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ADDRESS BY REP. GERALD R. FORD (R-MICH.)
MINORITY LEADER OF THE U.S. HOUSE OF REPRESENTATIVES
AT FAIRLEIGH-DICKENSON UNIVERSITY, RUTHERFORD, N. J.

"INSIGHT INTO COMPLEX ISSUES OF THE DAY"

I have set myself a formidable task--to discuss with you the complex issues of the day.

The American people today have many concerns, many problems, and they are indeed complex.

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What are the major issues of the day? Chiefly, they are inflation, the outlook for the economy, success or failure in the war on poverty, how best to deal with the persistent urban problems of air and water pollution, mass transit, traffic congestion, and rising crime rates, how best to achieve equal rights for all our citizens, how to bring the Vietnam War to an honorable conclusion while thwarting Communist aggression and expansion in Southeast Asia.

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The cost of living is going up 4 percent or more this year, and that is far too much. It is by far the steepest rise in prices since the Korean War.

Strong action to combat inflation should have been taken by the Administration in late 1965. When the Administration failed to act, the Federal Reserve Board triggered an increase in commercial interest rates and has been tightening the screws ever since.

There are those who condemn the Reserve Board for this action, but the truth is the Board was forced to act because the Administration failed to meet the challenge of inflation.

The Administration did take some anti-inflationary actions in 1966--reimposition of some Federal excise taxes and accelerated withholding of Federal income taxes--but the effect was quite minimal. The general policy of the Administration was one of watch and wait.

When the heat from the inflation fire became unbearable, the Administration sought and Congress approved a 15-month suspension of the 7 percent tax credit allowed businesses on investments in plant expansion and improvement.

I said at the time that this was a case of "too little and too late" because I believed then, and I still do, that the Administration had allowed the proper time for strong anti-inflation medicine to slip by. Also, I doubted whether suspension of the investment tax credit would accomplish the objective set for it because its impact would not be felt perceptibly until perhaps mid-1967.



I and others wanted the Administration to eliminate unnecessary Federal spending to offset the tremendous cost of the Vietnam War, cool off the economy and blunt the inflationary pressures which were damaging the economy. We also felt that if spending cuts actually carried out would not do the job, an income tax increase was another potential tool in the battle against inflation.

Many of us did not rule out a tax increase then--in the spring of 1966--but I now feel a boost in income taxes might bring on adverse economic conditions. There are signs that the economy is slowing down despite the continued rise in the Consumer Price Index. It is still vitally important to make the Federal spending cuts that Republican leaders advocated in January, 1966, and throughout the second session of the 89th Congress. Reductions in non-essential Federal spending would have been good medicine for the economy then. Spending cuts right now would be an effective and beneficial antidote for the inflationary pressures still present in the economy.

There will continue to be inflationary pressures in 1967. New contract talks are coming up in nearly every American industry next year--steel, automobiles, rubber, transportation, and chemicals. You can be sure the cost of living will be a big talking point as labor presses for more money.

You can be sure labor negotiators won't be thinking in terms of the Administration's discredited 3.2 percent wage and price guidelines. The Administration itself torpedoed its wage guidepost during this year's airlines strike. Now Labor Secretary Willard Wirtz is talking about a 5 percent increase as a reasonable figure. I'm sure his 5 percent is just a hope and a prayer because labor will have very much in mind next year what the worker's dollar will buy at the supermarket and the clothing store. Like the cost of living, labor's demands will be up.

I believe the economy can and should be guided by wisely used government policies--both fiscal and monetary. The Federal government, by its actions, can keep the economy moving at a healthy pace or, through mistakes in judgment or policy, can tip us into a recession.

The Administration made a serious mistake early this year in not acting vigorously to halt inflation. That was the proper time to take such action--and timing is of the greatest importance in managing the economy. Having allowed that opportunity to slip by, the Administration has placed the economy--and the pocketbooks of all Americans--in jeopardy. I said recently a Federal income tax increase in 1967 would be a tragic mistake. So far there is no hard evidence to change my views. The Administration certainly has the burden of proof and so far has not presented a persuasive case.

While the Administration has failed to fight inflation with any vigor, it has launched a multi-billion-dollar war against poverty. I don't think the War on Poverty has been very successful. I don't think the results to date have justified the expenditure of more than \$2 billion. The program has not been run well, and the basic approach has been wrong. Where anti-poverty efforts have succeeded, as in Michigan, it is because local leadership has produced results despite bungling at the Federal level.

The need in the Poverty War is a shift in emphasis away from the brain trust in the Office of Economic Opportunity. Incentive grants should be offered to the states on a matching basis, and states should be given more authority in the operation of programs within their boundaries. At the same time, every effort should be made to enlist the aid of private industry in local anti-poverty projects.

At the Federal level, overlapping should be eliminated and red tape should be cut by shifting going programs like Head Start to older established agencies.

OEO Administrator Sargent Shriver has complained he doesn't have enough money for fiscal 1967--only \$1.6 billion. Money alone won't win the poverty war. But perhaps a fresh approach and a genuine Federal-state-local-and-industry partnership can.

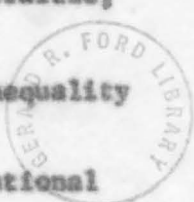
Speaking of money and congressional appropriations, I am often asked where I would cut Federal spending to hold down or eliminate the Federal deficit and to fight inflation. One place I would cut is the space program. While I am just as proud as every other American of our space accomplishments, I do not believe it is essential that we do everything on a crash basis.

That reminds me of the crack that our irrepressible friend, Admiral Rickover, once made about Federal spending. Adm. Rickover said that if the Soviet Union should suddenly announce it was going to send a man to Hell, there would be at least two Federal agencies up before the appropriations committee of Congress the next day, demanding funds to make sure this country got there first.

It's often said that some members of Congress believe there's no problem that can't be solved by appropriating a few more billion dollars. You may have gathered that I am not one of them.

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I recently heard a freshman Democratic congressman remark that the duplication of Federal programs in Washington didn't bother him a bit. It meant, he said, that if city officials from his district ran into a roadblock in one federal agency they could always try another one where the purse strings might be looser.

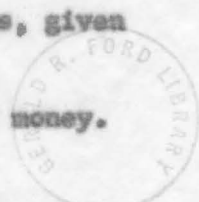
I want to see the problems of our cities solved. And it will take billions of dollars. But I don't believe all the expertise resides in Washington, and I do think there is a tremendous duplication of effort, much wheel-spinning and waste motion. The emphasis now is on Federal solutions to local problems--and I don't believe that is the only or best answer in the decade ahead.

Those who now make policy in Washington call the present Federal approach to local problem-solving "creative federalism." I submit that it often is destructive federalism in its existing form. The reason is that the Federal government sets up the ground rules and makes the big decisions.

While local officials wait for the Washington bureaucracy to act, local creativity often languishes or dies a-borning. And in the discouraging wait for Federal funds, the line gets longer and longer, and local projects mark time for years.

I feel certain that state and local officials can solve their problems, given the proper resources to do the job. When I speak of resources, I speak of money.

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The states and local units look to Washington because Washington is the giant tax collector. Washington now collects substantially more than \$100 billion a year while the states struggle along with a property tax, perhaps a sales tax, and possibly a minimal income tax grafted onto the Federal income tax system.

The cities and other local units, after relying principally on the property tax for years, now are searching for new revenue sources, including municipal income taxes.

Yet the states and cities run to Washington to try to grab off some of the so-called "goodies."

This is a system which produces progress only in fits and starts and leads in some cases to stall and delay in local projects. It is not getting the job done. Our cities are continuing to deteriorate, and the flight to the suburbs--for those able to flee--goes on.

What is the answer? Is it billions upon billions more in Federal grants-in-aid?

That is what President Johnson proposed in his speech last August in Syracuse, N. Y. He said Federal aid to cities has been increasing at a rate of \$4 billion a year and promised more.

But the grants-in-aid approach doesn't appear to be working. We need something better, something that will improve the quality of American life in cities all across America. I think that "something" is Federal revenue-sharing.

I believe Federal tax-sharing--diverting a percentage of Federal revenue to the states and cities with a minimum of strings attached is a far better answer to our urban ills. I believe it will do the job where categorical, specific grants-in-aid have failed. I believe this because local officials are better

equipped to solve local problems than so-called Washington experts. This is so because each community knows its own problems best, and no one community's problems are exactly like those of any other.

While we struggle with inflation and urban ills at home, we find ourselves locked in a seemingly endless conflict halfway around the world, caught up in a war most Americans don't fully understand and some refuse to support.

Americans wish most fervently for an end to the Vietnam War. But because we are a determined people and a moral people, we seek an end to that war only on honorable terms and only if in ending it we can preserve freedom of choice for the people of South Vietnam.

Perhaps the National Republican Coordinating Committee has best expressed the general objective of the American people in Vietnam. The Committee in December, 1965, stated: "We do not seek the unconditional surrender of North Vietnam; we seek the unconditional security of South Vietnam."

I have long felt that no matter how successfully we might prosecute the war in Vietnam, we could not truly win it and we would not gain unconditional security for the South Vietnamese unless we also win the war of pacification.

This is the key to ending the Vietnam War honorably and making it possible for the South Vietnamese to live in peace under a government of their own choosing.

That is why I was pleased to learn recently that South Korea will send a 10,000-man Korean Peace Corps to South Vietnam by the end of next year to assist in promoting the social and economic development of that war-torn country. It is said that ultimately this Korean Peace Corps will number 20,000.

It also was announced recently that more than half of the South Vietnamese army

in time will be employed to hold areas cleared of the enemy and in pacification efforts.

In addition, the Administration has just undertaken a thorough reorganization of our AID organization in South Vietnam.

These moves, if they prove productive, are the basis on which peace and progress can be achieved in Vietnam. These are hopeful signs.

But do not be deceived. Right now we are not winning what I call "the other war"--the program of pacification. In areas presumably under government control, the Vietcong moves back in at night and takes over.

Our best hope for withdrawal of U.S. forces from Vietnam lies in the success of the pacification program.

If it does not succeed, it means nothing for the United States and six other nations to meet at Manila and pledge a withdrawal of allied forces from Vietnam once aggression ceases and violence subsides.

If the pacification program fails, U.S. withdrawal from Vietnam would soon result in a takeover of the country by the Vietcong.

I have touched on some hard-core issues here today. Your impression may be that the U.S. government is so beset with problems both foreign and domestic that we don't know which way to turn.

You and I would all despair if we didn't fully appreciate the strength and the wisdom of the American people.

We know that our nation is strong and vital, its people rugged and persevering, its character one of indomitable courage and above all a saving sense of humor. All this plus a form of government unmatched in the history of mankind!

And we know that whatever the crisis, our Nation will prevail because its people are willing to take up the torch of sacrifice and to stand up for freedom. Thank you

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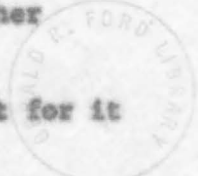
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And we know that whatever the crisis, our Nation will prevail because its people are willing to take up the torch of sacrifice and to stand up for freedom. Thank you

