilateral round of trade negotiations directed especially at the elimination of nontariff barriers. The European Economic Community and Japan now appear receptive to participating in such negotiations in 1973. There must be a concerted multi-national effort to reduce existing nontariff barriers and to guard against the erecting of new ones.

Again on the positive side, currency revaluation and the changes in exchange rates have made the United States more competitive in world markets. The Administration believes these changes will result in the creation of 500,000 to 750,000 new jobs when the impact is fully felt. The monetary realignment agreed upon last December has permitted elimination of many of the exchange control barriers that were in the process of being erected.

To sum up, this Administration is steadily moving this country toward real prosperity, not the false prosperity generated by war--the false prosperity that creates a defense plant boom and puts hundreds of thousands of young men into uniform.

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And just as the Administration is building a genuine prosperity, so we are also seeking a generation of peace in world affairs.

President Nixon has brought a new quality of realism to American foreign policy. We have agreed to accept Mainland China as a sovereign nation. We have ushered in an era of negotiation in place of confrontation. And we have initiated the Nixon Doctrine of helping those friendly nations willing to help themselves.

Last year alone, we reached a number of significant agreements with the Soviet Union:

- * We broke the deadlock in the arms limitation talks and agreed on a framework for progress. There is a strong possibility that President Nixon will be signing a strategic arms limitation agreement during his current trip to Moscow.
- * We reached an agreement on Berlin, reducing at long last the danger of a direct confrontation there between the superpowers.
- * We signed a treaty banning weapons of mass destruction from the seabeds, and agreed on the draft of another treaty to remove the threat of germ warfare.
- * We agreed on a more reliable "hot line" with Moscow.

We have not reached the promised land in our discussions with the Russians and the Chinese, but for the first time in a generation we have the opportunity to build a lasting structure of peace.

In the Middle East the President wants to see the cease-fire which he initiated in 1970 become a permanent peace. We are continuing to work on that problem.

We are ending the cold war but the hot war in Vietnam has become hotter.

As you know, the President has made every effort to negotiate a settlement with Hanoi, including proposals offered by war critics. Thirteen times his personal emissary has flown to Paris to conduct secret negotiations. A whole year ago the President offered the enemy a full withdrawal of American troops from South Vietnam in exchange for a cease-fire and our prisoners of war. But the North Vietnamese insisted on a full political settlement, and in the hope that the secret negotiations might succeed, the President remained silent while many in the Congress attacked him for not doing what he had, in fact, already done.

The charge that President Nixon is seeking a military victory in Vietnam and not peace is an out-and-out lie. The President responded with air and sea counterattacks to the North Vietnamese invasion of South Vietnam because he had no other choice short of abandonment of South Vietnam. He also had a duty as

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commander-in-chief to protect the 60,000 U.S. troops still in South Vietnam, a number that will diminish to 49,000 by July 1.

Now the President is seeking to end the war by choking off the enemy's sources of supply. This is the only way left to stop the fighting, since the other side simply sneers at our efforts to negotiate a settlement. There is risk involved in this course of action but I feel great confidence in the President. I feel sure he has fully weighed all of the factors involved.

One of the aims of the North Vietnamese offensive is to demoralize the American people--to persuade them to declare the war lost and to demand an unconditional pullout of American forces. But a recent poll conducted by the Opinion Research Corp. of Princeton, N.J., shows that 7 out of 10 Americans support the President's use of U.S. air and sea power against North Vietnamese military targets as long as the invasion continues.

Abandonment of our ally is not the road to peace in Vietnam and the world.

Surrender in Vietnam is not the road to a lasting peace.

This is a time when we must all stand up for America. We cannot retreat from Vietnam like a beaten dog with his tail between his legs. The President was forced to take decisive action aimed at depriving the enemy of the supplies he needed to continue his invasion. The only other choice was surrender.

The President's decision does not sit well with those who cry "Peace now" or those who would abandon South Vietnam to a Communist takeover by force. But we must continue to assert world leadership in the face of neo-isolationism, well-meaning but misguided pacifism, and radically organized protest movements which tend to benefit the other side.

We must put the nation on a new course, take her in directions that point toward a new era of greatness for the American people.

We must lay a foundation for prosperity without war and we must build a new strategy for peace.

Our goals are clear. Our purpose is strong. With the help of the American people, we cannot fail.

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