The original documents are located in Box D20, folder "American Society of Personnel Administration, Miami, FL, May 19. 1966" of the Ford Congressional Papers: Press Secretary and Speech File at the Gerald R. Ford Presidential Library.

Speech Cards for Miami and Monterey

May 19 + 21

JOHNSON'S SO-CALLED PROSPERITY...

1. Flows from such ideas as cutting taxes when government is running a deficit.

2. Possible for Kennedy and Johnson Administrations to adopt highly expansionist policies because the Eisenhower Administration had wrung all the inflationary pressures out of the economy.

3. In 1965 everything changed because the economy became overheated.

a. Overheated because of annual budget deficits, increases in the money supply, substantial increases in credit, and heavy spending on Great Society programs and the Vietnam War.

b. The Eisenhower "legacy" had run out.

2/ Cards for Miami and Monterey

ECONOMY OVERHEATED BUT...

1. Administration has adopted wait-and-see attitude

2. Administration admonishes housewives, businessmen, and state and local officials to cut back on spending.

3. While Administration marks time, industry is plagued by shortages of skilled workers and raw materials, increases in overtime, and the need to use obsolescent facilities and equipment.

DEMAND, COSTS AND PRICES ARE GOING UP

1. Managers find wages and prices are being bid up; marginal machinery has to be put into operation; overtime and maintenance costs are rising; rate of productivity is falling off.

3/ Cards for Miami and Monterey

BOOM CARRIES WITH IT THE SEEDS OF RECESSION

1. This boom is no exception.

2. Longer we wait to deal with it the more serious the consequences could be.

DEFICITS HAVE BECOME A WAY OF LIFE WITH THE JOHNSON ADMINISTRATION

1. It's shocking to find this administration headed toward large deficits at a time when the economy is overheated and runaway inflation of the push-pull variety is more than just a threat.

2. Policy of chronic deficits can only lead to financial disaster.

3. Prosperity in America does not depend on deficit spending.

a. Had prosperity in 20's without deficits--had surpluses then.

b. Had slump in 30's despite big deficit spending.

4/ Speech Cards for Miami and Monterey

GOVERNMENT AN ART BUT ALSO A BUSINESS

1. What think of a business that goes into red every year?

2. What think of division in a business that serves fewer people each year but keeps adding to its payroll?

a. That's Ag Dept, which has 20 per cent more employes today than in 1960 although farm population has declined 20 per cent since then.

b/ Ag Dept. has 22 per cent bigger budget for fiscal 1967 than it had in 1960.

5/ Speech Cards for Miami and Monterey

ADM'N'S CHIEF WEAPON AGAINST INFLATION HAS BEEN WAGE-PRICE GUIDEPOSTS

1. The guideposts are not really voluntary--stockpile dumping threatened to blackmail such industries as steel and aluminum.

2. Government uses the guideposts to make villains of labor and management and thus diverts attention from its own inflationary actions.

GUIDEPOSTS INEFFECTIVE WHEN INFLATION GATHERS ANY REAL FORCE

1. Wholesale industrial price index has gone up 1.5 per cent in last six months--an annual rate of 3 per cent.

2. The index covers nearly 2,000 items--and there's hardly a major category where prices have not risen.

6/ Speech Cards for Miami and Monterey

ADM'N ALMOST CERTAINLY WON'T BE ABLE TO HOLD WAGE GUIDEPOST AT 3.2% FOR '67--

1. The 3.2 per cent is unrealistic wage guidepost for '67 because of all the consumer price rises.

2. It's not only unrealistic but unfair and unenforceable. Could only be called fair if prices were stable.

CRITICISM OF WAGE-PRICE GUIDEPOSTS DOES NOT MEAN LABOR AND MANAGEMENT SHOULD IGNORE THE PUBLIC INTEREST--

1. Labor and Management should consider public interest carefully whenever they make major decisions affecting wages and prices.

2. But lasting assurance of price stability can come only from the discipline of a free market and from the responsible actions of business and labor leaders acting in atmosphere generated by sound and impartial government.

Gov. of Virgin Isle
Bur. of Int. Revenue
Great, great man

Mansfield

THURSDAY, MAY 19, 1966

SPEECH BEFORE AMERICAN SOCIETY OF PERSONNEL ADMINISTRATION, MIAMI, FLORIDA

It is often said in politics that "you can't beat prosperity."

This is not a political speech, but I'd like to talk a bit about the status of our economy ~~prosperity~~ -- the kind of ~~prosperity~~ overheating in the economy we're experiencing right now. You of course are familiar with the low unemployment figures -- the scarcity of labor. But, also the increase in the Wholesale Price Index, & the Consumer Price Index.

Perhaps some of the good + perhaps some of the bad we are now experiencing flows from ~~It flows~~ from the economic theories of one John Maynard Keynes, the author of such unconventional ideas as cutting taxes at a time when a government is running a deficit.

The thinking behind such a tax cut, of course, is to stimulate the economy by boosting purchasing power and generating job-creating forces which ultimately ~~also~~ produce fresh tax revenue.

It is in line with Keynesian philosophy that the Administrations in power since 1961 have pursued expansionary policies, allowing the supply of money and credit to grow at rates in excess of the growth in national productivity.

Beneficial tax changes were made in the last 5 years.

In 1962, the administration initiated and Congress enacted with bi-partisan support a speedup

AMERICAN SOCIETY SPEECH

in depreciation allowances to encourage capital investment and productivity

many economists + some political
increases. This was based on a principle ~~Republican~~ leaders have advocated

for decades. Obstacles to investment were reduced. The result was

increased economic growth and more jobs.

In 1964, the administration recommended an income tax cut and Congress

with bi-partisan support
approved it. The tax cut was accompanied by temporary restraint in

mostly imposed by Congressional action in the House & Senate
government spending. Again, consumer demand was stimulated and curbs on

investment were loosened.

During the 1961-65 period, chronic balance of payments deficits and

outflows of gold tended to lessen inflationary pressures at home by

exporting them abroad.

But in 1965 all of this changed.

Inadvertently
It changed because the economy became overheated. One of the highest
ranking officials in the Johnson Administration privately confided

Prior to 1961, the Eisenhower Administration had removed all the

From the end of the Korean War the cost of living increases were minimal
inflationary pressures from the economy. It was this inflation-free

economy that the Democratic administrations began to feed with expansionist,

Keynesian policies nearly 5½ years ago.

AMERICAN SOCIETY SPEECH

By late 1965, annual budget deficits, increases in the money supply, substantial increases in credit, and heavy spending on Great Society programs and the Vietnam War had created inflationary stresses and strains. The Eisenhower legacy had run out.

The economy has become overheated, and the Administration had been unwilling to do anything ~~but talk about it~~ really effective to meet the growing crisis. The Administration has insisted on adopting a wait-and-see policy while admonishing housewives, the businessmen, and state and local government officials to cut back on spending. ~~Belatedly, the Administration has also talked about cutting federal spending but hasn't done much about it.~~ The President speaks with pride about reductions in his budget for F.Y. 1967 – totally about $350 million in politically sensitive areas. He does not mention that the same budget calls for $3½ billion. There have been threats of a second war time tax increase in 1966 but apparently no firm decision.

What is happening in the country while the Administration talks ~~and~~ waits ~~and sees~~?

Industry is plagued with shortages of people in various skill categories, shortages of raw materials, increases in overtime, and the need to make greater use of obsolescent facilities and equipment.

Managers find that wages and prices are being bid up; marginal, high-cost, low-efficiency machinery has to be put into operation; overtime costs

(MORE)

AMERICAN SOCIETY SPEECH

are increasing; maintenance costs are going up as equipment is overused; and the rate of productivity gains is beginning to fall off.

Demand is rising, and costs are going up.

When demand and costs go up, prices inevitably rise, ~~also have to go up~~.

I will not speculate ~~tell you~~ why I feel the Administration is reluctant to tackle ~~act~~ the serious crisis of ~~to deal with~~ inflation. ~~This is not a political speech~~.

But I don't think anyone can deny that we are now in the grip of inflation because of the continuing ~~excessively~~ expansionary fiscal ~~and monetary~~ policies of this Administration.

And I don't think anyone can deny that the longer we wait to cope with inflation, the more serious its consequences can be, both on the short pull & the long haul.

Every boom carries with it the seeds of recession. History tells us the higher the "peak" (the more the inflation), the deeper the valley (or the sharper the decline) The boom we are riding now is certainly no exception.

This Administration relies heavily on government spending to stimulate the economy. ~~and~~ It obviously does not fear deficits. In fact, this Administration appears to look upon federal deficits as something desirable on the basis ~~ground that~~ they expand the money supply and stimulate the economy.

(MORE)

AMERICAN SOCIETY SPEECH

Fiscal policy--with government incurring a deficit or running up a surplus--can be effective in encouraging or restraining the private economy. The shocking thing is to find an administration headed toward ever larger deficits at a time when the economy is obviously overheated and runaway inflation of the classic push-pull variety ~~is~~ far more than just a threat.

Republicans have ~~always~~ also favored flexible budget policies. A balanced budget should not be given priority over the economic health of the country. or the military needs of the nation.

You may recall that the Eisenhower Administration incurred a deficit in the recession year of 1958. This was a deliberate move to pull us out of that recession as quickly as possible. The 1958 recession was relatively short-lived, and this was no doubt due at least in part to the Eisenhower Administration's decision to accelerate government spending as an anti-recession tool.

But there is no reason to believe that prosperity in America must be based on ~~government~~ spending by the federal government.

During the 1920's, the federal budget ran a surplus and federal debt was retired every year. Yet this was a period of prosperity.

AMERICAN SOCIETY SPEECH

In the 1930's, the government operated in the red every year but was unable to spend the country out of the longest & probably the most severe economic slump in history.

Government spending is merely one tool of economic policy. It should be used judiciously and with careful attention to timing.

A policy of chronic deficits can only lead to financial disaster. In the past 6 years we have had 6 — with the total being $35 billion in the span.

Government is an art but it is also a business--a business that provides services to the people.

What would you think of a business that costs more and more to operate every year and keeps going into the red?

What would you think of a division in a business which serves fewer people each year but keeps adding to its payroll and to its overall budget?

The population of this country has grown tremendously since 1960, but the number of farmers in the nation has fallen by 20 per cent. ~~Well,~~ Despite the fact that one out of five farm people have fled the farm since 1960, the Agriculture Department has 20 per cent more employees today and a 22 per cent larger budget for fiscal 1967 than it had in 1960. Figure that one out, if you can.

(MORE)

AMERICAN SOCIETY SPEECH

To me it also is fantastic that the present administration proposes to spend $3.2 billion more or I emphasize more on Great Society programs at a time when this nation is fighting a billion-dollar-a-month war halfway around the world.

Mistakenly, many people believe that defense spending is the major cost of government. This just isn't true, when the cash budget—total expenditures from all accounts is the bench mark. And it's also not true that non-military spending cannot be cut. It can be cut and cut sharply if this Administration really wants to ~~reduce its expenditures~~ hold the line on total expenditures as it faces increased military costs in Viet Nam.

But let's get back to inflation and what this Administration has professed to do about it.

This Administration's principal weapon against inflation has been its wage-price guideposts.

The 1966 Economic Report of the President states: "The general guidepost for wages is that the annual rate of increase of total employee compensation (wages and fringe benefits) per man-hour worked should equal the national trend rate of increase in output per man-hour."

The 1966 guidepost of 3.2 per cent is the same as for 1965 and for 1964. The figures for the two earlier years were based on five-year moving averages of productivity improvement.

(MORE)

AMERICAN SOCIETY SPEECH

If the five-year moving average had been used for the 1966 guidepost, the figure would have been 3.6 per cent.

It should be obvious why union officials got sore when the 1966 guidepost was announced.

Some union leaders charge that the frozen guidepost is "morally dishonest."

Some businessmen see the Administration emphasis on the guidepost as a step toward wage and price controls that would suppress inflationary pressures at the cost of economic freedom and efficiency.

There is no question that year-to-year variations in productivity are rather erratic. This is true historically, and it is true in today's guns-and-butter economy.

The truth is that wage and price controls, voluntary or mandatory,

They never have & never will,

just don't work. And, let's face it, ~~this Administration's~~ wage-price guideposts ~~is~~ are an informal, unofficial form of wage and price controls.

The fallacy in the wage-price guidepost form of control is that it treats the symptoms of inflation and not the causes.

(MORE)

AMERICAN SOCIETY SPEECH

When demand is pumped up and the economy is running close to full capacity, wages (the price of labor) and the prices for raw materials will be bid up by the forces of competition. As a result, costs and prices will rise.

The worst feature of the guidepost is that it does violence to the economic and political principles of a free nation.

The guidepost isn't really voluntary--not when a President threatens to dump a stockpiled metal on the market as blackmail to force an industry to reverse a pricing decision.

The guidepost isn't really voluntary--not when the Administration castigates individuals, or businesses, or unions.

The guidepost isn't really voluntary--not when the Administration threatens anti-trust action or a tax inquiry against a company to force it to roll back a price increase.

The guidepost sounds great in theory. In practice, it is employed arbitrarily. It is used to whip certain industries and certain executives into line.

(MORE)

AMERICAN SOCIETY SPEECH

The guidepost makes villains of labor and management and diverts attention from government policies which feed inflation.

The Administration points the finger at industry and labor instead of explaining why it does not reduce its heavy ~~deficit spending~~ increases in non-military spending. STATE OF UNION

So not only are the guideposts largely ~~ineffective~~ arbitrary + discriminatory, but they provide the Administration with an alibi for its own excesses.

There is no question that this Administration has been unfair in applying the guideposts.

Best proof of that is the fact that it blackjacked the steel and aluminum industries into rolling back prices but did ~~nothing~~ for example about recent increases in the price of sulphuric acid, coal, shoes and tires.

An Administration official recently commented that "we could not possibly go after every price increase even if we wanted to."

That is just the point; the wage-price guideposts are ineffective + discriminatory when inflation gathers any real force.

The guideposts have little usefulness, if any, under conditions of excess general demand.

(MORE)

AMERICAN SOCIETY SPEECH

Take a look at what's been happening, as revealed by the wholesale price index for industrial commodities--that is, all items other than farm products and processed foods.

The wholesale industrial index has gone up 1.5 per cent in the last six months. That's an annual rate of 3 per cent.

There is hardly a major category where prices have not risen--and the index covers nearly 2,000 items. ~~The chief exceptions are automobiles and some other consumer durable goods.~~

Next year the Administration almost certainly will not be able to continue the wage increase guidepost at 3.2 per cent. The 3.2 per cent figure is generally regarded as entirely unrealistic for 1967 because of all the rises in consumer prices.

It's not only unrealistic. It's unfair and unenforceable. It could be called fair only if prices were generally stable. As you and I know full well, they are not.

I do not mean to imply by these criticisms of the wage and price guideposts that business and labor should blithely ignore the public interest.

(MORE)

AMERICAN SOCIETY SPEECH

On the contrary, I think labor and management should carefully weigh the public interest every time they make a major decision affecting wages and prices.

But it seems to me undebatable that lasting assurance of price stability can come only from the discipline of a free market and responsible actions by business and labor leaders acting in an atmosphere generated by sound and impartial government.

# # #

In closing — Benj Franklin

Dante — The hottest places in hell are reserved for those who in a period of moral crisis remain neutral.

I suggest — give your time, talent, treasure

2 RE: Guidelines & Guideposts
See "Miltich"-Speeches for original with revisions.

THURSDAY, MAY 19, 1966

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It is often said in politics that "you can't beat prosperity."

This is not a political speech, but I'd like to talk a bit about prosperity--the kind of prosperity we're experiencing right now.

It flows from the economic theories of one John Maynard Keynes, the author of such unconventional ideas as cutting taxes at a time when a government is running a deficit.

Office Copy

The thinking behind such a tax cut, of course, is to stimulate the economy by boosting purchasing power and generating job-creating forces which ultimately also produce fresh tax revenue.

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(MORE)

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During the 1961-65 period, chronic balance of payments deficits and outflows of gold tended to lessen inflationary pressures at home by exporting them abroad.

But in 1965 all of this changed.

It changed because the economy became overheated.

Prior to 1961, the Eisenhower Administration had removed all the inflationary pressures from the economy. It was this inflation-free economy that the Democratic administrations began to feed with expansionist, Keynesian policies nearly 5¼ years ago.

(MORE)

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What is happening in the country while the Administration talks and waits and sees?

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(MORE)

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(MORE)

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(MORE)

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Some union leaders charge that the frozen guidepost is "morally dishonest."

Some businessmen see the Administration emphasis on the guidepost as a step toward wage and price controls that would suppress inflationary pressures at the cost of economic freedom and efficiency.

There is no question that year-to-year variations in productivity are rather erratic. This is true historically, and it is true in today's guns-and-butter economy.

The truth is that wage and price controls, voluntary or mandatory, just don't work. And, let's face it, this Administration's wage-price guidepost is an informal, unofficial form of wage and price controls.

The fallacy in the wage-price guidepost form of control is that it treats the symptoms of inflation and not the causes.

(MORE)

AMERICAN SOCIETY SPEECH

When demand is pumped up and the economy is running close to full capacity, wages (the price of labor) and the prices for raw materials will be bid up by the forces of competition. As a result, costs and prices will rise.

The worst feature of the guidepost is that it does violence to the economic and political principles of a free nation.

The guidepost isn't really voluntary--not when a President threatens to dump a stockpiled metal on the market as blackmail to force an industry to reverse a pricing decision.

The guidepost isn't really voluntary--not when the Administration castigates individuals, or businesses, or unions.

The guidepost isn't really voluntary--not when the Administration threatens anti-trust action or a tax inquiry against a company to force it to roll back a price increase.

The guidepost sounds great in theory. In practice, it is employed arbitrarily. It is used to whip certain industries and certain executives into line.

(MORE)

AMERICAN SOCIETY SPEECH

The guidepost makes villains of labor and management and diverts attention from government policies which feed inflation.

The Administration points the finger at industry and labor instead of explaining why it does not reduce its heavy deficit spending.

So not only are the guideposts largely ineffective, but they provide the Administration with an alibi for its own excesses.

There is no question that this Administration has been unfair in applying the guideposts.

Best proof of that is the fact that it blackjacked the steel and aluminum industries into rolling back prices but did nothing about recent increases in the price of sulphuric acid, coal, shoes and tires.

An Administration official recently commented that "we could not possibly go after every price increase even if we wanted to."

That is just the point; the wage-price guideposts are ineffective when inflation gathers any real force.

The guideposts have little usefulness, if any, under conditions of excess general demand.

(MORE)

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There is hardly a major category where prices have not risen--and the index covers nearly 2,000 items. The chief exceptions are automobiles and some other consumer durable goods.

Next year the Administration almost certainly will not be able to continue the wage increase guidepost at 3.2 per cent. The 3.2 per cent figure is generally regarded as entirely unrealistic for 1967 because of all the rises in consumer prices.

It's not only unrealistic. It's unfair and unenforceable. It could be called fair only if prices were generally stable. As you and I know full well, they are not.

I do not mean to imply by these criticisms of the wage and price guideposts that business and labor should blithely ignore the public interest.

AMERICAN SOCIETY SPEECH

On the contrary, I think labor and management should carefully weigh the public interest every time they make a major decision affecting wages and prices.

But it seems to me undebatable that lasting assurance of price stability can come only from the discipline of a free market and responsible actions by business and labor leaders acting in an atmosphere generated by sound and impartial government.

# # #

CONGRESSMAN
GERALD R. FORD
HOUSE REPUBLICAN LEADER

NEWS RELEASE

FOR RELEASE MAY 19, 1966, THURS. - 6:30 P.M.

SPEECH EXCERPTS--AMERICAN SOCIETY FOR PERSONNEL ADMINISTRATION, MIAMI, FLORIDA

Wage and price controls, voluntary or mandatory, just don't work. And, let's face it, this administration's wage-price guideposts are an informal, unofficial form of wage and price controls.

The fallacy in the wage-price guidepost is that it treats the symptoms of inflation and not the causes.

When demand is pumped up ~~and~~ the economy is running close to full capacity, wages (the price of labor) and the prices for raw materials will be bid up by the forces of competition. As a result, costs and prices will rise. That is what is happening right now.

The worst feature of the guidepost is that it does violence to the economic and political principles of a free nation.

The guidepost isn't really voluntary--not when a President threatens to dump a stockpiled metal on the market as blackmail to force an industry to reverse a pricing decision.

The guidepost isn't really voluntary--not when the Administration castigates individuals, or businesses, or unions.

The guidepost isn't really voluntary--not when the Administration threatens antitrust action or a tax inquiry against a company to force it to roll back a price increase.

The guidepost sounds great in theory. In practice, it is employed arbitrarily. It is used to whip only certain industries and certain executives into line.

The guidepost makes villains of labor and management and diverts attention from government policies which feed inflation.

The Administration points the finger at industry and labor instead of explaining why it does not reduce its heavy deficit spending.

So not only are the guideposts largely ineffective but they provide the Administration with an alibi for its own excesses.

* * *

This administration has been unfair in applying the guideposts.

Best proof of that is that it blackjacked the steel and aluminum industries into rolling back prices but did nothing about recent increases in the price of sulphuric acid, coal, shoes and tires.

(MORE)

SPEECH EXCERPTS--INFLATION AND THE GUIDEPOSTS

* * *

An Administration official recently was quoted as saying, "We could not possibly go after every price increase even if we wanted to."

That is just the point; the wage-price guideposts are ineffective when inflation gathers any real force.

The guideposts have little usefulness, if any, under conditions of excess general demand.

* * *

Take a look at what's been happening, as revealed by the wholesale price index for industrial commodities (all items other than farm products and processed foods).

The wholesale industrial index has gone up 1.5 per cent in the last six months. That's an annual rate of 3 per cent.

There is hardly a major category where prices have not risen--and the index covers nearly 2,000 items. The chief exceptions are automobiles and some other consumer durable goods.

Next year the Administration almost certainly will not be able to continue the wage increase guidepost at 3.2 per cent. The 3.2 per cent figure is generally regarded as an entirely unrealistic wage increase yardstick for 1967 because of all the rises in consumer prices.

It not only is unrealistic. It is unfair and unenforceable. It could be called fair only if prices were generally stable. As you and I know full well, they are not.

* * *

I do not mean to imply by these criticisms of the wage and price guideposts that business and labor should blithely ignore the public interest. On the contrary, I think labor and management should carefully weigh the public interest every time they make a major decision affecting wages and prices.

But it seems to me undebatable that lasting assurance of price stability can come only from the discipline of a free market and from responsible actions by business and labor leaders acting in an atmosphere generated by sound and impartial government.

* * *

Fiscal policy--with government incurring a deficit or running up a surplus--can be effective in encouraging or restraining the private economy. The shocking thing is to find an administration headed toward ever larger deficits at a time when the economy obviously is overheated and runaway inflation of the classic push-pull variety is more than just a threat.

# # #