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12/27/74

OFFICE OF THE PRESIDENT

WASHINGTON, D.C.

From the President:

To:

Bill Subman

Date:

Time

a.m.

p.m.

Info

STATEMENT OF ECONOMIC POLICY
DEMOCRATIC CONFERENCE ON PARTY ORGANIZATION AND POLICY
KANSAS CITY, MISSOURI
DECEMBER 6, 1974

We, the Democrats of the United States, meet at a time of crisis for our country.

For two years, we have witnessed the conscious betrayal of the people's trust by our highest elected officials. We have learned of deliberate attempts to subvert the democratic process itself. A President of the United States and a Vice President have resigned in disgrace. The trust and confidence of the people in their government have been severely shaken.

At the same time, the nation has suffered under economic policies that have brought us the worst recession since the Great Depression and the most serious inflation ever experienced in peacetime.

Each week brings reports of more Americans thrown out of work while costs of the basic commodities of life continue to soar. Economic forecasts point toward an unemployment rate of 8% by the end of 1975 and only a slight drop in the record-high rate of inflation. More and more businesses are failing and the stock market continues to drop with losses that now exceed those of the Great Crash of 1929. Residential housing starts are about half of what they were a year ago. Business spending for new plant and equipment is below expectations and looking more dismal. The public's confidence in our economy has dropped to record lows.

Few Americans have escaped economic injury and hardship. Middle income families must increasingly rely on two or more incomes to survive and almost all disposable income is spent on meeting basic human needs, such as food, housing, and clothing. Persons who have already been discriminated against economically -- women, minorities, young people, low-wage and unorganized workers -- are even more vulnerable, as their inadequate incomes stretch to cover sharply rising costs. Affirmative action programs to promote equal employment opportunity are a cruel joke in times of recession when the last to be hired is the first to be fired.

Farmers are caught in a cost-price squeeze that is destroying real income and driving more and more into bankruptcy. Persons on fixed incomes, such as the elderly, are pushed to or over the brink of economic disaster. Even such elemental assistance as

food stamps is cut back and denied to many of those most in need. The solid progress achieved during the 1960s in helping people escape the cycle of poverty has been halted.

In the face of these catastrophic economic facts, the new Republican Administration refuses to take the strong remedial steps that are urgently needed and that Americans are ready to support. Instead, the Ford Administration continues to rely on public relations campaigns and appeals for voluntary sacrifice from persons least able to make them. The decisive and purposeful leadership that people have a right to expect of their national government is totally lacking.

To make matters worse, the inequitable economic philosophy that characterized the Nixon Administration has been largely sustained by President Ford. Even though Congress has already cut more than \$1 billion from the federal budget, President Ford has proposed additional cuts in programs designed to aid the poor, elderly, and veterans -- Medicare and Medicaid, food stamps, veterans educational benefits, and welfare benefits. In a recession, this is callous economic nonsense.

In the elections last month, the people expressed their outrage. They spoke out clearly in support of decisive change. They provided a mandate for action. As Democrats, we recognize and accept our obligation to act. We will not permit our national government to turn its back on the economic plight now faced by millions of working men and women and their families.

Our most urgent priority as a nation is building a strong and healthy economy. Five essentials are the basis for an effective economic recovery program:

- Both recession and inflation must be attacked.
- Active governmental leadership must take the place of public relations schemes and voluntary measures.
- Equity must be achieved in the sacrifices that are asked of Americans and in the benefits that are received.
- National spending priorities must reflect the urgent human needs that abound in this country.
- Confidence in government must be restored as the basis for rebuilding the people's confidence in our economic future.

We have heard and we applaud the legislative initiatives outlined by the Democratic leaders of Congress -- Speaker Carl Albert, Senator Robert Byrd, and Representative Thomas P. O'Neill, Jr. In support of the legislative goals they announced, and in recognition of the five principles noted above, the Democratic Party proposes the following actions:

1. To lessen the increasing burden of unemployment, as well as to provide useful services in the public sector, we support an expanded program of public service jobs free of the unfair and unworkable restrictions suggested by President Ford. For example, we oppose the notion that a worker must exhaust his or her unemployment benefits before becoming eligible for a public service job. We likewise oppose the complicated double trigger system that would deny public service jobs in many areas of extremely high unemployment.

2. To ease the economic burden on persons most hurt by inflation and by the unfair application of wage-price controls, as well as to redress a number of long-standing inequities in our tax structure, we support passage by Congress of a comprehensive package of tax reductions and tax reforms.

This package includes meaningful tax reductions for moderate and low income families to help restore the 5.5% decrease in real spendable earnings that American workers have suffered since 1973. These tax reductions can be made in a non-inflationary manner by compensating reforms in personal and corporate taxes. Tax privileges and shelters that serve no social purpose must be eliminated. Windfall or otherwise excessive profits of corporations must be taxed. Tax incentives that encourage multi-national corporations to export American jobs and capital must be ended.

3. Republican reliance on tight money alone in fighting inflation has not worked in the past and it will not work now. The collapse of the housing industry is just one result of record-high interest rates that have not stopped record-high rates of inflation. In these circumstances, the Federal Reserve should pursue a general easing of credit without throwing judgment and caution to the winds.

To assist faltering businesses in a time of deepening recession, we urge Congress to revive the Reconstruction Finance Corporation as a means of meeting legitimate credit needs in the private sector. The Federal Reserve and other Federal lending agencies must also develop more selective methods of allocating credit to productive enterprises. For example, housing, utilities, municipal borrowers, food production, and small businesses should receive preference over highly speculative, non-productive ventures.

4. To disperse highly concentrated economic power and to foster a higher level of realistic economic competition, we support strengthening of our antitrust laws and adequate funding for vigorous enforcement of these laws. We propose revision of regulatory statutes that unfairly protect private industry from legitimate competitive forces. Congress should also explore ways of attacking the growing problem of administered prices.

5. To avert inflationary pressures in a period of economic recovery and to protect real gains in productivity and purchasing power, we support an across-the-board system of economic controls, including prices, wages, executive compensation, profits, and rents. Provision should be made for wage catch-up and price roll-backs.

We are, however, fully cognizant of the severe inequities that accompanied the application of wage-price controls by the Nixon Administration in 1971-73. Wages were strictly controlled because private employers assumed the role of enforcers. Meanwhile, no comparable system existed for controlling prices. No controls at all existed for profits or rents. As a consequence, working Americans suffered a severe net loss in real spendable income.

To avoid a repetition of this experience under the current Republican Administration, we propose that the emergency economic controls program be administered by an independent board confirmed by Congress that has authority to create whatever monitoring and enforcement procedures are necessary to insure fairness. Congress should also exercise continuing oversight of the economic controls program to see that equitable administration is a reality.

6. To help control inflationary pressures, to bolster our national security, and to move our country toward the goal of energy independence, we support a mandatory system of energy conservation instead of President Ford's voluntary approach. It is essential that we develop, without further delay, a national energy policy that will accelerate development of our domestic energy supplies, end wasteful consumption, redress arbitrary and unfair pricing policies, without jeopardizing environmental values. This national policy should include accelerated research and development of new energy sources, such as nuclear, solar, oil shale, coal gasification, coal liquefaction, and geothermal steam, among others.

President Ford's continuing failure to propose such a comprehensive national energy policy is perhaps the most dramatic example of his abdication of executive leadership.

7. To provide every American with the best in health care, regardless of income or place of residence, we urge prompt passage by Congress of a comprehensive system of national health insurance.

8. Finally, we endorse the other legislative goals announced by the Democratic Congressional leaders, including consumer protection and no-fault insurance.

We also recognize that the 94th Congress, working in conjunction with elected Democratic leaders at the State and local levels, will address a number of other vital issues not specifically covered in this statement on priority economic goals. We also look to the Democratic Advisory Council of Elected Officials to develop in a comprehensive fashion the proposals and concerns expressed in the Issue Seminars held earlier today.

THE WHITE HOUSE

WASHINGTON

December 27, 1974

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: L. WILLIAM SEIDMAN

FROM: JERRY H. ~~INDEX~~ 

The attached material was returned in the President's outbox with the following notation to you:

-- Info.

cc: Don Rumsfeld