

Transcript of the President's Economic

Following is a transcript of President Ford's economic address before a joint session of Congress yesterday, as recorded by The New York Times:

Mr. Speaker, Mr. President, distinguished guests, my very dear friends.

In his first inaugural address, President Franklin D. Roosevelt said, and I quote, "The people of the United States have not failed. They want direct, vigorous action, and they have asked for discipline and direction under our leadership."

Today, through our economic difficulties, do not approach the emergency of 1933. The message from the American people is exactly the same.

I trust that you are getting the very same message that I am receiving. Our constituents want leadership. Our constituents want action.

All of us have heard much talk on this very floor about Congress recovering its rightful share of national leadership. I now intend to offer you that chance.

The 73d Congress responded to F.D.R.'s appeal in five deays. I'm deeply grateful for the cooperation of the 93d Congress and the Conference on Inflation which ended 10 days ago.

Mr. Speaker, many but not all of your recommendations on behalf of your party's caucus are reflected in some of my proposals here today.

The distinguished majority leader of the Senate offered a nine-point program. I seriously studied all of them and adopted some of his suggestions.

'I Had to Decide'

I might add I have also listened very hard to many of our former colleagues in both parties and of both the majority and the minority and have been both persuaded and dissuaded. But in the end I had to make the decision. I had to decide, as each of you do, when the roll-call is called.

I will not take your time today with a discussion of the origins of inflation and its bad effects on the United States, but I do know where we want to be in 1976 on the 200th birthday of a United States of America that has not lost its way nor its will nor its sense of national purpose.

During the meetings on inflation I listened carefully to many valuable suggestions. Since the summit I have evaluated literally hundreds of ideas day and night. My conclusions are very simply stated:

There is only one point on which all advisers have agreed: We must whip inflation right now.

None of these remedies proposed—great or small, compulsory or voluntary—stands a chance unless they are combined in a considered package, in a concerted effort, in a grand design.

I have reviewed the past and the present efforts of our Federal Government to help the economy. They are simply not good enough, nor sufficiently broad.

Nor do they pack the punch that will turn America's economy on. A stable American economy cannot be sustained if the world's economy is in chaos. International cooperation is absolutely essential and vital.

But while we seek agreement with other nations, let us put our own economic house in order.

WEDNESDAY, OCTOBER 9, 1974

Address to a Joint Session

of Congress

Today, I have identified 10 areas for out joint action, the executive and the legislative branches of our government.

No. 1, food. America is the world's champion producer of food. Food prices and petroleum prices in the United States are primary inflationary factors. America today partially depends on foreign sources for petroleum, but we can grow more than enough for our—food for ourselves.

To halt higher food prices we must produce more food. And I call upon every farmer to produce the full capacity, and I say to you and to the farmers, they've done a magnificent job in the past and we should be eternally grateful.

Removal of Limits Urged

This Government, however, will do all in its power to assure him, that farmer, he can sell his entire yield at reasonable prices. Accordingly, I ask the Congress to remove all remaining acreage limitations on rice, peanuts and cotton.

I also assure America's farmers here and now that I will allocate all the fuel and ask authority to allocate all the fertilizer they need to do this essential job.

Agricultural marketing orders and other Federal regulations are being reviewed to eliminate or modify those responsible for inflated prices.

I have directed our new Council on Wage and Price Stability to find and to expose all restrictive practices—public or private—which raise food prices.

The Administration will also monitor food production, margins, pricing and export. We can and we shall have an adequate supply at home and through cooperation meet the needs of our trading partners abroad.

Over this past weekend we initiated a voluntary program to monitor grain exports. The Economic Policy Board will be responsible for determining the policy under this program.

In addition, in order to better allocate our supplies for export I asked that a provision be added to Public Law 480 under which we ship food to the needy and friendly countries.

The President needs authority to waive certain of the restrictions on shipments based on national interests or humanitarian grounds.

No. 2, energy. America's future depends heavily on oil, gas, coal, electricity and other resources called energy. Make no mistake. We do have a real energy problem.

The Primary Solution

One-third of our oil—17 per cent of America's total energy—now comes from foreign sources that we cannot control at high cartel prices, costing you and me \$16-billion—\$16-billion more than just a year ago.

The primary solution has to be at home. If you've forgotten the shortages of last winter, most Americans have not.

I've ordered today the reorganization of our national energy effort and the

creation of a national energy board. It will be chaired with developing—or should—I should say charged—with developing a single national energy policy and program.

And I think most of you will be glad to know that our former colleague Rog Morton, our Secretary of Interior, will be the over-all boss of our national energy program.

Rog Morton's marching orders are to reduce imports of foreign oil by one million barrels a day by the end of 1975, whether by savings here at home or by increasing our own sources.

Secretary Morton, along with his other responsibility, is also charged with increasing our domestic energy supply by promptly utilizing our coal resources and expanding recovering of domestic oil still in the ground in old wells.

New legislation will be sought, after your recess, to require use of cleaner coal processors and nuclear fuel in new electric plants; and the quick conversion of existing oil plants.

I propose that we, together, set a target date of 1980 for eliminating oil-fired plants from the nation's base loaded electrical capacity.

I will use the Defense Production Act to allocate scarce materials for energy development. And I will ask you, the House and Senate, for whatever amendments prove necessary. I will meet with top management of the automobile industry to assure, either by agreement or by law, a firm program aimed at achieving a 40 per cent increase in gasoline mileage within a four-year development deadline.

Priority legislation—action, I should say—to increase energy supply here at home requires the following:

One, long-sought deregulation of natural gas supplies.

No. 2, responsible use of our naval petroleum reserves in California and Alaska.

No. 3, amendments to the Clean Air Act, and;

Four, passage of surface mining legislation to ensure an adequate supply with common sense environmental protection.

Now if all of these steps fail to meet our current energy-saving goal I will not hesitate to ask for tougher measures.

Long-range Goals

For the long-range we must work harder on coal gasification; we must push with renewed vigor and talent research in the use of non-fossil fuel, the power of the atom, the heat of the sun and the steam stored deep in the earth, the force of the winds and water must be main sources of energy for our grandchildren. And we can do it.

No. 3, restrictive practices.

To increase productivity and contain prices we must end restrictive and costly practices whether instituted by government, industry, labor or others. And I am determined to return to the vigorous enforcement of antitrust laws.

The Administration will zero in on more effective enforcement of laws against price fixing and bid rigging.

For instance, noncompetitive professional fee schedules and real estate settlement fees must be eliminated. Such violations will be prosecuted by the Department of Justice to the full extent of the law.

Now I ask the Congress for prompt authority to increase maximum penalties for antitrust violations from \$50,000 to \$1-million for corporations, and from \$50,000 to \$100,000 for individual violators.

At the conference on inflation, we found, I would say, very broad agreement that the Federal Government imposes too many hidden and too many inflationary costs on our economy.

As a result, I propose a four-point program aimed at a substantial purging process.

No. 1 I've ordered the Council Wage and Price Stability to be a watchdog over inflationary costs of all governmental actions.

2. I asked the Congress to establish a national commission on regulatory reform to undertake a long-overdue total re-examination of the independent regu-

latory agencies. It will be a joint effort by the Congress, the executive branch and the private sector to identify and eliminate existing Federal rules and regulations that increase costs to the consumer without any good reason in today's economic climate.

Three, hereafter I will require that all major legislative proposals, regulations and rules emanating from the executive branch of the Government will include an inflation impact statement that certifies we have carefully weighed the effect on the nation.

I respectfully request that the Congress require a similar advance inflation impact statement for its own legislative initiatives.

Finally, I urge state and local units of government to undertake similar programs to reduce inflationary effects of their regulatory activity.

At this point I thank the Congress for recently revitalizing the National Commission on Productivity and Work Quality. It will initially concentrate on problems of productivity in government — Federal, state and local. Outside of government, it will develop meaningful blueprints for labor-management cooperation at the plant level. It should look, particularly, at the construction and the health service industries.

The Council on Wage and Price Stability will, of course, monitor wage and price increases in the private sector. Monitoring will include public hearings to justify either price or wage increases.

I emphasize—in fact, re-emphasize—that this is not a compulsory wage and price control agency. Now, I know many Americans see Federal controls as the answer. But I believe from past experience controls show us that they never really stopped inflation—not the last time, not even during and immediately after World War II, when, as I recall, prices rose despite severe and enforceable wartime rationing.

Now peacetime controls actually, we know from recent experience, create shortages, hamper production, stifle growth and limit jobs. I do not ask for such powers, however politically tempting, as such a program causes the fixer and the black-marketeer to flourish, while decent citizens face empty shelves and stand in long waiting lines.

Need for Capital

No. 4. We need more capital. We cannot eat up our seed corn. Our free enterprise system depends on orderly capital markets through which the savings of our people become productively used.

Today our capital markets are in total disarray. We must restore their vitality. Prudent monetary restraint is essential.

You and the American people should know, however, that I have personally been assured by the chairman of the independent Federal Reserve Board that the supply of money and credit will expand sufficiently to meet the needs of our economy and that in no event will a credit crunch occur.

The prime lending rate is going down. To help industry buy more machine and create more jobs I am recommending a liberalized 10 per cent investment tax credit. This credit should be especially helpful to capital-intensive industries such as primary metals, public utilities where capacity shortages have developed.

I'm asking Congress to enact tax legislation to provide that all dividends on preferred stock issued for cash be fully deductible by the issuing company. This should bring in more capital, especially for energy-producing utilities. It will also help other industries shift from debt to equity, providing a sounder capital structure.

Capital gains tax legislation must be liberalized as proposed by the tax reform bill currently before the Committee on Ways and Means. I endorse this approach and hope that it will pass promptly.

No. 5—helping the casualties—and this is a very important part of the over-all speech.

The conference on inflation made everybody even more aware of who was suffering most from inflation. Foremost are those who are jobless

through no fault of their own.

Three weeks ago I released funds which with earlier action provides public service employment for some 170,000 who need work.

I now propose to the Congress a two-step program to augment this action.

First, 13 weeks of special unemployment insurance benefits would be provided to those who have exhausted their regular and extended unemployment insurance benefits and 26 weeks of special unemployment insurance benefits to those who qualify but are not now covered by regular unemployment insurance programs.

Funding in this case would come from the general Treasury, not from taxes on employers as is the case with the established unemployment program.

Second, I ask the Congress to create a brand new community improvement corps to provide work for the unemployed through short-term useful work projects to improve, beautify and enhance the environment of our cities, our towns and our countryside. This standby program would come alive whenever unemployment exceeds 6 per cent nationally.

It would be stopped when unemployment drops below 6 per cent.

Local labor markets would each qualify for grants whenever their unemployment rate exceeds 6.5 per cent.

State and local government contractors would supervise these projects and could hire only those who had exhausted their unemployment insurance benefits.

The goal of this new program is to provide more constructive work for all Americans, young or old, who cannot find a job.

The purpose really follows this formula: Short-term problems require short-term remedies. I therefore request that these programs be for a one-year period.

Now I know that low- and middle-income Americans have been hardest hit by inflation. Their budgets are most vulnerable because a larger part of their income goes for the highly inflated costs of food, fuel and medical care.

The tax reform bill now in the House Committee on Ways and Means, which I favor, already provides approximately \$1.6-billion of tax relief to these groups.

New Tax Revenues

Compensating new revenues are provided in this prospective legislation by a windfall tax on profits, tax on oil producers, and by closing other loopholes. If enacted, this will be a major contribution by the Congress in our common effort to make our tax system fairer to all.

No. 6, stimulating housing. Without question, credit is the lifeblood of housing. The United States, unfortunately, is suffering the longest and the most severe housing recession since the end of World War II. Unemployment in the construction trades is twice the national average.

One of my first acts as President was to sign the Housing and Community Development Act of 1974. I have since concluded that still more help is needed. Help that can be delivered very quickly and with minimum inflationary impact.

I urge the Congress to enact before recess additional legislation to make most home mortgages eligible for purchase by an agency of the Federal Government. As the law stands now, only F.H.A. or V.A. home mortgages—one-fifth of the total—are covered.

I'm very glad that the Senate — thanks to the leadership of Senator Brooke and Senator Cranston has already made substantial progress on this legislation.

As soon as it comes to me, I will make at least three billion dollars immediately available for mortgage purchases, enough to finance about 100,000 more American homes.

No. 7, thrift institutions. Savings and loan and similar institutions are hard hit by inflation and high-interest rates. They no longer attract, unfortunately, adequate depositors. The executive branch, in my judgment, must join with the Congress in giving critically needed

attention to the structure and the operation of our thrift institutions, which now find themselves, for the third time in eight years, in another period of serious mortgage-credit scarcity. Passage of the pending financial institutions bill will help.

But no single measure has yet appeared, as I see it, to solve feast or famine in mortgage credit. However, I promise to work with you, individually and collectively, to develop additional specific programs in this area in the future.

Foreign Obligations Cited

No. 8, international interdependency. The United States has a responsibility not only to maintain a healthy economy at home but also to seek policies which complement, rather than disrupt, the constructive efforts of others.

Essential to U.S. initiative is the early passage of an acceptable trade reform bill. My special representative for trade negotiations departed earlier this afternoon to Canada, Europe, Japan to brief foreign friends on my proposal.

We live in an interdependent world and therefore must work together to resolve common economic problems.

No. 9, Federal taxes and spending. To support programs, to increase production, and share inflation-produced hardship, we need additional tax revenues.

I am aware that any proposal for new taxes, just four weeks before a national election, is, to put it mildly, considered politically unwise.



As President Ford spoke, behind him were Speaker of the House Carl Albert and James O. Eastland, the President pro tem of the Senate

The New York Times

And I'm frank to say that I have been earnestly advised to wait and talk about taxes any time after Nov. 5. But I do say in sincerity that I will not play politics with America's future.

Our present inflation, to a considerable degree, comes from many years of enacting expensive programs without raising enough revenues to pay for them.

The truth is that 19 out of the 25 years I had the honor and the privilege to serve in this chamber the Federal Government ended up with Federal deficits. That's not a very good batting average.

By now almost everybody—almost everybody else, I should say—has stated my position on Federal gasoline taxes.

This time I'll do it myself. I am not, emphasizing not, asking you for any increase in gas taxes. I am, I am asking you to approve a one-year temporary tax surcharge of 5 per cent on corporate and upper level individual income.

This would generally exclude from the surcharge those families with gross incomes below \$15,000 a year. The estimated \$5-billion in extra revenue to be raised by this inflation-fighting tax should pay for the new programs I have recommended in this message.

The Acid Test on Inflation

I think, and I suspect each of you know, this is the acid test of our joint determination to whip inflation in America.

I would not ask this if major loopholes were not now being closed by the Committee on Ways and Means' tax reform bills. I urge you to join me before your recess in addition to what I said before—to join me by voting to set a target spending limit—let me emphasize it—a target spending limit of \$300-billion for the Federal fiscal budget of 1975.

When Congress agrees to this spending target, I will submit a package of budget deferrals and rescissions to meet this goal. I will do the tough job of designating for Congressional action, on your return, those areas which I believe can and must be reduced.

These will be hard choices and every one of you in this chamber know it as well as I. They will be hard choices, but no Federal agency, including the Defense Department, will be untouchable.

It's my judgment that fiscal discipline is a necessary weapon in any fight against inflation. While this spending target is a small step, it is a step in the right direction. And we need to get on that course without any further delay.

I don't think that any of us in this

chamber today can ask the American people to tighten their belts if Uncle Sam is unwilling to tighten his belt first.

And now, if I might, I would like to say a few words directly to your constituents, and, incidentally, mine.

My fellow Americans, 10 days ago I asked you to get things started by making a list of 10 ways to fight inflation and save energy; to exchange your list with your neighbors and to send me a copy.

I have personally read scores of the thousands of letters received at the White House. And, incidentally, I've made my economic experts read some of them, too.

We all benefited, at least I did. And I thank each and every one of you for this cooperation.

Some of the good ideas from your homes to mine have been cranked into the recommendations I have just made to the Congress and to steps I'm taking as President to whip inflation right now.

There were also firm warnings on what Government must not do. And I appreciated those, too.

Your best suggestions for voluntary restraint and self-discipline showed me that a great degree of patriotic determination and unanimity already exists in this great land.

I have asked Congress for urgent specific actions it alone can take. I had advised Congress of the initial steps that I'm taking as President.

Here is what only you can do: Unless every able American pitches in, Congress and I cannot do the job. Winning our fight against inflation and waste involves total mobilization of America's greatest resources—the brains, the skills and the will power of the American people.

What each and every one of you can do to help increase food and lower prices, grow more and waste less.

To help save scarce fuel in the energy crisis, drive less, heat less.

Every housewife knows almost exactly how much she spent for food last week.

If you can't spare a penny from your food budget, and I know there are many, surely you can cut the food that you waste by 5 per cent.

Every American motorist knows exactly how many miles he or she drives to work or to school every day and about how much mileage she or he runs up each year. If we all drive at least 5 per cent fewer miles we can save almost unbelievably 250,000 barrels of foreign oil per day.

By the end of 1975, most of us can do better than 5 per cent by car-pooling, taking up our riding bikes or just plain walking. We can save enough gas by self-discipline to meet our one-million-barrels-per-day goal.

I think there's one final thing that all Americans can do, rich or poor, and that's share with others. We can share burdens, as we can share blessings. Sharing is not easy. Not easy to measure, like mileage and family budgets.

But I'm sure that 5 per cent more is not nearly enough to ask; so ask you to share everything you can add a little bit more.

And it will strengthen our spirit as well as our economy.

Today I will not take me of the time of this busy Congress, I vividly remember the rush before every recess, and the clock is already running on my specific and urgent request for legislative action.

I also remember how much Congress can get done when it puts its shoulder to the wheel.

Further Details Du

One week from tonight I've a longstanding invitation in Kansas City to address the Future Farmers of America, a fine organization of wonderful young people whose help with millions of others is vital in this battle.

I will elaborate then how volunteer inflation fighters and energy savers can further mobilize their total fort.

Since asking Miss Sylvia Porter, the well-known financial writer, to help me organize an all-out nationwide volunteer mobilization, I have named a White House coordinator and have listed the enthusiastic support and services of some of 17 other distinguished Americans to help plan for citizen and private group participation.

There will be no big Federal bureaucracy set up for this crash program.

Through the courtesy of such volunteers from the communication and media field a very simple enlistment form will appear in many of tomorrow's newspapers, along with a symbol of this new mobilization which I am wearing on my lapel. It bears the single word, Win. I think that tells it all.

I will call upon every American to join in this massive mobilization and stick with it until we do what a nation and as a people.

Mr. Speaker and Mr. President, I stand on a spot hallowed by history. Many Presidents have come here many times to solicit, to scold, to flatter, to exhort the Congress to support them in their leadership. Once in a great while, Presidents have stood here and truly inspired the most skeptical and the most sophisticated audience of their coequal partners in government.

Perhaps once or twice in a generation is there such a joint session. I don't expect this one to be. Only two of my predecessors have come in person to call upon Congress for a declaration of war. And I shall not do that.

But I say to you with all sincerity that our inflation, our Public Enemy No. 1, will, unless whipped, destroy our country, our homes, our liberty, our property and finally our national pride as surely as any well-armed wartime enemy.

I concede there will be no sudden Pearl Harbor to shock us into unity and to sacrifice but I think we've had enough early warning. The time to intercept is right now. The time to intercept is almost gone.

My friends and former colleagues, will you enlist now? My friends and fellow Americans, will you enlist now?

Together, with discipline and determination, we will win.

I thank you very much.