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ECONOMIC CLUB OF INDIANAPOLIS

SEPTEMBER 22, 1976

I AM SO PLEASED TO BE HERE IN BEAUTIFUL INDIANAPOLIS, AND IT IS A PARTICULARLY APPROPRIATE CITY FOR A SECRETARY OF HOUSING AND URBAN DEVELOPMENT TO VISIT, BECAUSE THIS GROWING CITY-COUNTY METROPOLIS IS CARRYING OUT ONE FINE URBAN DEVELOPMENT DEMONSTRATION-IN-PLACE.

YOUR CONCEPT OF "UNIFIED GOVERNMENT" -- MERGING THE AUTHORITIES OF INDIANAPOLIS AND MARION COUNTY -- HAS BEEN LIKENED TO THE STRUCTURE OF AN UP-TO-DATE CORPORATION UNDER OUR SYSTEM OF FREE ENTERPRISE. BUT, IT IS EVEN MORE THAN A WORKING REAFFIRMATION OF THAT OLDEST AMERICAN PRINCIPLE.

IT IS A TRIBUTE TO THE DEMOCRATIC IDEAL OF SELF-GOVERNMENT BY SELF-DETERMINATION; OF LOCAL SOLUTIONS TO LOCAL PROBLEMS.

YOUR SUCCESS IN ACHIEVING WIDE-SWEEPING REFORM IN LOCAL GOVERNMENT WHICH, HAD BECOME UNWIELDY WITH THE WEIGHT OF YESTERDAY'S LEGISLATION, IS PERTINENT TO TODAY'S NATIONAL CONCERN FOR ALL OUR CITIES, AND TO THIS YEAR'S PARTISAN DEBATE ON THE ROLE OF THE FEDERAL GOVERNMENT IN THE URGENTLY NEEDED REVITALIZATION OF AMERICAN NEIGHBORHOODS.



CENTRAL TO THAT DEBATE IS THE SAME LAUNDRY LIST OF ILLS -- MAGNIFIED MANY TIMES OVER -- THAT LED TO YOUR OWN UNIFICATION.

WASTEFUL OVERLAPPING OF JURISDICTIONS, A CATEGORICAL APPROACH TO PIECES OF PROBLEMS; THE IMPOSSIBILITY OF COORDINATED PLANNING; UNEQUAL SERVICE TO CONSTITUENTS; AND -- THE STAGGERING COST TO THE TAXPAYER FOR DELIVERING LESS AND LESS.

YOU KNOW WELL THAT CHANGE DOES NOT COME EASILY WHEN THERE ARE MANY SPECIAL INTERESTS INVOLVED. THERE IS THE OPPOSITION OF HABIT -- A MIND-SET THAT PROMPTS TOO MANY ELECTED OFFICIALS TO SETTLE FOR THE OLD SOLUTIONS EVEN WHERE IT HAS BEEN PROVED THAT THE OLD SOLUTIONS SIMPLY DO NOT WORK.

TOO OFTEN, THEIR ANSWER TO CRITICISM IS THAT THE ONLY THING WRONG WITH THE OLD WAY OF DOING THINGS IS THAT THE SCALE WAS TOO SMALL, THE TIME WAS TOO SHORT, OR THE BUDGET WAS TOO MEAN.

IN THIS BICENTENNIAL ELECTION YEAR, WE HEAR OUR OPPOSITION -- WEEK AFTER WEEK -- CALLING FOR MORE OF THE SAME PROGRAMS OF THE 1960's, THAT GOT THIS NATION IN THE SERIOUS ECONOMIC STRAIT THAT FINALLY CAUGHT UP WITH US IN THE 1970's.

IN TRUTH, MR. CARTER'S ECONOMIC "WIZARDRY" IS A RE-TUNED VERSION OF YESTERDAY'S ECONOMIC "SOLUTIONS" SO HIGHLY TOUTED OVER THE PAST YEAR IN OPPOSITION TO PRESIDENT FORD'S POLICIES. AND THAT COINCIDENCE IS WORTH THINKING ABOUT.

SO, LET US BEGIN BY TAKING STOCK.

WHERE WERE WE A YEAR AGO? WHAT HAVE WE DONE ABOUT IT? WHAT HAVE WE LEARNED THAT SHOULD CAUSE US TO PAY SPECIAL HEED TO THE ECONOMIC DEBATE IN TODAY'S PRESIDENTIAL CAMPAIGN?

NONE OF US CAN FORGET THAT IN 1975, THE MAJOR QUESTION MARK WAS WHETHER OUR NATIONAL ECONOMY WOULD SUSTAIN THE FORWARD MOMENTUM WHICH WAS THEN ON THE CUSP OF A POSITIVE TURN-AROUND -- FROM THE BLEAK AND DEPRESSING 12-MONTH PERIOD OF A TERRIFYING RECESSION COMPOUNDED BY UNCEASING INFLATION.

FOR SURELY, IF AMERICA WAS TO DO ANYTHING TO STEM THE DETERIORATION OF ITS URBAN CENTERS -- AND COPE, AS WELL, WITH THE PROBLEMS OF ITS SMALLER COMMUNITIES -- IT FIRST NEEDED A ROBUST ECONOMY TO SUPPORT THAT EFFORT.

INFLATION STOOD AT 12-14 PERCENT. THE UNEMPLOYMENT RATE WAS ABOUT 9%.

URBAN REVENUES WERE WAY DOWN. NEW YORK AND OTHER CITIES WERE ON THE BRINK OF FINANCIAL FAILURE. INDUSTRY WAS DEPRESSED AND THE HOUSING SECTOR WAS SUFFERING ITS WORST YEAR IN 3 DECADES.

SO, HERE WE ARE -- ONE YEAR LATER.

THE NATION AND ITS ECONOMY SURVIVED -- IN SPITE OF THE DOOMSAYERS -- AND THE DELICATE HEALTH OF THE ECONOMIC UPTURN, WHICH WE WATCHED SO FRETFULLY A YEAR AGO, HAS BECOME STRONGER AND STRONGER WITH EACH PASSING MONTH.

IN ONE SHORT YEAR WE HAVE SEEN:

-- PERSONAL INCOME JUMP \$83 BILLION; -- OUR GROSS NATIONAL PRODUCT GROW BY \$200 BILLION; RETAIL SALES INCREASE 16 PERCENT; AUTO SALES 38 PERCENT; GENERAL MERCHANDISE 11 PERCENT; -- NEW FACTORY ORDERS UP \$17 BILLION.

TODAY, THERE ARE 3 MILLION MORE AMERICANS WORKING THAN ONE YEAR AGO -- IN SPITE OF A TREMENDOUS INFLUX OF WOMEN AND YOUNG PEOPLE INTO THE LABOR MARKET. AND INFLATION HAS BEEN MORE THAN CUT IN HALF.

AND IN HOUSING -- PERHAPS THE HARDEST HIT SECTOR OF OUR ENTIRE ECONOMY. -- NEW STARTS ARE UP 22 PERCENT OVER LAST AUGUST, AND 64 PERCENT OVER THE BEGINNING OF 1975.

WHAT HAVE WE LEARNED THAT SHOULD CAUSE US TO PAY SPECIAL HEED TO THE ECONOMIC DEBATE IN TODAY'S PRESIDENTIAL CAMPAIGN?

WE HAVE COME THIS FAR, NOT THROUGH SOME MAGIC OF A BIG FEDERAL GOVERNMENT "SAVE," BUT THROUGH THE STRONG AND CONSISTENT GUIDING HAND OF A PRAGMATIC PRESIDENT.

AND OUR PROSPECTS FOR CONTINUED GROWTH AND PROGRESS DEPEND ON MAINTAINING THE STEADY COURSE PRESIDENT FORD SET WHEN HE TOOK OFFICE TWO YEARS AGO.

UNDER PRESIDENT FORD, BASED ON HIS RECORD OF UNDERSTATED PROMISES AND HIS PATTERN OF DELIVERING MORE THAN HE PROMISES WE CAN COUNT ON THE FACT THAT INFLATION WILL DROP STEADILY DOWN TO 3 PERCENT BY 1980.

WE CAN COUNT ON THE FACT THAT PERSONAL INCOME WILL INCREASE BY MORE THAN 10 PERCENT EACH YEAR -- PRODUCING MORE REAL PURCHASING POWER NOT A MERE COST-OF-LIVING CATCH-UP.

AND WE CAN COUNT ON THE FACT THAT UNEMPLOYMENT WILL CONTINUE ITS STEADY DECLINE TO LESS THAN 5 PERCENT BY 1980.

NOW, LET US LOOK AT THE CONFUSING AND OFTEN CONTRADICTIONARY PROMISES OFFERED BY MR. CARTER.

IN AN EFFORT TO HEDGE THE "SPENDER" IMAGE HE HAS ACQUIRED FROM SOME SPEECHES TO SOME AUDIENCES HE HAS SAID IN AT LEAST ONE INTERVIEW THERE WOULD BE NO ADDITIONAL SOCIAL PROGRAMS IN A CARTER ADMINISTRATION UNTIL THE BUDGET WAS BALANCED.

THAT CAN ONLY MEAN THAT HE ENDORSES -- AS I DO -- THE COURSE THE PRESIDENT HAS BEEN FOLLOWING, INCLUDING EACH AND EVERY ONE OF THOSE VETOES WHOSE PRINCIPAL OBJECTIVE HAS BEEN TO KEEP OUR NATIONAL DEFICITS DOWN.

IF OUR OPPOSITION APPROVES OF PRESIDENT FORD'S STRATEGY WHICH HAS ACCOMPLISHED SO MUCH, THERE IS NO LOGICAL REASON TO CHANGE LEADERS -- AND THERE IS VERY GOOD REASON TO AVOID UNNECESSARY DISRUPTION AT THIS CRUCIAL STAGE OF NATIONAL ECONOMIC RECOVERY.

BUT THE OPPOSITION CANDIDATE'S REPEATED CALL FOR MORE GOVERNMENT PROGRAMS, LEAVES SCANT LIKELIHOOD THAT HE WOULD FOLLOW THE PRESIDENT'S WISE PRECEDENT.

IF WE LISTEN TO HIS ENDORSEMENT OF PROPOSALS THAT WOULD ADD \$170 BILLION TO A BUDGET THAT IS ALREADY PRODUCING A DEFICIT OF OVER \$50 BILLION THAN WE MUST CONCLUDE THAT HE IS PURSUING THE PRESIDENCY WITH THE SAME "SOMETHING FOR EVERYBODY" PROMISES THAT HAVE BEEN HIS PARTY'S STOCK-IN TRADE FOR FOUR DECADES.

FOR EXAMPLE, THE FAMILIAR ADHERENCE TO THE DISCREDITED NOTION THAT AMERICA CAN "BUY ITS WAY" OUT OF ANY PROBLEM IS FOUND IN HIS SUPPORT OF THE NATIONAL HEALTH INSURANCE PROGRAM THAT WOULD ADD \$70 BILLION AND OF THE HUMPHREY-HAWKINS EMPLOYMENT BILL WHICH WOULD ADD ANOTHER \$50 BILLION TO THE BUDGET IN ITS FIRST YEAR.

AND THE UNVARNISHED EVIDENCE IS THAT THESE PROGRAMS WOULD THWART NEEDED BUSINESS EXPANSION BY DRIVING UP COSTS OF DOING BUSINESS.

THAT HURTS THE VERY PEOPLE THESE PROGRAMS WERE SUPPOSED TO HELP -- WITH GREATER EXPENSES, EMPLOYMENT CONTRACTION, LAYOFFS AND STILL ANOTHER ROUND OF UNEMPLOYMENT CHECKS.

THE HUMPHREY-HAWKINS BILL WOULD "CREATE" MAKE-WORK FEDERAL EMPLOYMENT ON ONE END WHILE THE MEANINGFULLY-EMPLOYED IN THE PRIVATE SECTOR WOULD BE SQUEEZED OUT AT THE OTHER. IN FACT, A CARTER ECONOMIC ADVISOR HAS ESTIMATED THAT THE HUMPHREY-HAWKINS APPROACH WILL DRIVE-UP INFLATION ANOTHER 15 PERCENT.

SURELY, A CONCERN FOR CATASTROPHIC ILLNESS AND UNEMPLOYMENT IS NOT THE SOLE PROVINCE OF THE DEMOCRATIC CANDIDATE. BUT, PRESIDENT FORD'S SOLUTION DOES NOT CALL FOR A DON QUIXOTE CHARGE OF MASSIVE FEDERAL SPENDING TO WIPE OUT THESE ANCIENT ENEMIES.

IN HEALTH INSURANCE, THE PRESIDENT PROPOSES NOT TO FEDERALIZE ALL OF HEALTH CARE, BUT, INSTEAD, TO INSURE THAT ELDERLY PERSONS WITH MAJOR MEDICAL EXPENSES WILL NOT BE FINANCIALLY DESTROYED BY THOSE COSTS.

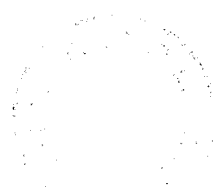
THE PRESIDENT'S CURE FOR UNEMPLOYMENT IS THE BEST REMEDY KNOWN TO A DEMOCRATIC SOCIETY: TO ESTABLISH A STABLE ECONOMY IN WHICH EXPANDING BUSINESS AND INDUSTRY, UNDER THE SYSTEM OF FREE ENTERPRISE, CREATES REAL AND LASTING JOBS AND A GROWING DEMAND FOR BLUE AND WHITE COLLAR WORKERS AT EVERY INCOME LEVEL.

SIMILARLY IN THE HOUSING AREA, WHICH IS OF PARTICULAR CONCERN TO ME, MR. CARTER SAYS THAT WITH HIM AT THE HELM, THE GOVERNMENT WOULD SUBSIDIZE HOUSING STARTS TO A LEVEL OF 2.5 MILLION A YEAR.

SUCH A SUBSIDY PROGRAM WOULD GENERATE WASTE OF OUR EXISTING HOUSING STOCK; TRIGGER ANOTHER WAVE OF OUT-MIGRATION FROM OUR URBAN CENTERS AND LEAD, INEVITABLY, TO A SMALLER PRODUCTION CYCLE IN THE NEXT PERIOD -- AND THUS REINCARNATE THE ECONOMY-SHATTERING SPECTOR OF BOOM-AND-BUST.

AND ALL OF THIS WITHOUT EVEN CONSIDERING THE INFLATIONARY EFFECT OF THAT GOVERNMENT SPENDING ON THE AMERICAN POCKETBOOK.

THIS ISN'T A "SCARE" STATEMENT. IT IS BASED ON THE HARD LESSON OF OUR IMMEDIATE PAST -- FOR, PURSUANT TO THE HOUSING ACT OF 1968, OUR NATION SUBSIDIZED ANNUALLY OVER 2 MILLION STARTS FOR A THREE YEAR PERIOD AND GENERATED A BURST OF HOUSING OVERPRODUCTION THAT WE ARE STILL TRYING TO WORK OFF.



AND IN THE COURSE OF THIS PERIOD OF OVERPRODUCTION OUR NATION ABANDONED HUNDREDS-OF-THOUSANDS OF SOUND, WELL-DESIGNED HOMES IN OUR CITIES AND UNDERUTILIZED ROADS, UTILITIES, AND SEWAGE SYSTEMS ALREADY IN PLACE THERE AS BUYERS HEEDED THE PIED PIPER CALL FOR "NEW IS BETTER," AND RUSHED TO THE SUBURBS.

AND BECAUSE ALL FACTORS IN AN ECONOMIC EQUATION ARE RELATED, THE ARTIFICIALLY PRODUCED "BOOM" LED TO SHARP CUTBACKS IN HOUSING PRODUCTION AND MASSIVE LAYOFFS IN THE CONSTRUCTION INDUSTRY WHICH HIT US HARD ABOUT TWO YEARS AGO.

CERTAINLY PRESIDENT FORD HAS SHOWN HIS BELIEF IN MAINTAINING REASONABLE LEVELS OF HOUSING PRODUCTION -- AND PROOF IS FOUND IN THE GOVERNMENT'S PURCHASE OF MORTGAGES BEARING BELOW MARKET INTEREST RATES WHICH HAS BEEN JUDICIOUSLY AND EFFECTIVELY USED TO NURTURE RECOVERY OF THE HOUSING INDUSTRY.

HIS HOUSING POLICIES ARE DESIGNED TO ACCOMMODATE THE LOGICAL CALL FOR REASONABLE LEVELS OF STARTS WHILE AVOIDING THE DISASTEROUS CYCLES OF ALL OR NOTHING THAT HAVE CHARACTERIZED THE HOUSING CONSTRUCTION INDUSTRY EVER SINCE BIG GOVERNMENT GOT INTO THE ACT.

IT IS A CREDIT TO PRESIDENT FORD'S POLICY OF WORKING WITH -- AND NOT AGAINST -- THE MARKET, THAT HUD HAS ACHIEVED A 42 YEAR SALES RECORD IN RETURNING HOMES TO USEFUL OCCUPANCY, AND HAS PREVENTED THE ABANDONMENT OF OTHERS THROUGH OUR RENTAL SUBSIDY PROGRAM.

RATHER THAN RECREATE MASSIVE SUBSIDY PROGRAMS TO EXPAND HOMEOWNERSHIP OPPORTUNITIES WHICH TOO OFTEN FORCE TAXPAYERS TO SUBSIDIZE THEIR ECONOMIC PEERS, THE PRESIDENT ANNOUNCED IN ANN ARBOR THREE INITIATIVES WHICH HAVE BEEN UNDER STUDY IN MY DEPARTMENT FOR SEVERAL MONTHS.

THE FIRST IS TO LOWER DOWNPAYMENTS FOR THOSE WHO BUY HOMES WITH FHA INSURANCE. FOR THE TYPICALLY-PRICED NEW HOME, THE PRESIDENT'S INITIATIVE WILL CUT THE DOWNPAYMENT IN HALF, THUS HELPING FAMILIES, PARTICULARLY YOUNG FAMILIES WHO ARE BUYING THEIR FIRST HOMES, TO GAIN THE PRACTICAL AND PERSONAL BENEFITS OF HOMEOWNERSHIP.

THE SECOND IS TO EXPAND FHA MORTGAGE LIMITS TO COVER ABOUT 87% OF SALES.

AND THE THIRD, IS TO PROVIDE A FEDERAL GUARANTEE OF A GRADUATED PAYMENT MORTGAGE, WHICH ALLOWS YOUNG FAMILIES TO REDUCE THEIR MONTHLY PAYMENTS IN THE EARLY YEARS WHEN THEIR INCOMES ARE LIKELY TO BE LOWER. THE PAYMENTS INCREASE MODERATELY IN LATER YEARS WHEN THEIR INCOMES ARE EXPECTED TO RISE.

IN THE 1930'S AND 40'S THE FEDERAL GOVERNMENT, REVOLUTIONIZED HOME PURCHASING BY INTRODUCING THE 30-YEAR FULLY-AMORTIZED LOAN. UNDER THE PRESIDENT'S PROGRAM, WE CAN DO THE SAME, ON A SMALLER SCALE, IN THE 1970'S. THESE PROPOSALS ARE NOT BASED ON SUBSIDIES PAID FOR WITH TAX DOLLARS -- THEY ARE INNOVATIVE METHODS FOR HELPING FAMILIES TO PAY FOR THEIR OWN HOMES.

BUT NO AMOUNT OF INNOVATION WILL WORK IF THE AMERICAN FAMILY DOES NOT HAVE THE SPENDABLE INCOME TO MAKE THE DOWNPAYMENT AND TO PAY THE MORTGAGE, UTILITIES AND MAINTENANCE.

THE ONLY SURE PRESCRIPTION FOR THAT IS THE CONTINUATION OF THE STEADY PROGRESS WHICH PRESIDENT FORD HAS MADE IN REDUCING INFLATION AND INCREASING EMPLOYMENT THROUGH ARTFUL STIMULATION OF THE PRIVATE SECTOR.

SO, I REPEAT: IT IS A SPECIAL TREAT TO BE HERE IN INDIANAPOLIS. WHAT YOU HAVE DONE, HERE, TO THROW OFF THE SELF-DEFEATING HABITS OF GOVERNMENT ATTUNED TO THE PROBLEMS OF YESTERDAY, IS WORKING PROOF THAT PRESIDENT FORD'S AGENDA FOR AMERICA IS ON THE RIGHT TRACK.

THE OPPOSITION CANDIDATE MAY FIND IT EXPEDIENT TO USE OLD SOLUTIONS: TO PROMISE "SOMETHING FOR EVERYBODY." BUT I AM PROUD OF PRESIDENT FORD BECAUSE HE IS SPARING IN HIS PROMISES -- AND HE IS PRODUCING RESULTS FOR ALL AMERICANS.

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