

Transcript of President Nixon's Address

Following is a transcript of President Nixon's economic address yesterday, as recorded by The New York Times:

Good afternoon, my fellow Americans.

Today I would like to share with you my thoughts on three subjects that reach into the homes and the pocket-books of every family—your job, your income and your cost of living.

Specifically, I shall announce actions that will help to move us ahead more quickly toward our goal of full employment, economic growth and reasonable price stability in peacetime.

Let us begin by recognizing these facts:

The American economy is the strongest in the world. This year the number of Americans who have jobs is the highest in our history. Even allowing for taxes and inflation, the average real income of Americans is higher this year than ever before in part because of the increase in Social Security benefits and the reduction of the tax surcharge, which will end entirely this month.

Now because of that basic economic strength, we can honestly and confidently face up to our current problems.

Unemployment has increased, the price index continues to rise, profits have gone down, the stock market has declined. Interest rates are too high.

Today, I am presenting a program to deal with these problems.

Causes of Economic Problems

First we should recognize the causes of our economic difficulties. What we are doing here is to deal with the problems of a nation in transition from a wartime economy to a peacetime economy.

Our economy must consequently make adjustments to two great changes at the same time. One change is that defense spending is on the way down. For the first time in 20 years, the Federal Government is spending more on human-resources programs than on national defense. This year, we are spending \$1.7-billion less on defense than we were a year ago. In the next year, we plan to spend \$5.2-billion less.

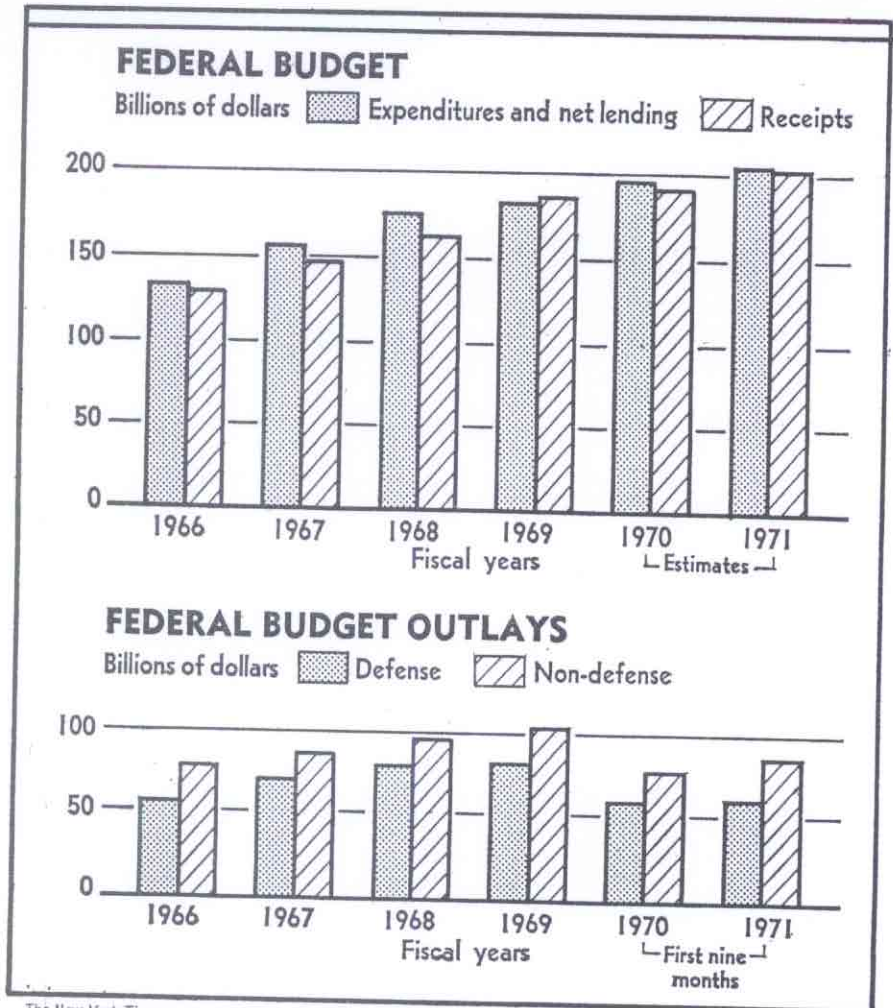
This is more than a redirection of resources. This is a historic reordering of our national priorities.

The cuts in defense spending mean a shift of job opportunities away from defense production to the kind of production that meets social needs. This will require adjustment by many employes and businesses.

For example, over 400,000 military and civilian employes have been released in this past year by our armed forces. In that time, cutbacks in defense spending have reduced jobs in defense plants by about 300,000. Taken together, that's almost three-quarters of a million people affected by the reduction in defense spending.

Now, while many of these workers have found new jobs, it's not hard to see where much of the current increase in total unemployment has come from.

Despite the difficulties of this transition, progress toward a peaceful economy is a good sign for the labor force and for the business community. Reduction in defense spending gives us more room in the Federal budget to meet human needs at home. It makes it possible to build a much more enduring prosperity in this country.



THURSDAY, JUNE 18, 1970

to Nation on Inflation and Economic Policy

Peacetime Economy on Way

With its trials and with its hopes a peacetime economy is clearly on the way. We've already brought home 115,000 men from Vietnam. Our success in destroying enemy supply bases in Cambodia has made it possible for us to go forward with the program for withdrawal of 150,000 more men, which I announced in my speech of April 20, without jeopardizing the lives of our men who would be brought home after that.

Our scheduled withdrawal of forces from Cambodia by June 30 will be kept. Our scheduled transition from a wartime economy to peacetime consumer economy will be kept.

While our economy adapts to the reordering of our national priorities and resources, we are undergoing a second great change. We are trying to do something that never has been done before—to avoid a recession while we bring a major inflation to an end.

This Administration took office after a long period in which this nation lived far beyond its means. In the decade of the sixties, Federal deficits totaled \$57-billion. And the American consumer was forced to pay the piper in terms of a rising spiral of prices.

Seventeen months ago when this Administration took office, we stood at a crossroads of economic policy. There were actually four roads open to us. One was the road of runaway inflation. To do nothing about Government spending and rising prices. To let the boom go on booming until the bubble burst.

That was the road the nation was taken on in the sixties. And the people who suffer most along that road are the millions of Americans living on fixed incomes.

The road headed in the opposite direction from that one was a possible choice as well.

Let the economy go through the wringer, as some suggested, and bring on a major recession.

Well, that would stop inflation abruptly. But at a cost in human terms of broken careers and broken lives that this nation must never again have to pay.

Route of Wage-Price Controls

A third choice was the route of wage and price controls, which would lead to rationing, black marketing, total Federal bureaucratic domination. And it would never get at the real causes of inflation.

That left a fourth choice. To cut down the sharp rise in Federal spending and to restrain the economy firmly and steadily. And that way prices would slow their rise without too great a hardship on the working man, the businessman, and the investor.

That was the road of responsibility. That is the road we chose. And that is the road we are continuing on today.

Because we are concerned with both rises, prices and jobs, we have put the brakes on inflation carefully and steadily.

This did not mean that inflation could end without some slowdown in the economy but we were willing to make

a trade: To sacrifice speed in ending inflation in order to keep the economic slowdown moderate.

At the outset of our fight against inflation, we pointed out that it would take time to relieve the heavy spending programs and pressures on the economy.

After that beginning, it would take more time to see if those reduced pressures result in a slowdown in price rises. Now many people wonder why we are easing some of the restraints on the economy before we've seen dramatic results in slowing down the rise in the cost of living.

Why, they ask, don't we keep on with all of our measures to hold down the economy until price rises stop completely.

Let me put it this way. It's a little like trying to bring a boat into a dock. You turn down the power well before you get to the dock and let the boat coast in.

Must Ease Power of Restraint

Now, if you waited until you reached the dock to turn down the power, you'd soon have to buy a new dock or a new boat. In the same way, we're heading for the dock of price stability. We have to ease up on the power of our restraint and let our momentum carry us safely into port.

That's why our independent central banking system has seen fit to ease up in the money supply. That is why I relaxed the cutback on Federal-assisted construction projects and why I have not asked for a new surtax.

These actions are not a signal that we are giving up our fight against inflation. On the contrary, they mean that there was already enough power applied to reach the dock and now we'd better make sure that we don't damage the boat.

The Federal Reserve's monetary policy, which permitted no growth in the money supply at all in the second half of 1969, has now been relaxed. In the past six months the money supply has grown at a rate of about 6 per cent a year.

The chairman of the Federal Reserve Board has assured the nation that there will be enough money and credit to meet future needs and that the orderly expansion of the economy will not be endangered by a lack of liquidity.

Now, I'm not asking anyone to put on rose-colored glasses. We're well aware of the forces working against us. To make sure the coming upturn in the economy will not be of the kind that brings on a new surge of inflation, we have gained control of the runaway momentum of Federal spending, the spending that triggered the rise in prices in the first place.

In the three years before this Administration took office, Federal spending rose an average of 15 per cent a year, the sharpest rate of increase since the Korean war. In the current fiscal year we've slashed that rate of increase in half to 7 per cent. And in the coming year we intend to cut that rate of increase in spending by half again.

Some Hard Decisions Required

Now, this required some hard decisions, including, as you may recall, the veto of a popular appropriations bill. But it was vital to win the battle to hold down spending so that we could ultimately hold down prices.

We are winning that battle, but we cannot let up now.

I am convinced that the basic economic road we have taken is the right road, the responsible road, the road that will curb the cost of living and lead us to orderly expansion.

However, we have to face some difficult problems.

The momentum of four years of inflation was stronger than had been anticipated. The effect on unemployment is greater than we foresaw. The pace of our progress toward price stability and high employment has not been quick enough.

Now, this does not mean that we should abandon our strategy.

It does mean that we must pay heed to economic developments as we move along and adjust our tactics accordingly. While relying basically on continued moderation in general fiscal and monetary policies, I think it is necessary and timely to supplement them with several more specific measures. And here are the actions I am taking to speed up the fight against inflation.

First, I shall appoint a National Committee on Productivity with representatives from business, labor, the public and Government. In general, productivity is a measure of how well we use our resources. In particular, it means how much real value is produced by an hour of work.

In the past two years, productivity

has increased far less than usual. In order to achieve price stability, healthy growth, and a rising standard of living, we must find ways of restoring growth to productivity.

This commission's task will be to point the way toward this growth in 1970 and in the years ahead.

Balance of Costs and Output

I shall direct the commission to give first priority to the problems we face now. We must achieve a balance between costs and productivity that will lead to more stable prices.

Productivity in the American economy depends on the effectiveness of management, the investment of capital for research development and advanced technology and most of all on the training and progressive spirit of 86 million working Americans.

To give its efforts the proper base of understanding, the commission will this summer bring together leaders of business, labor, Government and the general public to meet in a special President's Conference on Productivity.

Second, I have instructed the Council of Economic Advisers to prepare a periodic inflation alert. This will spotlight the significant areas of wage and price increases and objectively analyze their impact on the price level. This inflation alert will call attention to outstanding cases of price or wage increases and will be made public by the Productivity Commission.

Third, I'm establishing a Regulations and Purchasing Review Board within the Federal Government. All Government actions will be reviewed to determine where Federal purchasing and regulations drive up costs and prices. Our import policy will be reviewed to see how supplies can be increased to meet rising demand without losing jobs here at home.

Now, let me specifically spell out what I will do and what I will not do.

I intend to help focus the attention of business and labor on the need for increased productivity. This is the way for them to serve their own interests while they serve the public interest.

This is the only way to make sure that increases in earnings are not wiped out by the rising cost of living.

This Administration by its spending restraint has set the example in this past year.

Restraint by Business and Labor

We believe we have now earned the credentials to call for similar restraint from business and labor to slow down inflation.

Now is the time for business at every level to take price actions more consistent with a stable cost of living. Now is the time for labor to structure its wage demands to better achieve a new stability of costs.

The fight against inflation is everybody's business. If you act against the national interest, if you contribute to inflation in your price or wage demands, then you are acting against your own best interest, and your customer's best interest.

And that is neither good business nor good bargaining.

If businessmen and workingmen are willing to raise their sights by lowering their demands, they will help themselves by helping to hold down everybody's cost of living.

I believe there is a new social responsibility growing up in our economic system on the part of unions and corporations. Now is the time for that social concern to take the form of specific action on the wage-price front.

No Controls in Disguise

Now, here is what I will not do.

I will not take this nation down the road of wage and price controls, however politically expedient that may seem. Controls and rationing may seem like an easy way out, but they are really an easy way in—to more trouble, to the explosion that follows when you try to clamp a lid on a rising head of steam without turning down the fire under the pot.

Wage and price controls only postpone a day of reckoning. And in so doing, they rob every American of a very important part of his freedom.

Nor am I starting to use controls in disguise. By that I mean the kind of policy whereby Government makes executive pronouncements to enforce guidelines in an attempt to dictate specific prices and wages without authority of law.

I realize that there are some people who get satisfaction out of seeing an individual businessman or labor leader called on the carpet and browbeaten by Government officials. But we cannot

protect the value of the dollar by passing the buck.

That sort of grandstanding distracts attention from the real cause of inflation and it can be a dangerous misuse of the power of Government.

The actions I have outlined today are well within the powers of the President. But there are other actions that the President cannot take alone.

This is not the time for the Congress to play politics with inflation by passing legislation granting the President standby powers to impose wage and price controls. The Congress knows I will not impose controls because they would do more harm than good.

This is the time, however, for Congress and the President to cooperate on a program specifically addressed to help the people who need help most in a period of economic transition from a wartime to a peacetime economy.

Now, here is that program: To provide more help now to those workers who have lost jobs, I urge the Congress to pass the legislation I have proposed to expand and strengthen our unemployment insurance system. This legislation would cover almost five million more people who lack this protection now. And the system would be made more responsive to changing economic conditions.

I submitted this legislation to the Congress almost a year ago. It's time for the Congress to act.

Calls for More Job Training

To help those in need of job training, I urge the Congress to pass the Manpower Training Act, which provides an automatic increase in manpower training funds in times of high unemployment. I submitted this proposal to the Congress 10 months ago. It's time for the Congress to act.

I ask for a full appropriation for the Office of Economic Opportunity and I request the Congress to provide at once a supplemental budget of \$50-million to provide useful training and support to young people who are out of school in the summer months.

To further protect the small investor, I support the establishment of an insurance corporation with a Federal backstop to guarantee the investor against losses that could be caused by financial difficulties of brokerage houses. While this would not affect the equity risk that is always present in stock market investment, it will assure the investor that the stability of the securities industry itself does not become cause for concern.

To relieve the worries of many of our older citizens living on fixed incomes, I urge the Congress to pass my proposal to tie Social Security benefits to the cost of living. This proposal, passed by the House, awaiting Senate action for the past month, will keep the burden of the fight against inflation from falling on those least able to afford it.

To stimulate an industry bearing the brunt of high interest rates, I urge enactment of the Emergency Home Finance Act of 1970. This would attract as much as \$6-billion into the housing market in the coming fiscal year. More than a third of a million families need this legislation for home financing now and the resulting new construction of more than 200,000 houses will also help provide many new jobs.

Emergency Assistance to Railroads

This housing bill was passed unanimously by the Senate. It has been awaiting action for three months in the House. It is time for the Congress to act.

To help the small businessman who finds it difficult to get necessary credit, I have asked the Congress for greater authority for the Small Business Administration to stimulate banks and others to make loans to small businesses at lower interest rates.

I submitted this legislation to the

Congress three months ago. It's time for the Congress to act.

To strengthen our railroad industry, I am asking for legislation that will enable the Department of Transportation to provide emergency assistance to railroads in financial difficulties. I am also urging the independent Interstate Commerce Commission to give prompt attention to the urgent financial problems of this industry.

And, finally, to curb inflationary pressures throughout our economy, I call upon the Congress to join me in holding down Government spending, to avoid a large budget deficit.

This requires a new restraint on spending programs and the passage of the revenue-producing measures that I have already made.

There is an old and cynical adage that says in an election year the smart politician is one who votes for all bills to spend money and votes against all bills to raise taxes.

But in this election year of 1970 that old adage cannot apply. The American people will see through any attempt by anyone to play politics with their cost of living and whenever a member of Congress displays the imagination to introduce a bill that calls for more spending, let him display the courage to introduce a bill to raise the taxes to pay for that new program.

Long before the art of economics had a name, it was called political arithmetic. The American people expect their elected officials to do their political arithmetic honestly.

The actions I've taken today together with the proposals I have made are needed now to help us through this time of transition.

I believe this is the right program at the right time and for the right purpose. There is no more important goal than to curb inflation without permitting severe disruption.

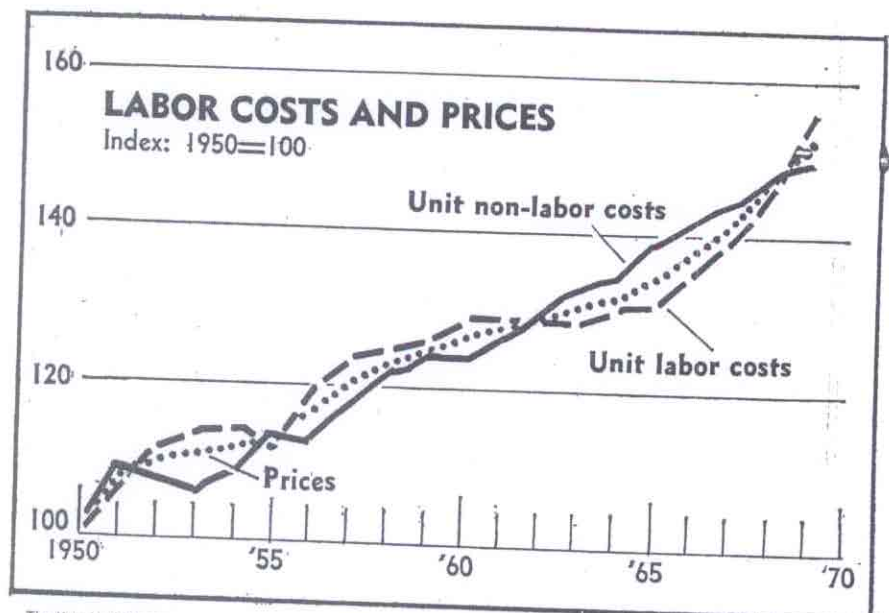
New Action Pledged If Needed

This is an activist Administration and should new developments call for new action in the future, I shall take the action needed to attain that goal.

Before I close today, I would like to give you a broader view of the significance of what is happening in the American economy.

We have more at stake here than a possible difference of one or two-tenths of a percentage point in the price level in 1970. All of us have to make decisions now which will profoundly affect the survival of a free economic system throughout the world.

Industrial countries around the world



The New York Times

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Unit labor costs are the cost of direct labor for each unit of production—each auto or ton of steel. If worker output, or productivity, rises as much as hourly pay, there is no increase in unit costs. The chart shows that over the long run prices have risen about in an accord with the unit labor costs.

all face the problems of inflation. By solving our problems here without throwing away our freedom, we shall set an example that will have great impact on the kind of economic systems others may choose.

Our free economic system has produced enormous benefits for the American people. The United States, with 10 per cent of the free world's people, produces 40 per cent of the free world's output. We did not gain that production power by shackling our free economic system.

The average American has the highest real disposable income in the world and it is higher today than ever before in our history. We did not reach that height by turning over economic freedom to Government.

In the next five years—and in real terms—the American consumer will be able to buy almost 20 per cent more than he does today. To reach that attainable goal, we need no artificial dependence on the production of the weapons of war. On the contrary, we will all share much more fully in a peacetime prosperity.

As I see it, prosperity is not a period of good times between periods of hard times. That's false prosperity with people riding high but riding for a fall. Nor is prosperity a time when the well-to-do become better off while everyone else stays the same or falls behind—that's partial prosperity. It only widens the gap between our people.

The true prosperity that I envision offers a new fairness in our national life. We are working toward a system that will provide "job justice," open and equal opportunity for every man and woman to build a good career.

We are working toward a system that replaces the old ups and downs with a new steadiness of economic growth within our capacity to produce sufficiently. And we are working toward a system that will deliver a higher standard of living to a people living in peace.

That is the hope offered by a modern free enterprise system, not managed by Government and not ignored by Government, but helped by a Government that creates the climate for steady, healthy growth.

As we move forward into a peacetime economy I am confident that we will achieve the only kind of prosperity that counts. The prosperity that lasts, the prosperity that can be shared by every American.

Thank you and good afternoon.
