

The original documents are located in Box D19, folder “Detroit Chapter of the American Bankers Association, March 24, 1966” of the Ford Congressional Papers: Press Secretary and Speech File at the Gerald R. Ford Presidential Library.

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SPEECH BY HOUSE MINORITY LEADER GERALD R. FORD,
BEFORE THE DETROIT CHAPTER OF THE AMERICAN BANKERS ASSN.
ON MARCH 24, 1966.

Yesterday I created a little excitement in Washington and in some other parts of the country by predicting that President Johnson would be forced to ask Congress for another tax increase before the November elections.

The reason this caused a stir is that so many people look upon LBJ as a political magician who can always be expected to pull another rabbit out of the hat...in this case, put off a tax increase request until after November 8.

Well, I think he's running out of rabbits, and the chickens of inflation are coming home to roost. So I don't think he can wait--no matter how much he wants to.

I say this not in a spirit of malice, because I am sure that President Johnson as well as the rest of us is dedicated to the welfare of the country. It's just that his view of welfare is a lot different from mine...and yours, too, I think.

Lyndon Johnson and the Democrats in Congress are in trouble, and it's the kind of trouble that's spelled I-N-F-L-A-T-I-O-N. I've got to spell it out for them because they refuse to admit it.

We've had creeping inflation for years, and now we're on the verge of truly dangerous inflation. It's dangerous because it is steadily eroding the value of the dollar and it could plunge us into a recession next year.

The Johnson Administration must bear the full blame for the inflationary fever that threatens our economic well being. And it is the President alone who must bear the burden of seeking another tax increase to cool it off.

We just got through passing a \$6 billion tax bill, you know, and Republicans don't want another. But the President isn't listening to us. He is going the way that he laid out for himself last January when he foolishly told the nation that we can spend billions upon billions in Vietnam and continue to spend billions upon billions on new domestic programs.

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It is this kind of budgetary policy, coupled with an easy-money policy the Federal Reserve Board has tried to curb, which has produced the inflation now crowding in on us.

Shrewd politician that he is, President Johnson has sought to create the impression that his is the course of fiscal integrity. He has muffled the fact that the government will wind up the current fiscal year June 30 with a \$6.4 billion deficit. He speaks proudly of a projected fiscal 1967 deficit of--he says--"only" \$1.8 billion.

Well, you and I know that this so-called \$1.8 billion deficit is a pipe dream--a figure written in invisible ink because it just won't be there for anyone to read when the due bills and the tax money are stacked side by side at the end of June, 1967.

So we Republicans are trying to cut Lyndon Johnson's \$112 billion budget. It's really \$130 billion, but let's play along with him on the figure and use his.

First of all, the President uses all kinds of gimmicks to come up with the \$1.8 billion deficit he's so proud of--and since when should anybody be proud of a deficit? And then he includes in this phony budget reductions in good sound programs that have proved their worth.

He knows Congress is not going to cut the ground out from under our great land-grant colleges like Michigan State University by withholding most of their federal supporting funds.

He knows Congress is not going to chop the school lunch and school milk programs down to a bare minimum.

He knows Congress is not going to erase most of the support which has been going to our agricultural extension program.

He knows Congress is not going to virtually wipe out federal school construction aid for areas impacted by the youngsters of federal workers or of parents working on federal contracts.

Call these "sacred cows" if you will, but let's be honest about these things. These are programs Congress is not going to cripple because President Johnson wants to brag about holding the fiscal 1967 deficit down to a phony \$1.8 billion.

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FORD'S BANKERS SPEECH

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He couldn't keep the deficit down to that figure anyway, even if Congress threw political caution to the winds and put the axe to such programs as school lunch and school milk.

The reason is that his own liberal Democrats in the House right now are busy jacking up the price tag on the Johnson Administration's new program of aid to elementary and secondary schools...the program of general aid to schools which got started last year under the guise of helping needy children.

The Democrats who currently are planning to pump more money into the program than requested by the President won't say just how much more it will be. But you can be sure it will run to hundreds of millions of dollars... maybe close to another billion.

This is clear because for one thing the Administration wants to knock out last year's provision for \$400 million in incentive grants to school districts otherwise ineligible for help under the School Aid Act, and the big-city Democrats in the Education and Labor Committee are saying, "nothing doing." They're saying this despite the fact that John W. Gardner, Secretary of the Health, Education and Welfare Department, insists that any incentive grants paid out under the 1965 School Aid Act will be nothing but a "windfall" to the districts getting them. These are his own words. But things like that don't bother the liberal Democrats on the House Education and Labor Committee.

By the time the Democrats on this committee and other big-spender Democrats in the Congress get through with President Johnson's budget--which is phony to begin with--the fiscal 1967 budget total will shape up as a much fatter figure than the one produced by Lyndon Johnson's sleight of hand.

It will be an inflated figure. The liberal Democrats will simply ignore their boss on this one...and they'll run right over Republicans in Congress because, unfortunately, they outnumber us two to one...We're going to change that in November.

Getting back to the gimmicks in the budget, one of them was to get the bankers to provide the funds for the National Defense Education Act's loan program. The President was counting on getting the government out of that lending program and this was one of the moves to make his fiscal 1967 budget look good.

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But what he didn't realize is that you fellows couldn't take over the load that quickly, and so he had to backtrack on his plan at least for fiscal 1967.

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You and I know there is waste and inefficiency in the Johnson Administration simply because there is such a broad array of agencies operating in the same field, with inevitable overlapping.

As I pointed out in a recent address...there now are 42 separate federal agencies involved in education programs alone. There are at least 252 welfare programs today, including 52 separate federal economic aid programs, 57 job training programs and 65 programs to improve health.

Now...is it any wonder that the federal ~~budget~~ ^{budget} has not been balanced since 1960 under President Eisenhower?

Democratic administrations have produced deficits totalling \$34 billion since Ike left office, and more large deficits are being manufactured by President Johnson and the liberal Democrats in Congress.

That's why I say the economic policies of the Johnson Administration are bringing us to the crisis point--the possible kickoff of runaway inflation.

The warning flag has been hoisted by the record rise for February in the wholesale price index.

Supplier prices are going up. After mid-year, the stuff business buys at wholesale will cost about 4 to 5 per cent more than last year.

Money is being poured into expansion. Businessmen enjoying record profits aren't inclined to argue with suppliers over their prices. They plan to raise their own prices, and this is becoming the prevailing attitude.

I know our automobile manufacturers are determined to keep the price of cars steady.

But how long can they hold the line if the suppliers bump up their prices and production costs go up due to more overtime and the shortage of skilled labor?

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I'm worried about what inflation may do to the automobile industry, to the auto worker, to Michigan's entire economy and the economy of the nation.

Now...what's the answer to the inflationary threat we face?

The President is so committed to a budget which provides \$3.2 billion more in fiscal 1967 for Great Society programs--and liberal Democrats are so determined to vote more than Mr. Johnson has asked--that a second tax increase seems inevitable.

The Republican answer--the better answer to inflation--is to cut federal spending. But we don't hold the whip hand; we don't hold the reins of power.

There appears to be no way to reduce military spending, of course.

We could cut domestic spending ~~enough~~ enough to bring the budget into balance--~~to~~ change it from an inflationary budget to one which would carry the burden of the Vietnam war ~~and yet~~ and yet be restrictive enough to promote stability in an economy that ~~obviously~~ obviously has become overheated.

We could do this--~~the~~ ease inflationary pressures--without raising taxes. ~~We~~

But I know ~~the~~ President Johnson and the liberal Democrats won't go for any ~~such~~ budget cuts--even judicious ones--and that is why I predict the White House will ~~have~~ have to ask for another tax increase.

You bankers know all about ~~tax~~ mortgages. Well, what the Johnson administration is doing is to mortgage the future of the United States with a bagful of "start ~~em~~ now, pay later programs" that leave the people holding the bag.



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