The original documents are located in Box D30, folder "American Bankers Association, Miami Beach, FL, October 13, 1970" of the Ford Congressional Papers: Press Secretary and Speech File at the Gerald R. Ford Presidential Library.

but despite Doomsday prophets or president the political ratios in next Congress

REMARKS BY REP. GERALD R. FORD, R-MICH.
REPUBLICAN LEADER, U.S. HOUSE OF REPRESENTATIVES
BEFORE THE AMERICAN BANKERS ASSOCIATION
AT MIAMI BEACH, FLORIDA
10:30 a.m. OCTOBER 13, 1970

FOR RELEASE ON DELIVERY

Boggs / Mansfield / Mills — I'm accustomed to the minority role in Congress /

Walk into almost any union hall these days and you will see posters depicting breadlines and soup kitchens and carrying the message that it could happen again.

Democrat Party spokesmen are more subtle but they carry the same message.

This is ~~the kind of~~ a campaign of distortion, being carried on by the Democratic Party this year, in ~~league with their political~~ allies. These are the tactics ~~being employed by the Democrats and their friends~~ in search of political advantage.

I regret such tactics, ~~and~~ not merely because my political party is the target. I regret ~~it~~ the tactic because it is based on ~~falsehood~~ a failure to look at the big picture and is calculated to scare the country. I take comfort in the belief that the American people are too savvy to be taken in by such ~~trickery~~ tactics.

~~I could talk today only about growth in the economy, ignoring inflation, as my Democratic colleague, Mr. Boggs, is accustomed to doing.~~ ~~However~~, I think we should deal with the whole picture, including the good news in South East Asia. And certainly to understand what is happening in the economy today we have to consider the impact that inflation and counter-inflationary efforts have had on economic growth.

Bankers, like lawyers, are interested in facts. The facts ~~are~~ The weight of the evidence is on my side in this discussion, ~~and so I am not alarmed about anything Mr. Boggs might say~~.

Let me begin by saying that the evidence is accumulating that the economy is moving along the right path. The Administration's original game plan is working ~~out~~ with the rate of inflation diminishing and production reviving. The only dark cloud is the GM strike. The prospects are encouraging that we will reach our goal of ~~rapid~~ constructive economic growth with reasonable price stability.

This change in our situation and prospects, from the overheated and unstable economy of January 1969, is unquestionably the result of policies steadily pursued by the Nixon Administration since it first assumed office.

The economy is in the process of turning up. There is widespread anticipation of economic growth. The recent ~~behavior~~ trend of the stock market is ~~one~~ encouraging sign of this.

just as we have a day to day changes in stock market

We have month-to-month fluctuations in the economic indicators, of course. These should be kept in perspective. These temporary fluctuations cannot deny the

(more)

underlying trend. — more pluses than minuses.

~~Why do I say the economy is turning up~~? Over the course of recent months, we have witnessed a general expansion in the following key indicators: New orders for durable goods, the stock market, the money supply, housing starts, personal income from the private sector, and the composite leading indicators themselves. The economy clearly is moving toward expansion.

The upturn will be moderate, accompanied by continued measurable progress in bringing down the rate of inflation. The performance of ~~both~~ consumer prices ~~and wholesale prices~~ in recent months has been reassuring on the downturn in the rate of inflation.

There has been a marked dampening in the rate of inflation this year, evidenced most recently by the 0.2 per cent rise in the consumer price index in August, which translates into a 2.4 per cent annual rate. The August rise was the smallest since September 1967. The rise in the three months June, July and August was the smallest for any three-month period since the fall of 1967.

The inflation rate has been cut almost in half from its high. These figures are supported by a low rate of increase of industrial prices at wholesale and by the effect of recent productivity gains in holding down labor costs. Unit labor costs, which rose sharply in most of 1968, 1969, and early 1970, showed their smallest rise in three years in the second quarter of 1970.

Leaving off the question of inflation for the moment, let me point to indications of growth in the economy.

Total employment was higher in the third quarter than in the second. Non-agricultural payroll employment levelled out in September. The basic unemployment rate, purged of statistical aberrations, has risen little since May. With total production now rising, we can look forward to a reduction in the unemployment rate. Even Walter Heller, chairman of President Kennedy's Council of Economic Advisers and certainly not our friendliest critic, says that "the worst is now over."

When these two sides of the equation are taken together--production and employment on the one hand and prices on the other--they show that we are well on the way to the unique achievement of slowing down an inflation without a recession.
Furthermore, we are achieving the transition from a wartime economy to a peacetime economy!
~~That is the news about what is happening in the economy today.~~

The 5.5 per cent unemployment figure reported for the month of September is not news because it is a distortion due to unusual circumstances. It is a phantom

(more)

figure, not real. If the estimate is revised, as it should be, the actual September rate will turn out to be about 5.3 per cent. Johnson —

We suffered from an unusual amount of phantom unemployment in September--young people who ordinarily would have returned to school by the time the September unemployment survey was made but had not done so as of survey time this year.

Ninety-two per cent of the reported increase in unemployment was accounted for by persons under age 25. Almost all of the reported increase in unemployment was in the group of 16 to 24 year olds who move back and forth between school and the labor market.

The basic employment situation shows no deterioration from August to September. The unemployment rate for members of the work force 25 years and over was practically unchanged at 3.5 per cent.

It's true that employment in September 1970 was about a half million below its January 1970 peak but at the same time it was more than 200,000 above September 1969.

There is no question that our transition from a wartime to a peacetime economy is having a heavy impact on employment. Defense — military/civilian / FEDERAL Increases in unemployment from Ma~~y 1969 to May 1970 were severest in aircraft~~ most evident and ships, as well as construction ~~and appar~~el.

You have heard much about the Administration's "game plan" for achieving relative price stability and healthy growth in the economy. The term "game plan" is not facetious. It is used in the same sense that it is used in football. It's our basic strategy--~~and I think~~ I it is paying off.

~~How did we accomplish what we have?~~

First, the Nixon Administration has struggled--so far with success--to keep the Federal budget non-inflationary, despite repeated attempts by the big-spenders in Congress to force the President to SPEND more

Second, the Administration, through its own fiscal policy and through consultation with the Federal Reserve, has contributed to a monetary policy which tightened up enough in 1969 to help slow down the inflation and then relaxed enough in 1970 to support a healthy revival.

Third, the Administration firmly resisted mistaken suggestions that our economic difficulties could be resolved by throwing overboard the free price and collective bargaining system. And now even George Meany agrees we were right.

It was on the budget front that the Administration fought its most decisive battle.

(more)

The previous Administration generated rapid inflation by allowing a $25 billion deficit in fiscal year 1968. A belated attempt then was made to bring the budget under control with the 10 per cent tax surcharge and a spending ceiling. But this didn't make a dent in the inflation which had reached runaway dimensions. Consumers kept on spending as though taxes had not been raised.

The Nixon Administration devised and fought for a durable anti-inflationary budget, cut $7.5 billion out of Federal spending during 1969 alone, and persuaded Congress to continue the surcharge. Without this we could have had a $20 billion deficit in fiscal year 1970, and the inflationary fires would have burned more fiercely than ever. As it was, the deficit was about $3 billion which under the surrounding circumstances turned out to be helpful and not inflationary.

During calendar year 1969 the Administration succeeded in keeping the budget balanced and thus permitted the Federal Reserve to carry on a restrictive monetary policy without having to worry about the borrowing needs of the Treasury. The Administration also encouraged the Federal Reserve in that policy, despite complaints about tight money, because we knew that a restrictive policy was a necessary part of the route to lessened inflation and lower interest rates.

At the beginning of ~~this year~~ 1970, however, the Administration also made clear its belief that the time had come for a shift to easier money.

One of the great achievements of this Administration was its ability to keep cool in the face of demands for wage and price controls, direct or indirect. There is no question in my mind that Democrats in Congress pushed controls at the President not because they wanted him to use them but because they knew he would not. They simply hoped to embarrass the Administration.

Now we are seeing the payoff of the Administration's determined effort to keep cool and steer a steady course. Victory over inflation and a new era of healthy economic growth will result because the Administration has stuck to its "game plan."

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distribution : 15 copies to Mr. Ford

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I regret such tactics and not merely because my political party is the target.

I regret it because it is based on falsehood and is calculated to scare the country. I take comfort in the belief that the American people are too savvy to be taken in by such trickery.

I could talk today only about growth in the economy, ignoring inflation, as my Democratic colleague, Mr. Boggs, is accustomed to doing. However, I think we should deal with the whole picture. And certainly to understand what is happening in the economy today we have to consider the impact that inflation and counter-inflationary efforts have had on economic growth.

Bankers, like lawyers, are interested in facts. The facts are on my side in this discussion, and so I am not alarmed about anything Mr. Boggs might say.

Let me begin by saying that the evidence is accumulating that the economy is moving along the right path. The Administration's original game plan is working out, with the rate of inflation diminishing and production reviving. The prospects are encouraging that we will reach our goal of rapid economic growth with reasonable price stability.

This change in our situation and prospects, from the overheated and unstable economy of January 1969, is unquestionably the result of policies steadily pursued by the Nixon Administration since it first assumed office.

The economy is in the process of turning up. There is widespread anticipation of economic growth. The recent behavior of the stock market is one sign of this.

We have month-to-month fluctuations in the economic indicators, of course. These should be kept in perspective. These temporary fluctuations cannot deny the

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underlying trend.

Why do I say the economy is turning up? Over the course of recent months, we have witnessed a general expansion in the following key indicators: New orders for durable goods, the stock market, the money supply, housing starts, personal income from the private sector, and the composite leading indicators themselves. The economy clearly is moving toward expansion.

The upturn will be moderate, accompanied by continued measurable progress in bringing down the rate of inflation. The performance of both consumer prices and wholesale prices in recent months has been reassuring on the downturn in the rate of inflation.

There has been a marked dampening in the rate of inflation this year, evidenced most recently by the 0.2 per cent rise in the consumer price index in August, which translates into a 2.4 per cent annual rate. The August rise was the smallest since September 1967. The rise in the three months June, July and August was the smallest for any three-month period since the fall of 1967.

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