

WXPost

Text of President Nixon's

Following are excerpts of Mr. Nixon's prepared speech on the economy last night:

... Confronted with an unacceptable level of inflation on the one hand, and with a temporary slackening of economic activity on the other, many voices have lately been raised demanding some swift, spectacular action. Some ask for reimposing wage and price controls. Others recommend that we wring out the economy with higher taxes or sharply restrict, even at the cost of a severe recession. On the other hand, there are those who urge that we should lower taxes in order to pump up the economy more rapidly. Others suggest that we should simply give up—that we should accept a rampant inflation as a mysterious and incurable disease, and concentrate on learning to live with it.

We are not going to do any of these things. Let me tell you why—and what we will do instead.

If experience teaches anything, it is that economic policies aimed exclusively at short-term relief too often bring long-term grief...

Let me tell you first what we are not going to do.

We are not going to resort to the discredited patent medicine of wage and price controls. To return to controls now for temporary relief would only create new distortions, and thus intensify our long-term difficulties.

We are not going to respond to the short-term slack in the economy by priming the pumps of inflation with new deficit spending, or with a new easing of credit, or with tax cuts that would only make inflation worse. This would be like pouring gasoline on a raging fire.

Neither will we administer the shock treatment of a sudden drastic "wringing out" of inflation, the cost of which in terms of increased unemployment would be unacceptable...

Our aim is to control inflation while continuing to produce more, so that people can live better. The key to this lies in keeping our eye squarely on the long term—and in keeping it there even as we actively manage our short-term difficulties. It lies in choosing a sensible, realistic course and

sticking to it, whatever the pressures...

We will continue to monitor every sector of the economy. We will take what actions are necessary to prevent undue hardship. But we will not react either to general or to specific needs with gimmickry or emotionalism, and we will continue steadily on our basic anti-inflationary course.

A policy to check inflation is fundamentally a policy to curb the growth of demand relative to the growth of supply. In the short run, attention must focus on holding down the increase in demand, because with few exceptions increasing supply takes a considerable amount of time.

There are exceptions, however, where changes in government policy can result in rapid expansion. Examples on which we have already acted include the turning back into production of tens of millions of acres of farmland which had previously been kept idel, and the sale of excess government stockpiles of certain raw materials.

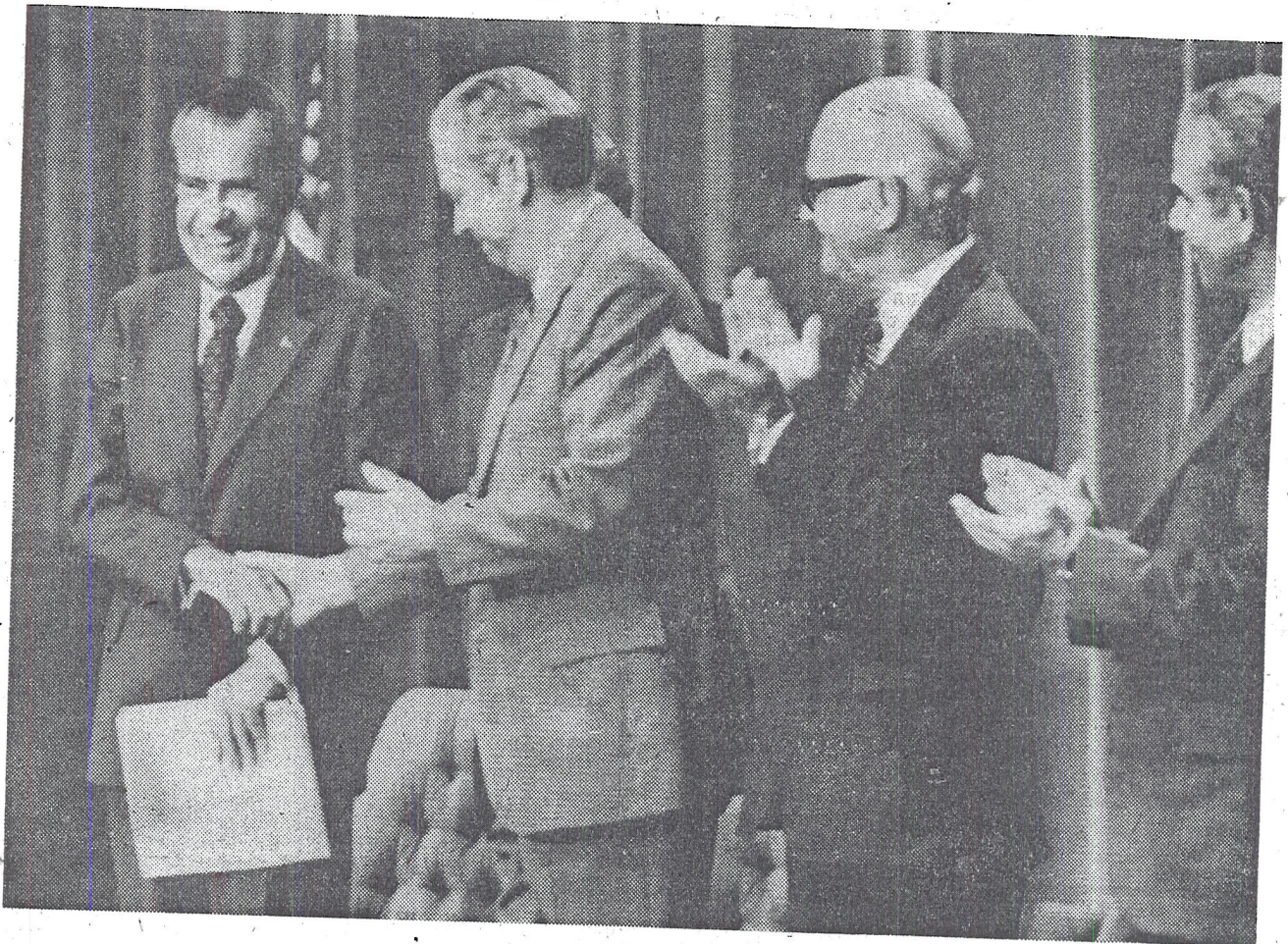
In the longer run, we can focus more on increasing the growth of output—on producing more rather than demanding less. So our strategy must have two elements—mainly restraining demand in the short run and expanding supply in the long run.

The most obvious thing the federal government can do to restrain demand is to hold down its own spending. For the current fiscal year, expenditures under the budget I submitted in February would be \$305 billion. A variety of forces, the most important being pending congressional legislation in excess of the budget, threaten to raise this to \$312 billion. Undoubtedly more spending proposals will be pressed in Congress in the months ahead.

I will not accept this inflation of the budget. On the contrary, I am determined to cut below \$305 billion, toward a goal of \$300 billion. I intend to veto congressional actions that would raise total spending above the budget. Beyond this, I have directed the heads of all federal departments and agencies—without exception—to trim already-programmed federal spending toward that goal of \$300 billion.

I have also ordered a re-

Speech on His



Business leaders applaud President Nixon following his speech in Los Angeles on the economy.

Associated Press

duction of 40,000 in the number of federal employes provided for in the budget for the current year. This alone will save \$300 million.

For the 1976 fiscal year—which begins in just eleven months—I shall submit a budget that will not only be in balance, but that will actually reduce the rate of growth of federal spending—so that the increase from 1975 to 1976 will be less than the increase from 1974 to 1975, rather than more. When necessary, I shall propose repeal of existing legislation that makes spending mandatory.

Two weeks ago I signed the congressional Budget and Impoundment Control Act of 1974. For the first time in our nation's history, this law provides a mechanism for the Congress to consider the whole budget comprehensively, not just its parts. It will be essential that this be used effectively with the clear, continuing objective of reducing or eliminating expenditures that would help some of the people but cause higher prices for all of the people.

The President alone cannot cut the cost of government. This new law provides a means by which the Congress and the President come together to accomplish that goal.

The other principal weapon in the government's arsenal to control inflation is monetary policy—that is, control over the expansion of money and credit. It is the function of the Federal Reserve System to maintain an adequate supply of money and credit, but to prevent that supply from rising too fast. The Federal Reserve is doing so. Holding down money and credit in the face of rapid inflation causes high interest rates, which nobody likes. But allowing more rapid monetary expansion would soon cause even more rapid inflation and even higher interest rates. Therefore, the course the Federal Reserve is on is the necessary route to less inflation and lower interest rates.

Like any other part of the anti-inflation program, monetary restraint can be overdone. It has not been overdone and it will not be. We

shall provide the expansion of money and credit necessary to support moderate growth of the economy, at reasonable prices. . . . There will not be a credit crunch in which the money for essential economic activity becomes unavailable.

As far as the federal government is concerned, we will cut the growth of federal spending. We will hold down the growth of money and credit to check private spending.

And I call on state and local governments, on businesses and consumers to hold down their own spending and increase their own saving as their contribution to the fight against higher prices. I recognize that some Americans cannot cut their spending without real hardship. Some expenditures by business cannot be cut without cutting production now or in the future. But most families could reduce or defer some expenditure—building their savings instead—without hardship. . . .

I referred earlier to the significance of a \$12 billion difference in the federal

budget. A cut of only one and a half per cent in personal consumption expenditures—putting away 15 cents for every \$10 spent—would make a similar difference

Economic Policies

in the fight against inflation.

How rapidly we succeed in cutting inflation will also depend on business and labor. If they continue pushing prices and wages rapidly upward, this will continue the inflationary pressure. But sales will suffer, because consumers will resist paying higher prices, and employment will also suffer. No one will be better off.

Before, in their own interest as well as in the nation, it is essential that business and labor act responsibly in their price and wage demands. We shall not return to price and wage controls. But I shall use every influence of the residency to bring about voluntary restraint on the part of both business and labor.

In the short run, as I have said, we must focus on measures to restrain demand. But to achieve prosperity without inflation in the long run, we must focus above all on producing more, so that we can have more goods and services without higher prices.

For example, government regulations often require trucks to run empty—both wasting fuel and raising the cost to the consumer everything those trucks carry. I have directed a sweeping review of these policies, with the objective of recommending those changes needed to bring regulatory policies in

line with the needs of a new era when increasing productivity must be a primary means of achieving our primary economic goal: prosperity without inflation.

Some of the most important regulations from this standpoint are not federal, but state or local, such as obsolete building codes. Therefore, this review will encompass the reforms needed at all levels. At the same time, I again urge the Congress to enact the regulatory reforms that I have already proposed with respect to transportation and financial institutions, for example—in order to make our economic system more productive and less inflationary.

We must reevaluate the trade-off between increasing supplies and certain other objectives, such as improving the environment and increasing safety. These are important, but we often have a tendency to push particular social goals so fast or so far that other important economic goals are unduly sacrificed.

We will take new measures to encourage productivity, and to increase supplies of scarce resources. In particular, we are going to press vigorously forward in increasing supplies of energy and food—the biggest components of the recent inflationary surge.