

**The original documents are located in Box D25, folder “Grand Rapids Chapter, National Association of Accountants, Grand Rapids, MI, September 17, 1968 (by telephone)” of the Ford Congressional Papers: Press Secretary and Speech File at the Gerald R. Ford Presidential Library.**

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A Speech by Rep. Gerald R. Ford, R-Mich., before the Grand Rapids Chapter,  
National Association of Accountants, at 8 p.m. Tuesday, Sept. 17, at  
Fingers Restaurant, Grand Rapids, Michigan (VIA TELEPHONE)

I am delighted to be talking to you. It is always a good feeling to chat  
with the folks in my home town.

I understand that tonight I am expected to discuss the current political  
outlook as it affects business. That is rather difficult for a man in my  
position to do without being accused of partisan bias, but I will try.

First of all, I am glad you have asked me to assess the current political  
outlook and not to look too far into the future.

You know, politicians are always being asked "iffy" questions and are  
asked to make pledges about what they will do in office. A colleague of mine  
once gave me some pretty good advice. "Don't brag about what you're going to  
do tomorrow," he said. "Somebody might ask you what you did yesterday."

That's why it amuses me when a majority party candidate talks about what  
terrible problems the country faces and the programs he is proposing to deal with  
them. I always feel tempted to ask: "What have you been doing for the last  
eight years?"

But then I said I wasn't going to be partisan--and I do intend to explore  
the current political outlook as it affects business.

There obviously is no question in your minds that government has a tremendous  
impact on the economy and on business in general. And this, of course, is true.

Of all the money spent in the United States today, one dollar out of every  
five is spent by federal, state and local governments.

One working American in every six is employed by government.



The federal government has great influence, power and control over the private sector of American life.

The federal government directly influences--if indeed it does not manage-- the American economy. It does this through federal spending, federal borrowing, federal taxing, and federal control over the nation's money supply.

So tonight, in a sense, we are talking about money. Of course, there are bigger things than money. Bills, for instance. But that's another story.

What is the current political outlook--and how might it affect business?

The most salient political facts right now are the combination of a federal spending hold-down and the 10 per cent surtax on individual and corporate income, and the start of one of the most critical presidential election campaigns in American history.

The surtax did not have a depressing effect on the economy during July and August. Neither has it yet had a substantial effect on inflationary pressures. In fact, the consumer price indexes for June and July showed the sharpest two-month cost-of-living rise in 11 years.

Auto sales have been strong. And sales of home appliances were up 27 per cent in July over the same month last year and were 12 per cent higher for the first seven months of 1968 than in the comparable 1967 period.

Total retail sales have been advancing at an exceptionally rapid rate. In fact they have been running about 10 percent ahead of last year in recent weeks.

But now there are signs that the consumer may be starting to retrench a bit.

It has just been reported by the U.S. Commerce Department that retail sales for the week ended September 7 fell 9 per cent below previous levels to an estimated \$6.2 billion. That compares with sales of \$6.8 billion the week before and the \$6.4 billion level maintained in the three previous weeks.

And we can expect more of a slowdown when we look ahead to next January, because that is when Social Security taxes again will be deducted from paychecks-- and at a higher rate than the first part of this year.

My guess is that the combination of the 10 per cent surtax and a resumption of Social Security withholding at increased rates may well have an adverse impact on consumer spending and on business generally.

What about inflation? Have we become used to it? Do we no longer worry about the fact that the dollar is being debased as both the wholesale and consumer price indexes continue to rise at an unhealthy pace? Do we no longer concern ourselves about the fact that pensioners and others on fixed incomes suffer as a result of inflation and that it aggravates the serious cost-squeeze problem of the farmer?

No, the Congress is deeply concerned. And that is why we coupled the 10 per cent income tax surcharge with a \$180 billion ceiling on federal spending--a spending limitation which President Johnson now tells us will mean not a \$6 billion cut in his fiscal 1969 spending plans but a \$7 billion cut.

Like the tax increase, the reduction in the President's budget has not yet had serious impact. But this also is where you can look for some slowdown in demand.

Defense procurement expenditures are down from their late 1967 peak.

In the April-June quarter of this year Federal spending as a whole was running at an annual rate of \$189.6 billion. This must come down to fit under the \$180.1 billion spending ceiling fixed by the Congress for fiscal 1969.

To guard against a possible recession, the Federal Reserve Board recently relaxed curbs on money and credit. And this probably averted a downturn. The economy now--in this fall period--is on the upbeat.

But the rapid monetary expansion we have seen may be encouraging a new spurt of inflation. With costs and prices rising 4 to 6 per cent a year, there is danger that the inflationary trend will be intensified.

What about political impact?

If Lyndon Johnson were running for reelection, I would take a different view of the economic outlook than I do. I would expect the easy money policy to continue.

Because the President is not a candidate for reelection, I look for a shift to a less easy money policy in Washington due to the continuing danger of inflation.

As a result, I believe the economy's growth in the near future will be a <sup>bit</sup> slower and probably bumpier--hopefully, with a receding of inflationary pressures.

This will be a small price to pay if, in the process, we manage to restore balance to the economy without running into even a mild recession.

Now what does politics have to do with what has happened to the economy in the last few years and why is the current political outlook important in terms



of its possible effect on business?

I personally believe that if federal spending had been held in check after 1965 on the basis of strict priorities--the kind of priorities you normally would expect during wartime--we would not now be fighting the battle of inflation and suffering the consequences.

As for the next Administration, whoever is in control, we again will have a struggle with the Budget.

That is because the accumulated stack of new programs launched in the last few years will continue the flow of red ink. For a time at least, the real question will be how big the deficits and how long it will be before we can bring the federal budget back under control.

Looking at the overall figures, we find that nondefense spending has risen faster than defense spending in the last 3½ years despite Vietnam. When the Vietnam War ends, this nondefense spending will not decline. On the contrary, there will be tremendous pressures to increase it.

At the same time, spending for defense will drop at the most by only about \$15 billion a year. And Congress will be faced with the need to review defense projects we have postponed or neglected while pouring \$30 billion a year into the Vietnam War and seeing Soviet military strength increase.

Who will become the 37th President of the United States next Jan. 20?

The answer to that question means much to American business.

In my view, both Richard Nixon and Hubert Humphrey can be considered friendly to business. Yet their business-oriented actions in office would be

sharply different, I believe.

I think a Humphrey Administration can be previewed in the light of what the Johnson-Humphrey Administration has done, the promises made in the Democratic platform and the statements made thus far by the candidate.

It must be clear to any unprejudiced student of government that the Johnson-Humphrey Administration played favorites in its treatment of business and labor--and it certainly wasn't business that was teacher's pet. I think the same could be expected of a Humphrey Administration.

You will recall, also, that the Johnson-Humphrey Administration sought to repeal that provision in the Taft-Hartley Act preserving the right of the states to enact compulsory open shop laws. The Johnson-Humphrey Administration failed. The Democratic Party Platform urges another try at repeal. It can be expected that a Humphrey Administration would make that attempt.

The economy--and the level of federal income taxes--is affected by federal spending. Hubert Humphrey believes in massive federal spending in an attempt to solve the Nation's problems. He has pledged a Marshall Plan for the cities. He has indicated that the 10 per cent surtax enacted this year will be continued so that his Marshall plan can be implemented. Certainly his approach does not promise tax reduction.

These are great differences in basic approach by the two presidential candidates, and so business does have a big stake in the outcome of the 1968 election.

Richard Nixon believes in fair and equal treatment for labor and management.

He does not favor cutting off the power of states to enact open shop laws.

He believes in states rights--and state responsibilities.

He believes that the federal government--the taxpayers, if you will--can ill-afford the kind of Marshall Plan for the cities envisaged by Hubert Humphrey. Instead, Mr. Nixon would place new responsibilities on business to help solve the problems of the cities--to enter into a partnership with the federal government in an attack on slummism and the evils it spawns. And to encourage this new "cities industry," a Nixon Administration would offer tax credits as an incentive for business and industry to train and hire the hard-core unemployed, build new plants in the inner city and build housing that low-income families can afford.

If we are to use government funds to lift up our underprivileged citizens and ultimately make tax payers out of tax eaters, let's do it in a healthy way...the way that promises to build individual pride, respect and a sense of independence. The reason most Americans stand so tall among the citizens of the world is that they have always stood on their own two legs.

Government is a necessary and beneficial institution. We need government--good government. It performs functions vital to the safety and welfare of our people, business and industry. But let's recognize government for what it is--a service institution. Government doesn't produce anything, and it shouldn't compete with business in a private enterprise economy. That is one of the foundation stones of freedom.

Perhaps I can best illustrate what I mean by telling you the story of a



salesman who was trying to sell a bicycle to a farmer at one of the small farms in Michigan.

"I'd rather buy a cow," the farmer said.

"You'd look a little silly riding around on a cow," the city slicker replied.

"I'd look even sillier," said the farmer, "trying to milk a bicycle."

This is what we must remember as we examine the current political outlook and its effect on business.

What is important is that we all try to produce. We shouldn't take out of the economy more than we put into it or we will risk disaster.

It is because the Congress as presently constituted has been flirting with \$25 billion deficits and because prices and costs have been rising all out of proportion to value rendered that the American economic machine badly needs repairs.

If we will only apply common sense to our current and future politics, the American economy again will move forward with the smooth power of which it is capable. And all of our people will benefit. Thank you.

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