The original documents are located in Box D34, folder "Michigan Institute of Banking, November 2, 1972" of the Ford Congressional Papers: Press Secretary and Speech File at the Gerald R. Ford Presidential Library.

CONGRESSMAN
GERALD R. FORD
HOUSE REPUBLICAN LEADER

NEWS RELEASE

Excerpts from a speech by Rep. Gerald R. Ford before the Michigan Institute of Banking, Thursday evening, Nov. 2, 1972.

Two economic myths are being circulated these days. One takes the form that "wages are frozen while prices are not." Well, of course, neither wages nor prices are frozen but both are controlled. The other is the contention that we would all be better off if wage and price controls were abolished in favor of guidelines and the President simply empowered to roll back prices whenever he so chooses. The answer there is that we tried [redacted] wage-price guidelines in the Sixties and they failed when the crunch came.

As you know, the objective of the wage-price controls program was to reduce inflation to 2 to 3 per cent by the end of 1972 by restricting price increases to an average of 2.5 per cent per year and holding wage increases to an average annual increase rate of 5.5 per cent. How has this worked out in practice?

Since controls went into effect, the average increase granted by the Price Commission has been 3.25 per cent on items for which increases were requested and 1.65 per cent on total sales of requesting firms.

At the same time, the combined weighted average pay increase granted by the Pay Board has been 5 per cent, affecting more than 15.2 million workers.

[redacted] The New Economic Policy has worked. Prices have been held down. During 12 months of indexes since the beginning of the New Economic Policy, the Consumer Price Index has increased at an annual rate of 2.9 per cent, compared with rates of 5 to 6 per cent during 1969-70. For the President's critics to [redacted] blame the present Administration for inflation is like the architect who built the [redacted] Leaning Tower of Pisa claiming the world was tilted.

While the rate of inflation has been held in check, economic expansion has continued and a boom has been developing.

Gross national product in "real" terms grew at an annual rate of 9.4 per cent in the second quarter, the highest rate since the fourth quarter of 1965. The third quarter growth rate was a slower 5.9 per cent but over the last three quarters the overall growth rate has been 7 per cent.

So the economy has [redacted] grown at 7 per cent in "real" terms during the first three [redacted] quarters of this year while [redacted] inflation has advanced at a curtailed rate of 3 per cent.

The Administration thus appears to have a good chance of bettering the estimate of a 6 per cent [redacted] growth rate its economists made last January, and inflation has been held to the maximum the Administration set as its goal for price increases during 1972.

Meantime we are adding new jobs at the highest rate of job creation since 1955--more than 2.5 million new jobs in the last 12 months. Employment has reached the all-time high of 82 million. In this area, unemployment has dropped 1.3 per cent to [redacted] a low of 5.8 per cent.

Unemployment nationwide is still too high but this is because of an abnormally large growth in the labor force due to [redacted] reduction of our military forces from 3.5 million in 1968 to 2.3 million in fiscal 1973 and a [redacted] cutback in space and defense spending that eliminated 1.3 million jobs.

We come now to the [redacted] real test of [redacted] our economic health--and the results are excellent. Since the New Economic Policy was introduced in August 1971, real [redacted] earnings have risen at an annual rate of 4.1 per cent. Between 1965 and 1970, when inflation was taking huge bites [redacted] out of workers' paychecks, real spendable earnings for the average production worker did not increase at all.

It is clear that substantial gains in economic activity are being achieved this year. We can expect a rise of at least $100 billion in gross national product--10 per cent before adjustment for inflation and approximately 7 per cent after inflationary adjustment. Only six of the 27 years since World War II have seen larger increases in total output.

The business expansion appears to have the momentum to sustain an uptrend through the rest of this year and into 1973.

Consumer spending remains vigorous and the [redacted] latest University of Michigan survey of consumer sentiment shows an increase in consumer confidence and inclination to buy. Activity in all [redacted] major sectors of the economy is either stable or rising.

However, cost-push inflation is still present and this is a problem. Demand pressures are building on a broad front. A testing period lies ahead.

My own personal view is that wage and price controls must continue. [redacted] There is no question [redacted] that controls have worked to hold down the inflationary spiral. But [redacted] there is also no question in my mind that continuing pressures demand a continuation of controls.

I do not believe we should remove wage and price controls until it is clearly demonstrated that controls are no longer needed. That time is not now, and I do not see it in the months immediately ahead. At the same time, I feel [redacted] sure we will arrive in the [redacted] fairly near future at a point where we [redacted] can move into [redacted] a Phase III type of restraint. [redacted]

Meantime I predict [redacted] the economy will continue on a [redacted] strong [redacted] growth path and unemployment will steadily decline. In short, we can look to the future with much confidence.

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