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REMARKS BY REP. GERALD R. FORD, R-MICH.
AT A DINNER MEETING OF THE
MICHIGAN CHAPTER OF THE FINANCIAL EXECUTIVES INSTITUTE
THE PENINSULAR CLUB, GRAND RAPIDS, MICHIGAN
6 P.M. FRIDAY, MARCH 14, 1969

FOR RELEASE ON DELIVERY AT 6 P.M. FRIDAY

"Business Management and the Washington Government Process"

In trying to stretch the tax dollar, the Nixon Administration will be employing many of the techniques used in business -- because what we are faced with in Washington is a cost-price squeeze in government.

The Nixon Administration has embarked on a campaign to increase Federal government efficiency and to improve federal-state-and-local relations. This is not being done only in the interest of saving tax dollars. It is also vital because how well the Nixon Administration does in managing our financial resources will determine to a large degree how successful we are in solving many of our domestic problems.

We still have the same problems with which the previous Administration wrestled. The change in administrations didn't change the problems. The war in Vietnam, inflation, and the whole gamut of problems that have produced the urban crisis still cry out for solution.

It will take more than money to solve this Nation's problems, but the best possible use of tax dollars figures in the ultimate solution.

And so the Nixon Administration is going over former President Johnson's fiscal 1970 budget item by item and line by line. At the same time the President has directed department and agency heads to tag low priority functions and programs for phaseout and has directed his chief counsellor, Dr. Arthur Burns, to formulate legislation implementing Nixon campaign promises.

There is a definite shift in direction shaping up in Washington. The form and size and shape of these new policies can only be sketched in broad outline because it takes time to flesh in the details.

The salient features of the new Administration are that it is business-like, it is engaged in a reappraisal of domestic and foreign policy which will produce substantial changes in months and years to come, it is interested in performance and not promises, it seeks to re-order our priorities, it hopes to enlist state

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and local governments and the private sector as enthusiastic partners in solving the people's problems.

One important aspect of the current reappraisal, for instance, is that the Defense and State Departments are scanning our military spending, manpower commitments and our bases overseas with a view to eliminating expenditures that can no longer be justified.

Other actions to improve Federal Government efficiency include a shifting of the Job Corps program to the Labor Department, and the Head Start, Comprehensive Health Centers and Foster Grandparents Programs to the Health-Education-and-Welfare Department.

Meantime the President is seeking authority to reorganize the Executive Branch of the Federal Government, a power first given to President Truman and then to each of his successors.

Whatever action is taken to reshape our foreign and domestic policies closer to present-day needs and desires, it is vital to our success as a Nation and a people that we halt the steady and rapid erosion of the dollar.

Inflation is an underlying problem for every American -- a present weakness in our economy which must be checked if we are not ultimately to face doom and disaster.

Last year we experienced the worst case of inflation in 17 years. Interest rates on government securities have spiraled to the highest point since the Civil War. The prime rate for borrowing has climbed to an historic high. And inflation psychology -- a belief by people that prices will continue to go up and up and up -- that psychology still prevails.

As President Nixon has said: "If inflation is allowed to get out of hand, there has to be a bust and then unemployment comes."

This means we have to bring inflation under control, but do it by slowly cooling down the economic machine and not by stalling it or throwing it into reverse.

President Nixon will rely on fiscal and monetary policy in fighting inflation. He will not employ wage-and-price guidelines -- a device which in the past was applied unequally and unfairly as regards labor and management, and as regards one industry or another.

Under present circumstances I think there is little question that President Johnson's 10 per cent income tax surcharge will have to be continued for another year beyond June 30.

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To make the fight against inflation more effective, we need at least two federal surpluses back to back. We need to wind up in the black not only this fiscal year but next.

It would seem impossible to achieve a surplus in fiscal 1970 without the revenue which would flow from a continued surtax.

President Nixon wants to get rid of the surtax as soon as possible, and so do I.

But if the Congress were to allow the surtax to expire as of June 30 and the Federal Government therefore incurred perhaps a \$9 billion deficit in fiscal 1970, the battle against inflation would be lost and the American people would be the losers.

Looking at the situation affirmatively, the Nixon Administration, the 91st Congress and the Federal Reserve Board have it within their power gradually to bring inflation under control. And their efforts deserve the support of the American people because in the long term the people will benefit.

The price trend does not yet reflect official efforts to slow down the boom but it soon will.

We now have fiscal restraint from the combined effect of the surcharge and the Social Security tax increase which took effect last Jan. 1. This will be reinforced by monetary restraint flowing from current Federal Reserve Board policies.

Gradually this combination of fiscal and monetary restraint will bring us back to relative price stability.

Meantime, however, we will have many months of tight money and high interest rates. This is the penalty for irresponsible federal fiscal policies in recent years.

The slowdown is under way.

Federal spending is levelling off.

The surtax will have an impact on consumer spending as individuals make out their income tax returns and mail into the Treasury the extra taxes that are owed.

The rate of savings deposits at banks, savings and loan institutions and mutual savings banks has fallen off.

Commercial banks are finding it difficult to get cash to lend.

So the restraints are in place and they are beginning to work. What we must do now is to grin and bear it and be ever watchful to see that we

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loosen the restraints only when the inflationary dangers have been overcome.

For instance, Federal Reserve Board Chairman William McChesney Martin readily admits that the Board eased up too quickly on credit in 1967 and again during the last half of 1968.

And, citing a recognized fact and not speaking critically, we all know that the Johnson Administration waited at least a year too long before starting to fight inflation.

Now you can expect the Nixon Administration, the Congress and the Federal Reserve Board to keep the lid on for as long as is necessary to bring inflation under control.

It won't be easy, and it won't be painless. But I feel sure the American people will cooperate when they become convinced it is the right course of action. It would have been far easier, of course, three years ago when the forces of inflation first began gathering momentum. Now, it is tough.

The Federal Reserve Board is seeking to accomplish credit slowdown without large-scale dislocation of saving and lending patterns -- so-called "dis-intermediation."

It appears that so far they have been successful, and it should be noted that without large-scale dis-intermediation there can be no credit crisis. Not even a hard crunch.

Under a strategy which combines a budget surplus with non-inflationary moderate increases in the money supply there need be no crisis in our money markets. On the contrary, interest rates should decline after a time.

As for inflation, the rate of consumer price increases should decrease to about 3.5 per cent in 1969, as compared with 4.8 in 1968. And it should drop further to about 2.5 per cent in 1970 without a rise in unemployment above 4 per cent, possibly and hopefully less.

Here's welcome news for many American investors: The Nixon Administration will make a start this year on ending government controls over investment abroad.

The Administration plans to exempt many hundreds of relatively small companies from controls over direct foreign investment, and some form of relief for large corporations also is shaping up.

What we have talked of here tonight are all common sense actions -- nothing done without planning and forethought and careful consideration of the consequences.

The Nixon Administration is a pragmatic administration, a cool and thoughtful administration.

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This, I think, will be the hallmark of the Nixon Administration. Common sense. Calmness. A great sense of fairness. And stability.

Common sense can bring us great achievements. It may even confound our enemies. For as Ralph Waldo Emerson once wrote: "Nothing astonishes men so much as common sense and plain dealing."

As a Nation and a people we are faced with great problems at this point in our history.

Let us approach them with the calmness of spirit and the quietness of voice with which Richard Nixon spoke to the American people on the day he assumed the terrible burdens of the Presidency.

With the change in the Presidency has come a great opportunity to meet and resolve many of our problems.

In an attitude of calm and confidence, the new Administration is providing the leadership we need to turn this country in a new direction -- to use the dynamic thrust of the free enterprise system in a fresh attack on America's ills.

With the support of the people, President Nixon can be successful in steering America toward new greatness. But he needs your help -- the help of every man and woman in this room and the help of dedicated citizens throughout our wonderful land.

So let us accept the challenge -- accept it with clear vision and clear heads. Let us seize the opportunity with stout hearts and a determination that we will move forward together as a people.

Let us take as our motto the wise words of the Greek philosopher Plutarch who said: "Many things which cannot be overcome when they are taken together, yield themselves when taken little by little."

Together we shall persevere, and together we shall prevail. For faith is the talisman of greatness for America, and America is strong in faith.

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