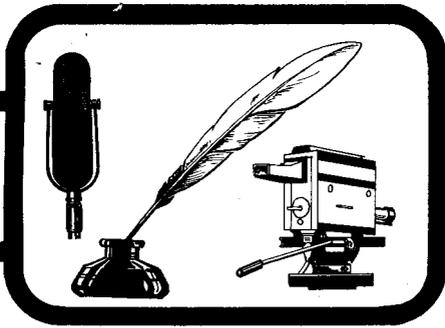


The original documents are located in Box D22, folder “National Machine Tool Builders Association Spring Meeting, Washington, DC, May 12, 1967” of the Ford Congressional Papers: Press Secretary and Speech File at the Gerald R. Ford Presidential Library.

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CONGRESSMAN
GERALD R. FORD
HOUSE REPUBLICAN LEADER

**NEWS
RELEASE**

FOR RELEASE IN PMs
of Friday, May 12, 1967

STATEMENT BY REP. GERALD R. FORD, R-MICH., BEFORE THE NATIONAL MACHINE TOOL BUILDERS ASSOCIATION SPRING MEETING, STATLER-HILTON HOTEL, WASHINGTON, D.C.

Gentlemen: I want you to know at the outset that I do not profess to be a prophet. Like you, I am deeply concerned about the outlook for the economy. In my role as Republican leader in the House, I take a hard look at the economic indicators and then make a judgment on pending legislation affecting the economy. Today I will give you my latest reading, for whatever it may be worth.

The theme for your spring meeting is a challenging one...Six Months To Sixty-Eight. It poses the question...where do we go from here.

Well, let's look at what we have to go on.

The Johnson Administration has been predicting a sharp upswing in the economy in the last half of 1967. On that basis, the President last January asked that a 6 per cent add-on to the income tax be imposed on corporations and individuals as of July 1.

Now, what has been happening? We have seen the economy turn dangerously sluggish since Congress at the request of the President suspended the 7 per cent investment tax credit last September as a brake on inflation. We have seen American consumers turn cautious in their spending, with resultant slumps in the sale of automobiles, heavy appliances and television sets.

It became obvious to me and other Republican leaders at the start of the year that the economy was undergoing a grinding adjustment and that suspension of the investment tax credit had seriously damaged prospects for economic growth.

For that reason I called last January 19 for "immediate" restoration of the investment tax credit. I issued that call in our Republican State of the Union Message.

President Johnson belatedly asked Congress in March to restore the tax credit. With the unanimous support of Republicans, the House passed the tax credit restoration bill on March 16. The President and the Secretary of the Treasury had asked for quick action. The House gave it to them.

But in the Senate the tax credit bill became ensnarled in a fight over the

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presidential campaign subsidy law passed last year. The White House contributed to the delay by lobbying against a campaign subsidy repeal amendment which had been attached to the tax credit bill.

With Senate passage of the bill this week, the only remaining question on the investment tax credit is that of retroactivity. I strongly favor the House version, which gives business and industry a better break on retroactivity. I have always had misgivings about the Administration move to suspend the tax credit in the first place. The timing of the action was particularly bad. I am forced to say bluntly that the Johnson-Humphrey Administration has mismanaged the economy, and the timing of its investment tax credit move was part of that mismanagement.

Now we find the Administration eager to restore the investment tax credit to stimulate the economy, yet playing a role in delaying enactment of the tax credit restoration bill and continuing to demand an income tax increase which may depress the economy. Does that make sense to you? I find it completely inconsistent.

I said as long ago as last November that an income tax increase would be damaging to the economy, and nothing that has happened since has changed my mind. The Joint Economic Committee of the Congress recently said that, instead of a surtax, we should have a \$5 to \$6 billion cut in non-essential federal spending. I agree. That has long been my contention. I also believe that if federal non-military spending had been cut in that amount in early 1966 we could have restored balance to a badly overheated economy and stifled the fires of inflation. If the Majority Party had brought non-essential federal spending under control, we would now not even be talking about an income tax increase.

The Administration's failure to halt inflation also laid the foundation for large wage increases in 1967 and the possibility of crippling strikes. Industrial contracts involving more than three million workers are up for negotiation this year. We know that wages will go up substantially, at the same time that productivity increases only slightly. The result may well be a new round of price increases, a new inflation spiral.

You gentlemen in the machine tool industry are only too familiar with the developments I have sketched for you. You know that the Johnson Administration used you, along with the home builders and the farmers, as the whipping boys of inflation. The Administration put most of its anti-inflation chips on suspension

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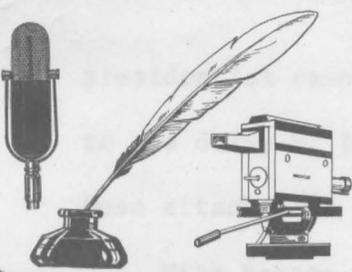
of the investment tax credit because only business would get rubbed the wrong way.

I haven't talked about the East-West Trade Bill. It hasn't even been sent to Congress yet. This is a most delicate subject, since it involves foreign policy as well as import-export matters. I think Congress needs all the information it can get before making judgment. For that reason, House Republicans have set up a task force to gather all available facts and projections. We will take a firm position when all the facts are in.

I wish I could be optimistic about trends in the economy in the next six months. But of the 12 leading economic indicators--the signposts used to guess where the economy is going--nine point downward right now. And Acting Commerce Secretary Alexander Trowbridge said just yesterday that the economy is "still sluggish."

What the economy needs for a new surge of sound growth is the proper mix of monetary and fiscal policy and a system of taxation that does not act as a drag. I wish you luck. Thank you.

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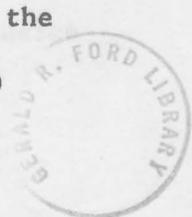
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