

Anti-Inflation address to Congress

# Ford: 'Fiscal Discipline Is a Necessary Weapon'

President Ford yesterday addressed a joint session of Congress to present his program for dealing with the nation's economic problems. Following is the prepared text of his speech.

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

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

Today, though our economic difficulties do not approach the emergency of 1933, the message from the American people is the same. I trust you are getting the same message: Our constituents want leadership and 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 FDR's appeal in five days.

I am deeply grateful for the cooperation of the 93d Congress in 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. The distinguished majority leader of the Senate offered a nine-point program. I seriously studied all and adopted some of his suggestion.

I might add I have also listened hard to my many other former colleagues in both bodies and of both the majority and minority, and have been both persuaded and dissuaded. But in the end I had to decide, as each of you do when the roll is called.

I will not take your time today with a discussion of the origins of inflation and its bad effect on the United States. I 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 the many valuable proposals offered. Since the summit, I have evaluated hundreds of ideas, day and night.

My conclusions are simply stated. There is only one point on which all advisers agree: We must whip inflation now.

None of the 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 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 on America's economy.

A stable American economy cannot be sustained if the world's economy is in chaos. International cooperation is essential. But while we seek agreement with other nations, let us put our own economic house in order.

Today, I have identified 10 areas of our joint action.

## 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 of petroleum. But we can grow more than enough food for ourselves.

To halt higher food prices, we must produce more food. I call upon every farmer to produce to full capacity. This government will do all in its power to assure him 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 fertilizer they need to do the 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 expose all restrictive practices, public or private, which raise food prices.

The administration will also monitor food production, margins, pricing and exports. We can and shall have adequate supplies 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 ask that a provision be added to Public Law 480, under which we ship food to needy and friendly countries. I need authority to waive certain of the restrictions on shipments based on national interest or humanitarian grounds.

America's future depends heavily on oil, gas, coal, electricity, and other resources called energy. Make no mistake—we have a real energy problem. One-third of our oil—17 per cent of America's total energy—now comes from foreign sources we cannot control—at high cartel prices costing you and me \$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, I have not.

I have ordered today the reorganization of our national energy effort and the creation of a National Energy Board. It will be charged with developing a single national energy policy and program.

You will be glad to know that our former colleague, Rog Morton, Secretary of the Interior, will be the overall boss of our national energy program. His marching orders are to reduce imports of foreign oil by one million barrels per day by the end of 1975, whether by savings here at home or by increasing our own sources.

Secretary Morton also is charged with increasing our domestic energy supply by promptly utilizing coal resources and expanding recovery of domestic oil still in the ground in old wells.

New legislation will be sought after your recess to require use of cleaner coal processes 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 existing Defense Production Act to allocate scarce materials for energy development and I will ask you 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 legislative action to increase energy supply requires:

- (1) Long-sought deregulation of natural gas supplies,
- (2) Responsible use of our Naval petroleum reserves in California and Alaska,
- (3) Amendments to the Clean Air Act, and;
- (4) Passage of surface mining legislation to ensure adequate supply with common sense environmental protection.

If all these steps fail to meet our current energy-saving goals, I will not hesitate to ask for tougher measures.

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 fuels. The power of the atom, the heat of the sun and steam stored deep in the earth, the force of winds and water must be main sources of energy for our grandchildren.

## No. 3: Restrictive Practices

To increase productivity and contain prices, we must end restrictive practices whether instituted by government, industry, labor or others.

I am determined to return to the vigorous enforcement of anti-trust laws.

My administration will zero in on more effective enforcement of laws against price-fixing and bid-rigging. For instance, non-competitive 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.

I ask the Congress for prompt authority to increase maximum penalties for anti-trust 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 broad agreement that the federal government imposes too many hidden and inflationary costs on our economy. As a result, I propose a four-point purging process:

1. I have ordered my Council on Wage and Price Stability to be the watchdog over inflationary costs of all governmental actions.

2. I ask the Congress to establish a National Commission on Regulatory Reform to undertake a long-overdue total re-examination of the independent regulatory 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 good reason, in today's economic climate.

3. Hereafter, I will require that all major legislative proposals, regulations, and rules emanating from the executive branch include an inflation impact statement that certifies we have carefully weighed their effect on inflation. I respectfully request that Congress require similar advance inflation impact statements for its own legislative initiatives.

4. Finally, I urge state and local governments to undertake similar programs to reduce inflationary effects of their regulatory activities.

I thank the Congress for recently revitalizing the National Council on Productivity. 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 health service industries.

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

I emphasize this is not a compulsory wage and price control agency.

I know many Americans see federal controls as the answer. But controls never really stop inflation—not the last time—not even during and immediately after World War II when, as I remember, prices rose despite severe and enforceable wartime rationing.

Peacetime controls actually create shortages, hamper production, stifle growth and limit jobs. I do not ask for such powers, however tempting politically, as such a program could cause the fixer and the black marketeer to flourish while decent citizens face empty shelves and stand in long waiting lines.

#### 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 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 to buy more machines and create more jobs, I am recommending a liberalized ten per cent investment tax credit. This credit should be especially helpful to capital-intensive industries, such as primary metals and public utilities where capacity shortages have developed.

I am asking Congress to enact tax legislation to provide that all dividends on preferred stocks, 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 sounder capital structure.

Capital gains taxation must be liber-

alized as proposed by the tax reform bill currently before the Committee on Ways and Means. I endorse this approach and hope you will pass it promptly.

#### NO. 5: HELPING THE CASUALTIES

The Conference on Inflation made everybody even more aware of who is 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 actions, provide public service employment for 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 a regular unemployment insurance program. Funding would come from the general treasury, nor from taxes on employers as is the case with the established programs.

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, towns, and countryside. This standby program would come alive whenever unemployment exceeds six per cent nationally. It would be stopped when unemployment drops below six per cent.

Local labor markets would each qualify for grants whenever their unemployment rate exceeded 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 Americans—young or old—who cannot find a job.

Short-term problems require short-term remedies. I therefore request that these programs be for one year.

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 \$1.5 billion of tax relief to these groups. Compensating new revenues are provided in this prospective legislation by a windfall 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 is suffering the longest and 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 quickly and with minimum inflationary impact.

I urge the Congress to enact, before your recess, additional legislation to make most home mortgages eligible for purchase by an agency of the Federal Government. As the law now stands, only FHA or VA home mortgages, one fifth of the total, are covered. I am 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 3 billion dollars immediately available for mortgage purchases, enough to finance about 100,000 homes.

#### NO. 7: THRIFT INSTITUTIONS

Savings and loan and similar institutions are hard hit by inflation and high interest rates. They no longer attract adequate deposits. The executive branch must join with the Congress in giving critically needed attention to the structure and 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 Institution Bill will help. But no single measure has yet appeared to solve feast or famine in mortgage credit. However, I promise to work with you to develop additional specific programs in the future.

#### 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. initiatives is the early passage of an acceptable Trade Reform Bill. My special representative for trade negotiations departed earlier this afternoon to Canada, Europe and Japan to brief foreign friends on my proposals. 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 hardships, 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. I have been earnestly advised to wait and talk about taxes anytime after Nov. 5.

But 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 new revenues to pay for them. Nineteen out of the 25 years I served in this Chamber ended up with federal deficits.

By now almost everybody else has stated my position on federal gasoline taxes. This time I'll do it myself. I am not asking you for any increase in gas taxes.

I am asking you to approve a one-year temporary tax surcharge of five percent on corporate and upper-level individual incomes. 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 all the new programs I have recommended in this message. This is the acid test of our joint determination to whip inflation. I would not ask this if major loopholes were not being closed by the Ways and Means Tax Reform Bill.

I urge you to join me before your recess by voting to set a target spending limit of \$300 billion for the Federal fiscal 1975 budget. When Congress agrees to this spending target, I will submit a package of budget deferrals and recisions 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 but no federal agency, including the Defense Department, will be untouchable.

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

We cannot ask the American people to tighten their belts if Uncle Sam is unwilling to first tighten his.

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

My Fellow Americans:

Ten 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 neighbors and read scores of the thousands of letters received at the White House.

And I have made by economic experts read them, too. We all benefitted—at least I did. I thank each and every one of you.

Some of the good ideas from your home to mine have been cranked into the recommendations I have just made to the Congress and the steps I am taking as President to whip inflation now. There were also firm rulings on what government must not do. Your best suggestions for voluntary restraint and self-discipline showed me that a great degree of patriotic deter-

mination and unanimity already exists in this country.

I have asked Congress for urgent specific actions it alone can take.

I have advised Congress of the initial steps I am taking as President.

Here's 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 willpower of the American people.

Here is what we must do . . . what each and everyone of you can do.

To help increase food and lower prices, **GROW MORE, 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, surely you can cut the food you waste by five per cent.

Every American motorist knows almost exactly how many miles he or she drives to work or school every day and about how much mileage she or he runs up each year. If we all drive at least five per cent fewer miles we can save 250 to 300 thousand barrels of foreign oil per day. By the end of 1975, most of us can do much better than five per cent by car pooling, taking the bus, riding bikes or just plain walking. We can have saved enough gas by self-discipline to meet our 1 million barrel



Dear President Ford:

I enlist as an Inflation Fighter and Energy Saver for the duration. I will do the very best I can for America.

(Please Print.)

Name \_\_\_\_\_ Date \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Associated Press

The White House devised this "enlistment form" to recruit "inflation fighters."

per day goal.

There is one final thing that all Americans can do, rich or poor, and that is share with others.

We can share burdens as well as blessings. Sharing is not as easy to measure as mileage and family budgets, but I'm sure that five per cent more is not nearly enough to ask. So I ask you to share everything you can—and a little bit more—and it will strengthen our spirits as well as our economy.

Today I will not take more of the time of this busy Congress—for I remember well the rush before every recess—and the clock is already running on my specific and urgent requests for legislative action. I also remember how much Congress can get done when it wants to.

One week from tonight I have a long-standing invitation to Kansas City to address the Future Farmers of America, a fine organization of young people whose help, with millions of

others, is vital in this battle. I will elaborate then on how volunteer Inflation Fighters and Energy Savers can further mobilize their total efforts.

Since asking Miss Syliva 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 enlisted the enthusiastic support and services of some 17 other distinguished Americans to help plan for citizen and private group participation. There will be no big new federal bureaucracy set up for this crash program.

Through the courtesy of such volunteers from the communications and media fields a simple enlistment form will appear in many of tomorrow's newspapers along with the symbol of this new mobilization, when I am wearing on my lapel.

It bears the single word "WIN." That tells it all. I will call upon every American to join this massive mobilization and to stick with it until we win. For win we will.

I stand on a spot hallowed by history. Many Presidents have come here many times to solicit, to scold, to flatter and to exhort the Congress to support them in their leadership. Once in a great while, Presidents have stood here and truly inspired this most skeptical and sophisticated audience of their co-equal partners in government. Perhaps once or twice in a generation is there such a joint session. I do not expect this to be one.

Only two of my predecessors have come in person to call upon the Congress for a declaration of war. I shall not do that. But I say to you with all sincerity that inflation, our present public enemy will—unless it is whipped—destroy our country, our homes, our liberties, our property, and finally our national pride—as surely as any well-armed wartime enemy.

There will be no sudden Pearl Harbor to shock us into unity and sacrifice. But we have had enough early warnings. 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. Under the Constitution, only the President can provide the essential leadership for great national undertakings. I accept it. With your help and God's, we will win.

# Ford Asks Congress for 5 Per Cent Surtax

## ECONOMY, FROM AI

said, "to support programs to increase production and share inflation-produced hardships."

"I will not play politics with America's future," Mr. Ford said.

He called the tax increase "the acid test of our joint determination to whip inflation," and said he would have to raise the needed money by tax reform instead, "if major loopholes were not being closed" already by the Ways and Means bill.

however, was hesitant at best. Ways and Means called

Treasury Secretary William E. Simon to a hearing at 10 a.m. today to explain the plan. Sen. Russell B. Long (D-La.), chairman of the tax-writing Finance Committee in the Senate, said that Mr. Ford "breathed a lot of life" into a near-dead tax bill.

But other members of both parties said the \$15,000-\$7,500 income cutoffs were too low. Various Republicans, including Rep. John B. Anderson (R-Ill.), a member of the House GOP leadership, said they were fearful it would hurt their party at the polls.

Organized labor was

quickly critical of the proposals.

"I see the President wants middle-income wage-earners to pay a 5 per cent surtax to finance investment tax credits for business," said Jerry Wurf, president of the American Federation of State, County and Municipal Employees.

"To put his jobs program in perspective, last month almost 400,000 men and women joined the unemployment rolls, and he's telling us if unemployment goes up another 200,000, hell provide a maximum of

70,000 jobs at poverty wages," he said.

But business had praise for the proposals. "We congratulate the President on his broad program," said Richard Gerstenberg, chairman of General Motors. "It merits favorable consideration."

John D. Willson, senior vice president and economist for the Chase Manhattan Bank, said the program should make a significant contribution to breaking the inflationary cycle. He added that the President "also showed compassion for those people most victim-

ized by rising prices and the slowing economy."

The President expressly rejected in his speech the use of wage and price controls, which he said "never really stop inflation." He also rejected credit rationing, a step urged on him by some critics of tight money and high interest rates.

The White House, in a fact sheet on the program given to reporters, also expressed opposition to exempting from taxes the first \$1,000 or some lesser amount in interest on savings accounts. Ways and

Means approved such a bill yesterday morning.

The President in his speech called earnestly on the public to join in combating inflation and saving "scarce fuel."

To help lower food prices, he said, "grow more, waste less." To help conserve fuel, "drive less, heat less."

"Unless every able American pitches in," he said, "Congress and I cannot do the job."

He plans to expand on that theme in a speech next week to the Future Farmers of America.