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CONGRESSMAN
GERALD R. FORD
HOUSE REPUBLICAN LEADER

**NEWS
RELEASE**

FOR RELEASE MAY 21, 1966, SAT. - 12:00 NOON

SPEECH EXCERPTS--FINANCIAL EXECUTIVES INSTITUTE, MONTEREY, CALIFORNIA

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

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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.

* * *

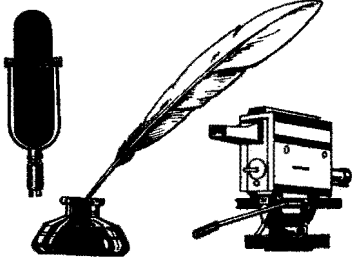
I do not mean to imply by these criticisms of the wage and price guideposts that business and labor should blithely ignore the public interest. On the contrary, I think labor and management should carefully weigh the public interest every time they make a major decision affecting wages and prices.

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.

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