

The original documents are located in Box D22, folder “37th Midyear Meeting, Independent Petroleum Association of America, Washington, DC, May 4, 1967” of the Ford Congressional Papers: Press Secretary and Speech File at the Gerald R. Ford Presidential Library.

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For PM's of Thursday, May 4, 1967--

A Speech by Rep. Gerald R. Ford, R-Mich., at the 37th Midyear Meeting of the Independent Petroleum Association of America, Washington Hilton Hotel.

It is a truism that we often fail to grasp the significance of important events at the moment of their happening.

We recently witnessed just such an event--one in a series of similar occurrences--and the true meaning of it apparently was lost on a great majority of the American people.

I speak of actions taken by the present Administration in February of this year when the White House exerted heavy pressure on the petroleum industry to roll back a penny-a-gallon price increase posted by some--not all--refiners.

As you well know, the Administration in the name of "the national interest" threatened to open the doors to more foreign gasoline if the refiners who had raised their prices did not rescind the increases.

What was the real significance of this Administration action? Those of us who are not naive know that it was a form of blackmail, a bit of price-fixing unsanctioned by any law, an action destructive of the private enterprise system.

We pride ourselves on what we call "the free, private enterprise system."

There still is enterprise in this country--plenty of it. It's the fuel that sparks American democracy, the marrow in the skeletal structure of a capitalistic system of which we in this country can be most proud.

But what of the flesh of the capitalistic system? What about freedom?

I submit that under the present Administration the free, private enterprise system in this country is neither free nor private.

The American businessman is not free to make pricing decisions that affect the overall operations of his enterprise.

The "public interest?" I am as concerned about the public interest as President Lyndon Johnson, Interior Secretary Stewart Udall and Undersecretary Charles Luce.

Whatever happened to competition as a force for determining prices? Is a counterfeit price-fixing office in the White House a substitute for competition and the forces of the market place?

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I mentioned earlier that the oil industry's confrontation with the White House was only one of a series.

The other cases are perhaps more celebrated. Certainly more attention was focused on them by the news media. I refer, of course, to the White House-industry price disputes in steel and aluminum.

Let me refresh your memory about some of the facts in the steel price case.

When U. S. Steel and seven other companies announced price increases of \$6 a ton, or about 3½ per cent, on April 10, 1962, President Kennedy denounced the price increases the next day. As yet, there was no real coercion.

The President delivered his scathing remarks on April 11. On the 12th, Attorney General Robert F. Kennedy announced he had ordered a Grand Jury investigation of the price increases. The Federal Trade Commission also began an inquiry to determine whether there had been collusive price fixing. Bobby even sent the FBI to rout some news reporters out of bed in the middle of the night to ask them if Bethlehem Steel President Edmund F. Martin had said he was opposed to a price increase.

Defense Secretary Robert S. McNamara gave orders that Pentagon steel purchases be shifted to companies which had not increased prices. The first effect of this order was that Lukens Steel got an entire \$5 million order for high-grade steel. Ordinarily, U. S. Steel would have received half of that order.

You know the rest of the story. Inland Steel and Kaiser Steel held back on the price increase. Then Bethlehem and U. S. Steel called off the price increase, and others followed suit.

Since that time, there have been selective price increases in steel and the White House has chosen to ignore them.

In fighting an aluminum price increase in the fall of 1965, the White House used somewhat different tactics.

The White House simply let it be known that government stockpiles of aluminum would be dumped onto the market if the aluminum producers did not roll back their announced price increases. And of course they capitulated.

Price stability should be and must be a national goal. We saw how cruelly millions of Americans were hurt in 1966 when the economy became badly overheated and prices jumped under the pressures of demand-pull inflation.

But is White House coercion and blackmail the way to keep prices relatively stable? Is there any real justification for bludgeoning businessmen over the head to prevent a price rise business leaders feel is being forced by mounting

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costs of doing business?

I do not profess to know whether the price increases proposed by various firms in the oil, steel and aluminum industries were justified.

But I feel certain that the Administrations which have held sway in the White House since January 1961 have been treating the symptoms and not the cause of inflation.

Price stability results from sound economics and sound fiscal policies, not from coercion and blackmail and not from playing both sides against the middle.

I submit that the present Administration has mismanaged the economy and has tipped the economy into imbalance by failing to deal adequately with inflationary pressures.

It's really a shabby kind of performance for this Administration to manipulate imports to control the prices of various commodities--or to threaten to do so--and then to take a Big Daddy bow before the American people for fighting price increases. That's playing it cute. That's employing an improper means to achieve a desirable end and then saying, "Look at me...I'm a hero."

Does the end justify the means? Should the American farmer be the victim of surplus-commodity dumping and a flood of imports that force down farm prices? Should American industry be forced to look fearfully over its shoulder at Big Brother whenever it makes a pricing decision?

If competition is lacking in any particular industry, there are laws on the books to handle that situation. Other administrations have not hesitated to use this Nation's antitrust laws where such action was clearly indicated.

Assuming the presence of competition, the reasons for price increases are rooted in basic economics--the supply and demand situation and the cost of doing business.

Today--more than ever before--the federal government heavily affects the supply and demand picture in various industries and sets policies which greatly influence costs.

I submit that the inflation which drove up prices in this country last year was due primarily to excessive federal spending in the domestic sector at a time when the economy was overheated and needed cooling. Interest rates rose to the highest level in 40 years because the Federal Reserve Board moved to fight inflation when the White House failed to do so.

What we need for sound economic growth in this country--accompanied by relative price stability--is the proper mix of fiscal and monetary policy and

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the courage to take the actions that are needed at the time they are needed.

Finally, lasting assurances of price stability can only come from the discipline of a free market and from responsible actions by business and labor leaders. I might add that it helps business and labor leaders to act responsibly if they operate in the kind of atmosphere which is generated by sound and impartial government.

This, then, is the key ingredient in any formula aimed at achieving price stability--a sound government, an impartial government.

The American people can have that kind of government if they use their right to choose their elective leaders carefully and intelligently.

Thank you.

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We recently witnessed just such an event--one in a series of similar occurrences--and the true meaning of it apparently was lost on a great majority of the American people.

I speak of actions taken by the present Administration in February of this year when the White House exerted heavy pressure on the petroleum industry to roll back a penny-a-gallon price increase posted by some refiners.

As you well know, the Administration in the name of "the national interest" threatened to open the doors to more foreign gasoline if the refiners who had raised their prices did not rescind the increases.

What was the real significance of this Administration action? Those of us who are not naive know that it was a form of blackmail, a bit of price-fixing unsanctioned by any law, an action destructive of the private enterprise system.

We pride ourselves on what we call "the free, private enterprise system."

There still is enterprise in this country--plenty of it. It's the fuel that sparks American democracy, the marrow in the skeletal structure of a capitalistic system of which we in this country can be proud.

But what of the flesh of the capitalistic system? What about freedom?

I submit that under the present Administration the free, private enterprise system in this country is neither free nor private.

The American businessman and industrialist is not free to make major decisions that affect the overall operations of his enterprise. This is ridiculous and tragic.

The "public interest?" I am as concerned about the public interest as President Lyndon Johnson, Interior Secretary Stewart Udall and Undersecretary Charles Luce.

But whatever happened to competition as a force for determining prices?



I am as concerned about price stability as anyone else in the United States?

But is coercion by the federal government the proper way to promote price stability? Is there any real justification for bludgeoning the leaders of an industry over the head to prevent a price rise?

I do not profess to know whether the penny-a-gallon gasoline price increase proposed by some oil refiners last February 1 and thereafter was "justified." But I submit that we should allow the competitive forces in our American system of enterprise determine that.

If competition is lacking in any American industry, there are laws on the books for dealing with that situation. Teddy Roosevelt did not hesitate to use this nation's antitrust laws when such action was indicated.

I submit that the present Administration is playing it easy with the American people.

This Administration is ^{misusing} ~~using~~ its import policies to control the prices of various commodities and then taking a Big Daddy bow before the American people for holding the price line.

Does the end justify the means? Should the American farmer be the victim of ~~commodity dumping and surplus-commodity dumping and the resulting~~ ^{of a flood of} imports that force down farm prices? ~~Should American industry be forced to look fearfully at over its~~ ^{shoulder at Big Brother whenever it makes a pricing decision?} Most emphatically not.

The American enterprise system is sick, and it is the Federal Government which has ~~been~~ poisoned it. We must restore freedom to the enterprise system and bring the force of true competition into play in the economy.

* * *

I am truly alarmed by what I see happening in this country today, this great ~~land of the free~~ Nation that was molded out of wilderness by the fierce, proud spirit of the American pioneer.

We are being infected by what I call the "disincentive sickness." It is the sickness that afflicts an American when ~~he is~~ he struggles under a ~~tax~~ federal tax burden so heavy he does not begin working for himself until the fifth month of the year. This year Freedom Day--that's what I call it--is tomorrow, May 5.

~~Standard incentive~~
I have always found that the driving force behind every individual worth his salt is desire. That's the added ingredient that often means the difference between ~~statutory~~ victory and ~~defeat~~ on the playing field and on the battlefield.

We suffered last year in this country through a damaging period of inflation--inflation that in my view was primarily due to mismanagement of the economy by the present Administration.

Now we are faced with ~~spiral~~ spiraling war costs--war costs that were underestimated by the present Administration by \$10 billion while domestic spending was being greatly expanded and all calls for a system of priorities were ignored.

The inflationary wave of ~~last~~ last year has deluged individual Americans with higher living costs that continue to plague them. The inflation of last year has pushed up the cost of doing business for ~~years~~ the oil industry and others.

For this situation the Administration's answer is continued heavy deficit spending in the domestic sector as well as in defense and a demand for an increase in ~~income~~ income taxes under threat of a federal deficit that could run as high as \$20 billion in fiscal 1968.

Our goal in this country should be to lower federal income taxes, not raise them. We can achieve that goal if we pursue policies that produce ~~balanced~~ a balance or surpluses in the Federal Treasury during times of ~~prosperity~~ ^{economic health} growth ~~in a balanced economy~~ in a balanced economy, ~~in~~ a sound dollar respected at home and abroad, ~~and~~ citizen programs to lick poverty and to ^{truly equal} bring about ~~educational and job opportunities~~ educational and job opportunities.

This is the kind of America I want for all our citizens--a free America where every man can stand straight and tall, and ~~in~~ fear does not cast a shadow.

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