MEMORANDUM FOR: TED MARRS
BILL BAROODY

FROM: JOHN O. MARSH, JR.

JOM

Last week the President mentioned to me an idea that had been given to him by a close personal friend from Grand Rapids who has had extraordinary success in the business world through sales promotions.

This friend suggested to President Ford that he should convene a conference of one hundred persons representing a broad cross-section of our national life including economic, cultural, social, and age to assemble at the White House to have an idea session and discuss how to get the country moving on all fronts in addition to just the economic field.

The friend suggested there be invited some of the outstanding leaders of the various fields of American life.

The President indicated he would like to see this idea developed, and therefore, I'd appreciate very much a short memo either individually or jointly that develops the President's suggestion.

"Committee of 200"

inflation file

STATEMENT OF OBJECTIVES DRAWN FROM DISCUSSION OF THE CITIZENS' ACTION COMMITTEE SUBCOMMITTEE HEADED BY RALPH NADER

The working committee will recommend goals and strategies to implement and measure achievements periodically to combat inflation, reduce waste and thereby advance the standard of living for all Americans. This voluntary program hopes to enlist the measurable efforts of industry, government, workers and consumers in two major stages. Stage one in the next sixty days will enlist the adherence of all parties to specific goals requiring the serious commitment of the affected and contributing groups in this national effort. Stage two will start the action phase from go date scheduled for December ____, 1974. Measurement of progress and recognition of outstanding accomplishments will be pursued at local, state and national levels. The success of cooperative voluntary action will depend on a mutuality of effort, a sense of fairness and widespread support of goals. The benefits of such action will lead to greater civic efforts by millions of Americans and a focused awareness of what directions public policy should take toward economic justice for all.

October 12, 1974

FOR IMMEDIATE RELEASE | OCTOBER 12, 1974

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

PRESS CONFERENCE
OF
SYLVIA PORTER
CHAIRPERSON, CITIZENS' ACTION COMMITTEE
TO FIGHT INFLATION

THE BRIEFING ROOM

4:28 P.M. EDT

MR. SPEAKES: As most of you know, the Citizens' Action Committee to Fight Inflation, which is a distinguished cross-section of American citizens, is still in the midst of a meeting in the Cabinet Room.

The President spent the better part of the first hour with the group. He called them -- and this is a quote -- "An excellent committee which can contribute significantly in the fight against inflation."

The group has elected Miss Sylvia Porter as its chairperson, and Miss Porter is here to speak briefly with you and to take your questions. Since she is the chairperson and the committee is still in session, we would like to limit it to a few minutes, if we can, and let her get back.

MISS PORTER: Ladies and gentlemen, as one of you, I recognize that the questions might be tough. Mine would be if you were here, but first is a statement of principle which we have just adopted.

"The Citizens' Action Committee to Fight Inflation is a nonpartisan, volunteer working committee. The committee will develop public understanding and participation in a nationwide effort to control inflation and save energy.

This nonpartisan committee dealing with a nonpartisan problem will mobilize the Nation through all of its people. The committee calls on every American, on Federal, State and local governments, organizations, business and labor to WIN the fight against inflation."

Now, before you ask me questions, I would like to volunteer something about myself. I am a member of the working press. It would be intolerable for me, in my position, to join anything with any political tinge.

MORE

As I said to the President when he first walked in the room, it would be for me committing career suicide, and that I have no intention of doing. I believe this is a tremendously critical moment in the economic and, therefore, political history of our country. I think that the consumer has been overlooked, and my proposal at the summit conference was that we should be called in to see what we could do, and to help.

It is in that role that I am here, and it is that role that I have been asked to fulfill. We have selected and have had accepted people from every spectrum of our society, ranging from liberal Democrats to conservative Republicans; from big and small businessmen, to outspoken representatives of labor; we have women, we have men; we have colors, we have creeds; we have us all, and if we have missed by any chance a spectrum of our society, it was because we did not have time to enlist the people, and we will correct that oversight.

Please believe me, ladies and gentlemen, not one of us in that room has any political ties or thoughts at all in this fight. And please believe me, I believe that, or Iwould not be here.

And now, if you have something to ask me, I will answer.

Q Is Governor Rampton up for re-election this year, the Governor of Utah?

MISS PORTER: Sir, I don't think I can answer that question. I don't think I know.

Q Miss Porter, you say you are nonpartisan, but I wonder, is the committee supporting the 5 percent surtax? Are you taking a position on the President's specific proposal?

MISS PORTER: No we are not taking a position at all on the President's anti-inflation program. We are developing a program of our own. The program that we are trying to develop at the committee meeting, which I just left, is one that will have to do with the volunteers and with people.

This would go far beyond many of the things that the President suggested. If you will recall, he brought this particular subject up at the very end of his speech to the Joint Session, and it was a separate proposal.

MORE

Q What points have you agreed on as of this moment; in other words, can you give us some kind of a platform as to where you stand at the moment?

MISS PORTER: When I left the room, we had certainly very well covered the field of energy conservation. We were well into the field of production of food.

Q Can you give us any points of conclusion or consensus?

MISS PORTER: This will be finished in about a half-hour. I think since a lot of it is probably going by the wayside while I am here or being developed while I am here, I might be terribly wrong to say anything since I don't know where it stands, even in the last five minutes.

But we are trying to develop a program which will involve citizens at the local, the regional, cities, counties, and States.

Q Miss Porter, what did the President tell you in the hour he spent there?

MISS PORTER: He told us he was very pleased that we had accepted. He was impressed with the broad cross-section that we represented. He was delighted thatwe all got here on a Saturday afternoon from a long, long way away, and he listened with great care, and I think he already has accepted a suggestion that came from one of our members that he report to the American public a couple of times a month on the progress of the effort.

Q Is this an ad hoc committee?

MISS PORTER: I would say so. We plan to be in business, however, for a long time because none of us -- although, our membership, of course will change -- this is not going to be an easily solved problem.

Q In the program you are working on -- the rest of them are working on right now -- has anything been suggested that is really novel, that surprised you as a possible viable suggestion to get voluntary conservation?

MISS PORTER: I had been surprised at -- I myself, and I have given this a lot of thought -- at the originality of several of the suggestions. We also have to look now, since it is just beginning, at the way in which the ideas can be implemented. You must understand we are going to break down into -- you can use your own words -- task forces, working groups.

MORE

I would assume there will be a small group of us who will meet pretty frequently in New York City, a small group that will meet pretty frequently here. I say, for instance, Ralph Nader works out of Washington. Mrs.Foreman of Consumer Federation of America, works out of Washington. I work out of New York. Mr. Alioto is Mayor of San Francisco. We are not exactly from one town. So, we will break down.

Q Miss Porter, you met in there for quite some time, and you said you think these are terribly critical times and that the consumer has been overlooked. I think there are probably millions of consumers out there who are waiting to hear exactly what you are doing.

Can't you give us some specifics or some of the suggestions, how the men and women, how the consumer can conserve energy, how he can fight inflation?

MISS PORTER: This is precisely what we are developing inside. I do not think we are going to have anything new that has not been already pretty well decided on energy.

During the fiasco of last winter, when we developed a Nation of skeptics on this, pretty much everything you could think of that could be done by business, by schools, by homes, was thought of. The road program of driving -- you know them as well as I -- and in looking over the list of hints, proposals, recommendations of that time seems to me they cover a very broad and extremely valuable range.

Since the energy crisis blew up in our faces -- and you know what happened to the Nation as well as I during the spring and summer of 1974 -- people forgot, or let's say, they decided they had been had.

Q In view of the statement you just made, what role do you have other than chairleader? You say you don't think your group will come up with anything in one of the two critical areas?

MISS PORTER: No, I think in energy the ideas are pretty well known. What has to be done now is to readopt them.

Q Are you going to ask to go back to turning the thermostats down and not driving when we don't have to and that kind of thing? Is that what you are saying?

MORE

MISS PORTER: I think the President is going to call on the American public the way he did in his speech to the Joint Session, to cut down their waste of energy. I, for one, am utterly apalled at the speed of the cars passing me on the highways that I ride on in Westchester County. Going 55 miles an hour is dangerous. Everybody is going to bump into you.

Q Miss Porter, in view of the fact that this country has a vast disparate distribution of wealth, the fact is a great many people have very little and a few people have a very great deal -- do you think volunteerism is the answer to these economic and energy problems?

MISS PORTER: I think the volunteer can do a great deal, if we believe. I have faith in that.

Q But how do you get people to believe, in view of what I just pointed out, that there are people who have a great deal and there are a great many people who have very little and with that problem it seems to me just asking people voluntarily to cooperate does not really solve it.

MISS PORTER: You not only ask them to cooperate -- I am told the committee now has their program ready. You not only ask people to cooperate, you ask people to help themselves. All forms of fuel right now are rather expensive. If you can cut down and help conserve, and help us become independent, and if at the same time you can help save your money on your budget and make yourselves healthier, I don't call that sacrifice.

Q You said the President agreed to report to the American people.

MISS PORTER: I said I thought that he approved of the idea.

Q What did he say that made you think he approved it?

MISS PORTER: I liked the way he took his notes.

Q It seemed to me what you were saying is this group is going to shy away from the political controversial matters. We are all for energy conservation. That is in the apple pie --

MORE

MISS PORTER: But going beyond energy conservation, I told you.

Q But I asked about, for example, the surtax, and you seemed like, "We won't touch that."

MISS PORTER: Now look, that is a political question that is up to Congress. I don't think this particular group is going to take a stand on the surtax because no matter what stands we take, the Congress of the United States will have that ultimate decision. In my own home, I cannot make a decision on the surtax. All I know is that I will pay it, if it is passed.

Q Just to help us understand that a little bit better then, I think we will not assume that you are telling us facts that your committee has adopted because we realize you came away and you don't know them, but give us a couple of suggestions or a couple of the ideas that were around so we will have an idea of the kind of things you are talking about that would be old hat.

MISS PORTER: Well, the President is making a speech on Tuesday, as you well know, in Kansas City, during which he will, I believe, announce some of the ideas which are coming out of this committee this afternoon. I think it would not be not only indiscreet but extremely bad manners for me to scoop the President.

Q But you do think he is taking ideas from you today which will be in that Tuesday speech?

MISS PORTER: I believe that is his intention. That is why we are here.

THE PRESS: Thank you, Miss Porter.

END (AT 4:35 P.M. EDT)

The working committee will recommend goals and strategies to implement and measure achievements periodically to combat inflation, reduce waste and thereby advance the standard of living for all Americans. This voluntary program hopes to enlist the measurable efforts of industry, government, workers and consumers in two major stages. Stage one in the next sixty days will enlist the adherence of all parties to specific goals requiring the serious commitment of the affected and contributing groups in this national effort. Stage two will start the action phase from go date scheduled for Dec. . Measurement of

2/

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Inflation F.G.

A SUMMARY OF THE PRESIDENT'S ANTI-INFLATION PROGRAM

General

-- Amend the Employment Act to read ..."for all those able, willing, and seeking to work, to promote maximum employment, maximum production, and stability of the general price level."

Food

-- Increase food production.
-- Remove remaining acreage limitations on rice, peanuts, and cotton.
-- Review all Federal regulations to eliminate those responsible for inflated prices.
-- Expose all restrictive practices that raise food prices.
-- Monitor food exports.
-- Provide flexibility to use food to help our foreign friends and to provide humanitarian help for those who are hungry.
-- Help developing countries become more self sufficient in food production.

Energy

-- Reorganize our national energy effort.
-- Reduce imports of foreign oil by one million barrels per day by the end of 1975.
-- Require conversion of oil and gas fired electric plants to coal or nuclear energy sources.
-- Use the Defense Production Act to allocate scarce materials for energy development.
-- Develop with the automobile industry a program that will increase gasoline mileage of automobiles.
-- Seek competitive pricing of natural gas supplies.
-- Make Navy petroleum reserves in California and Alaska available.
-- Amend the Clean Air Act.
-- Pass surface mining legislation.
-- Support windfall profits tax, nuclear plant licensing, deep waterports and ERDA.
-- Accelerate leasing of Federal lands for oil, shale, coal and geothermal development.
-- Reimpose fuel conservation steps within government.
-- Call for commercial and consumer conservation actions.
-- Provide incentives for secondary and tertiary energy production.

Restrictive Practices

-- Enforce the anti-trust laws, zeroing in on price fixing and bid-rigging.
-- Increase penalties for corporate and individual anti-trust violations.
-- Watchdog the inflationary costs of all government actions.
-- Establish a National Commission on Regulatory Reform to re-examine independent regulatory agencies for rules and regulations that unnecessarily increase costs to the consumer.
-- Require an Inflation Impact Statement for all major legislative proposals, regulations and rules within the Executive Branch.
-- Ask Congress to do the same for its own legislative initiatives.
-- Urge State and local governments to undertake similar programs.
-- Increase productivity within government and in the private sector, especially in the construction and health service industries.
-- Monitor wage and price practices in the private sector.

More Capital

-- Increase the investment tax credit to ten percent.
-- Make all dividends on new preferred stock issued for cash deductible.
-- Liberalize the capital gains tax.

Helping the Casualties

-- Provide a one year program of special unemployment insurance benefits to those who have exhausted their regular and extended employment insurance benefits and to those not now covered by a regular unemployment insurance program.
-- Establish a Community Improvement Corps for one year to provide work for the unemployed through short term useful work projects.
-- Provide additional tax relief to low and middle income Americans and close other tax loopholes (now in current tax legislation).

Stimulating Housing

-- Make most home mortgages eligible for purchase by an agency of the Federal Government.
-- Make $3 billion available immediately under the above provision for mortgage purchases, enough to finance about 100,000 homes.

Thrift Institutions

-- Pass the pending Financial Institutions Act to provide thrift institutions with better tools to compete for deposits.

International Interdependency

-- Pass the Trade Reform Act.

Federal Taxes and Spending

-- Establish a one-year temporary tax surcharge of five percent on corporations and families with adjusted gross incomes above $15,000.
-- Set a spending target of less than $300 billion for fiscal year 1975.
-- Submit within 40 days a package of budget deferrals and rescissions to the Congress to meet this goal.
-- The revenues from the new and pending proposals are approximately equal to the outlays.

Citizen Participation

-- Ask each American to GROW MORE and WASTE LESS food.
-- Ask each American to DRIVE LESS and HEAT LESS.
-- Ask each American to SHARE WITH OTHERS.

THE BROOKINGS Bulletin

Volume 11, Number 2: Spring 1974

Inflation and the Budgetary Outlook

INFLATION AND NORMAL INCOME GROWTH, now and in the foreseeable future, will increase federal revenues much faster than federal expenditures for existing programs and new undertakings so far proposed by the administration. Over the next six years, annual federal revenues at full employment could rise by $165 billion as against a growth in annual expenditures of $136 billion, leading to a potential full employment budget surplus of almost $40 billion by 1980, unless taxes are cut or other new programs are enacted in the interim. If prices rise by 5 percent a year rather than by the 3 percent assumed in this projection, the 1980 full employment surplus could be another $20 billion higher. In either event, future federal budgets could accommodate a range of new initiatives.

This prospect underlies the conclusions reached in the fifth of the annual series of Brookings studies entitled *Setting National Priorities.* The authors of this year's analysis of the fiscal prospects and national policy issues reflected in the President's proposed budget are Barry M. Blechman, a senior fellow in the Brookings Foreign Policy Studies program, and Edward M. Gramlich and Robert W. Hartman, senior fellows in Economic Studies. Karen Davis, a research associate in Economic Studies, wrote the chapter on national health insurance.

In projecting the budgetary outlook, the authors take into account two important initiatives proposed by the administration, the first of which is a major change in the nation's defense posture. The administration seems to be taking a much stiffer view of defense requirements than it did in 1973. As the United States withdrew from Southeast Asia, it scaled down its general purpose ("conventional") forces, sharply reducing the numbers of army divisions, ships, and aircraft from the peaks attained in 1968. The administration believes that these decreases in U.S. military capability have gone as far as they can go without jeopardizing the nation's security.

This year's defense budget and the administration's accompanying statements defining the nation's military requirements point toward a "new look" in defense policy and military strategy. Some of the proposed

measures would reduce the cost of defense: cuts in the number of military support and auxiliary personnel and renewed emphasis on buying less expensive ships, aircraft, and weapons are particularly important in this regard. Other proposals, however, would more than offset these efficiency measures: enlarging the size and capability of general purpose forces, expanding airlift capabilities, and accelerating the modernization of aircraft, ships, and weapons. In addition, new criteria for determining the size and composition of strategic nuclear forces, and a new emphasis on the readiness of general purpose forces, would affect the U.S. defense budget over the longer term.

The administration requests a large addition to the Defense Department's budgetary authority to pay for these first steps toward a significant change in the U.S.

Some items in this folder were not digitized because it contains copyrighted materials. Please contact the Gerald R. Ford Presidential Library for access to these materials.

I obtained Vern Webber approval to send you this material in a voluntary non partisan efforts to fight inflation.

~~I am convinced that~~

Inflation is one of the greatest threats to national security which we have faced.

Summit on Inflation Presented by: Bill Seidman

THE WHITE HOUSE

WASHINGTON

SUMMIT CONFERENCE ON INFLATION

Date: August 26, 1974

Goals

The goals of the Summit Conference on Inflation are to:

1. Clarify the realities of the nation's present economic condition.

2. Identify the causes of the present inflation.

3. Search for a consensus on the basic policies which should be adopted to deal with the problem of inflation.

4. Explore new and realistic approaches to combat inflation.

5. Define areas of hardship needing immediate action.

Steering Committee

A Steering Committee of eight people has been formed from the executive and legislative branches to provide overall direction for the meetings. The congressional representatives are Senators Humphrey and Tower, and Congressmen McFall and Conable. The Administration representatives on the Committee are Messrs. Rush, Ash, Simon, and Greenspan. Mr. Seidman is the Executive Director. Advisers to the Committee will be Arthur Burns and, when selected, the Executive Directors of the Council on Wage and Price Stability and the Productivity Commission.

Schedule of Summit Meetings

A series of Summit meetings involving various groups and sectors of the economy will be held during September before the final conference.

Sept. 5	Economists	The President
Sept. 11	Labor	The President

Sept. 12	State and Local Government	Secretary Lynn
Sept. 13	Agriculture and Food	Secretary Butz
Sept. 16	Transportation	Secretary Brinegar
Sept. 17	Natural Resources and Recreation	Secretary Morton
Sept. 18	Business and Manufacturing	Secretary Dent
Sept. 18	Housing and Construction	Secretary Lynn
Sept. 19	Health, Education and Welfare	Secretary Weinberger
Sept. 20	Banking and Finance	Secretary Simon
Sept. 27-28	Summit Conference	The President

Look at mil. trans. for appropriate people - specifically Cong -

Summit Meeting Procedures

Cabinet Officer-Congressional Steering Committees should determine the specific arrangements for each of the preliminary meetings under the direction of the Summit Conference Steering Committee.

Size: Meetings should follow a general guideline of 25-50 participants.

Location: It is hoped that several meetings will be held outside of Washington, D.C. prior to the final conference.

Sessions: Meetings should include two public sessions -- morning and afternoon. In accordance with the Freedom of Information Act, a public record will be made. In addition, we recommend a closed dinner meeting the evening before the public sessions.

Logistics: Logistical arrangements and expenses involved in the meetings should be borne by the respective Departments.

Participants: In suggesting participants for the meetings, the Cabinet Officer-Congressional Steering Committees are encouraged to include labor, consumer, and regulatory representatives where, in their opinion, such participation is appropriate. A letter of invitation from the President will be sent on August 30. (Form attached) A list of questions to focus discussion at the meetings will accompany the invitation. (Form attached) Lists of suggested participants and revisions of questions in light of each particular meeting are requested to be submitted to Mr. Seidman's office by 5:00 p.m. August 28.

Format for Summit Meetings

A Council of Economic Advisers Report on the State of the Economy and an OMB Report on the federal budget will form the basis for the initial discussions in each of the meetings. Each participant will be requested to come prepared to give his views on fundamental issues and specified subjects. Emphasis will vary based on the special expertise of the group attending.

All meetings will be asked to address themselves to the following fundamental issues:

1. The size and composition of the federal budget and the amount of revenue to be raised.

2. Monetary policy and interest rates.

3. International problems.

Specific problems of inflationary impact will be dealt with in appropriate meetings as determined by the steering committees. For example:

1. Price and wage behavior. (Labor, Housing and Construction, Transportation, etc.)

2. Capital Formation. (Banking and Finance, Housing and Construction, Transportation, etc.)

3. Areas of high inflationary pressures. (Health, Food, Natural Resources, etc.)

4. Tax policy and incentives. (Natural Resources, Banking and Finance, Business and Manufacturing, etc.)

5. Priorities among existing federal programs. (State-and Local Governments; Health, Education and Welfare, etc.)

The Summit Conference

The series of meetings between the Administration, the Congress, and representatives of the private sector will culminate in a two-day Summit Conference on September 27 and 28. It will be open to the public and presided over, in part, by the President.

Each preliminary meeting steering committee will select approximately six participants from their meeting to attend the Summit Conference as delegates. Other participants in the preliminary meetings will be invited to attend the Summit Conference as observers.

Special papers involving key areas not covered in the preliminary meetings may also be included in the Summit Conference agenda. Such papers might include: The role of science and technology in combating inflation; the effect of inflation on the elderly, the poor, and the young; inflation and the defense budget.

THE WHITE HOUSE

WASHINGTON

Date

Dear Mr. ____________:

The Congress and I have agreed to hold a Summit Conference on Inflation. As part of this Conference we have scheduled a series of meetings to explore issues related to the economy and the problem of inflation. I would appreciate your participation in a meeting of leaders in the area of ____________________________ to be held on __________________ in ___________________________.

We are asking participants to come prepared to discuss the present economic situation, its causes, and to submit their suggestions as to the most appropriate policies the government can adopt. We are also anxious to listen to your advice and counsel regarding the problems faced by your particular sector of the economy and how you can best contribute to controlling inflation. Attached are a series of questions which will help focus the discussions at these meetings.

I have asked Secretary _____________ to chair the meeting on __________________________ and the Congress has designated ____________________, ____________________, ____________________, ____________________, ____________________, ____________________, ____________________, and ____________________ to attend. Please inform Secretary __________________ (Phone #_________________) whether you plan to attend. He will provide you with further details regarding the meeting.

The Summit Conference on Inflation is a bipartisan national effort to deal with our number one domestic problem. Your participation will be a real service to your country, and I do hope you will be able to give us the benefit of your thinking.

Kindest regards.

Sincerely,

name
street
city

Suggested Questions for Discussion by Participants at Summit Meeting of ______________ ______________

I <u>Fundamentals</u> What is your view of the effect on inflation, and what changes do you suggest with respect to:

1. Maintaining federal expenditures below 300 billion in fiscal 1975

2. Seeking a balance federal budget or a surplus in fiscal 1976

3. Priority preferences for existing governmental programs within the federal budget limitations

4. Current levels of federal taxation

5. Current monetary policy and its effect on interest rates

6. Current international economic developments and international arrangements for financial stability

II <u>Specific Recommendations for the ______________ sector</u> What is your view of the effect on inflation, and what suggestions have you with respect to:

1. Government regulations (Federal, State, Local) and their effect on productivity

2. Availability of capital funds and money for financing

3. Wage and Price controls, guidelines or private initiatives

4. Environmental protection requirements

5. Tax incentives or deterrents

6. Areas of hardship and inequities requiring immediate attention

III <u>Other Suggestions</u> What other suggestions do you have for controlling inflation?

INTER-OFFICE MEMORANDUM

THE ADVERTISING COUNCIL, INC.

Inflation file

To: Council Staff

Date: October 11, 1974

From: Robert P. Keim

Subject: Inflation Campaign

Here are ten copy points I gleaned from the proceedings of the Conference on Inflation that could, in my view, have public applicability in any campaign on inflation.

They are not set forth in any order of priority. Some received more general acceptance than others. In many cases they were couched originally in technical economic terms. I have re-directed them as they might apply to the average middle class audience. Obviously, groups such as the lower middle, poor, disadvantaged, retired, etc. do not have these options available to them and some sort of disclaimer would be necessary where they are concerned.

10 WAYS TO FIGHT INFLATION

... Balance your budget (and expect your government officials to do the same).

... Postpone unnecessary borrowing (wait for interest rates to come down - as they will.

... Save as much as you can (take advantage of high savings interest rates; watch your money grow).

... Conserve energy (you'll save on fuel and utility bills and take the pressure off scarce supplies).

... Don't raise your prices more than your costs or services absolutely require - or demand more pay than your work warrants.

... Insist on productivity improvements from your boss, your fellow workers, and yourself.

... Shop wisely; look for bargains; go for the lower item and talk up the fact that you're doing it. Make economy fashionable.

... Work with others to eliminate outmoded regulations that keep costs of goods and services high.

... Do it yourself. Plant Victory Gardens for yourself or within your community. Do your own repair and maintenance work.

... Assist in recycling programs and the re-use of scrap materials.

RPK/jo

Tom Wallace

Ralph Nader

Richard S. Ohendalski

W. Meyer

Keim

Miller

THE WHITE HOUSE

WASHINGTON

October 14, 1974

Dear Ted:

Thank you very much for your help at the meeting of the Citizens' Action Committee to Fight Inflation with President Ford last Saturday. I appreciate it.

Sincerely,

Russ

Russell Freeburg

Dr. Theodore Marrs
Room 103 - Old Executive Office Building
Washington, D. C. 20510

THE WHITE HOUSE

Dr. Theodore Marrs
Room 103 - Old Executive Office Building
Washington, D. C. 20510

October 18, 1974

Dear Friend:

The President has welcomed the formation of a Citizens Action Committee to Fight Inflation and all Americans should now join together to combat this enemy.

The Committee is a non-partisan group dealing with a problem which Americans of all political persuasions want to solve. The Committee's goal is to mobilize action throughout America to Whip Inflation Now (WIN). It is our earnest hope that all Americans will enthusiastically join in this effort. By working together as we have done historically when faced by great challenges, we can restore the vitality of our economy.

Enclosed are the texts of the Presidents October 8th economic address to the Congress and his remarks to the Future Farmers of America in Kansas City on October 15th. The first of these speeches outlines the President's program of anti-inflationary responsibilities to be undertaken by the federal government. The Kansas City address details some valuable suggestions for voluntary action on the part of the public which were recommended by the Citizens Action Committee to Fight Inflation.

We would appreciate your telling us how you plan to use your organizations' resources - publications, letters, resolutions, displays, billboards, broadcasts, TV spots or the like - to WIN the fight against inflation.

October 18, 1974

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We would appreciate your telling us how you plan to use your organizations' resources - publications, letters, resolutions, displays, billboards, broadcasts, TV spots or the like - to WIN the fight against inflation.

Inflation File

THE WHITE HOUSE

WASHINGTON

October 21, 1974

Dear Friend:

The President has welcomed the formation of a Citizens Action Committee to Fight Inflation and has encouraged all Americans to join together to combat this common enemy.

The Committee is a non-partisan group dealing with a problem which Americans of all political persuasions want to solve. The Committee's goal is to mobilize action throughout America to WIN the fight against inflation and to save energy. It is our earnest hope that all Americans will enthusiastically join in this effort. By working together as we have done historically when faced by great challenges, we can restore the vitality of our economy.

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The President would welcome hearing about your plans to use your organization's resources - publications, letters, resolutions, displays, billboards, broadcasts, TV spots or the like - to WIN the fight against inflation and save energy. You can communicate directly with the President, with me or with Mr. Russell Freeburg, White House Coordinator for the <u>WIN</u> program.

With best wishes,

Sincerely,

OBE

William J. Baroody, Jr.
Assistant to the President

Enclosures

Date: October 18, 1974

REQUEST FOR MAILING

Subject: The Economy

Enclosures: (in order)
President's Address to Joint Session of Congress
Remarks of the President to the Future Farmers of America

Cover Letter By: William J. Baroody, Jr.
Assistant to the President

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October 21, 1974

Dear Friend:

The President has welcomed the formation of a Citizens Action Committee to Fight Inflation and has encouraged all Americans to join together to combat this common enemy.

The Committee is a non-partisan group dealing with a problem which Americans of all political persuasions want to solve. The Committee's goal is to mobilize action throughout America to WIN the fight against inflation and to save energy. It is our earnest hope that all Americans will enthusiastically join in this effort. By working together as we have done historically when faced by great challenges, we can restore the vitality of our economy.

Enclosed are the texts of the President's October 8th economic address to the Congress and his remarks to the Future Farmers of America in Kansas City on October 15th. The first of these speeches outlines the President's program of anti-inflationary responsibilities to be undertaken by the federal government. The Kansas City address details some valuable suggestions for voluntary action on the part of the public which were recommended by the Citizens Action Committee to Fight Inflation.

The President would welcome hearing about your plans to use your organization's resources - publications, letters, resolutions, displays, billboards, broadcasts, TV spots or the like - to WIN the fight against inflation and save energy. You can communicate directly with the President, with me or with Mr. Russell Freeburg, White House Coordinator for the WIN program.

With best wishes,

Sincerely,

William J. Baroody, Jr.
Assistant to the President

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With best wishes,

Sincerely,

William J. Baroody, Jr.
Assistant to the President

Enclosures

THE WHITE HOUSE

WASHINGTON

File

Date Dec 27, 1974

TO: BILL BAROODY, JR.

FROM: DR. THEODORE C. MARRS

For your signature ______

For your coordination ______

For your information X

Per our conversation ______

Other:

"WJB has seen"

THE WHITE HOUSE

WASHINGTON

December 24, 1974

Dear Mr. Carus:

On behalf of the President I am replying to your letter of December 6. Although President Ford would like to personally respond to each letter he receives, I am sure you understand that the demands on his time do not permit this.

You may be assured that Governor Reagan's views are highly respected here. I have insured that your letter and the attachments have had appropriate circulation and emphasis.

Thank you for your consideration and your thoughtfulness.

Sincerely,

Theodore C. Marrs

Theodore C. Marrs
Special Assistant to the President

Mr. M. Blouke Carus
Carus Corporation
1500 8th Street
La Salle, Illinois 61301

CARUS CORPORATION
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Mr. Theodore C. Marrs
Special Assistant to the President
The White House
Washington, D. C. 20515

CARUS CORPORATION

M. BLOUKE CARUS
President and Chief Executive Officer

6 December 1974

Gerald R. Ford
The President
The White House
Washington, D. C. 20515

Dear President Ford:

As you know, most Americans are deeply concerned about the American economy. Your nomination and election in 1976 may well depend upon how well you solve this extremely complex problem. I think your summit conference to discuss what to do about our extremely dangerous situation was a good idea, especially from a publicity point of view, but I hope you will bear in mind the pitfalls of such a conference: almost everyone in the American economy has vested interests of some sort, and so the proposals will be mutually exclusive. No one will publicly propose what really needs to be done: genuine willingness to cut government expenditures about 20-30% and reduce the expansion of the money supply. I think the enclosed article is quite good and needs to be taken seriously by your staff. Governor Reagan is a proven expert in this field.

COPY

I enjoyed being your host 11 April 1970 when you visited La Salle County with Charlotte Reid. I have followed your meteoric rise with fascination, and I want to congratulate you on all you have done so far. But leadership is not thrust upon you--it must be earned by facing difficult decisions, sometimes unpopular. I have hopes that you will become one of our greatest presidents.

Best wishes.

Sincerely,

M Blouke Carus

M. Blouke Carus

MBC: dw

Enc: IMPRIMIS, November, 1974
"Inflation: Its Cause and Cure," by W. Philip Gramm

cc: White House Staff; Cabinet Members

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November 1974

INFLATION: ITS CAUSE AND CURE

by
W. Philip Gramm

Philip Gramm is a professor of economics at Texas A & M. He received his B.A. and Ph.D. in economics from the University of Georgia. Dr. Gramm delivered this presentation as part of the most recent Center for Constructive Alternatives seminar, which was titled "Energy or Exhaustion: The Planet as Provider."

We are today experiencing the most prolonged period of rapid inflation in the history of the United States. While we have had short periods where inflation rates have been more intense, a decade of 5 percent plus average inflation is without precedent in the history of the Republic. As an index of how severe price increases have been for the last decade, the consumer price index, which measures the price of the market basket of goods and services purchased by the American consumer, is up 57 percent and the wholesale price index, which measures the price of raw materials used in the production processes, is up 65 percent from a decade ago. Not only have we experienced a decade of high inflation rates, but in the last year the rate of price increase has quickened. The consumer price index is up 12 percent from a year ago and the wholesale price index is up 20 percent. These harsh economic facts suggest two questions: (1) how did we get in such a mess, and (2) how do we get out?

The first question is easy to answer. We have data on inflation which goes back to the 15th century, when gold was discovered in America, transported to Spain, and permeated the European market. Since that time there has *never* been a prolonged general price inflation in recorded history that was not preceded by and directly related to a growth in the money supply. In our economy a growth in the money supply occurs principally when the government spends more than it taxes and prints money to make up part of the difference.

We have incurred five major inflations in the history of the United States: the Revolutionary War inflation, the War of 1812 inflation, the Civil War inflation, the World War II inflation, and the Vietnam War inflation. All five of these inflations have had the same cause: a rapid increase in the money supply. Under the Articles of Confederation the Continental Congress did not have the power to tax. It was therefore forced to issue paper currency to fight the Revolutionary War. The paper currency units were called Continental Dollars. You have all heard the saying "not worth a Continental," a statement derived from the fact that when Continental Dollars were redeemed at the end of the Revolutionary War, they were redeemed at 2 cents on the dollar in gold and silver. The paper currency depreciated very rapidly because of the tremendous quantity which was issued. In essence, the Continental Congress was coming on the American market and competing against private citizens for goods and services with newly issued Continental currency, buying goods at a more rapid rate than the economy was producing them. Prices, therefore, were driven up.

It is important to note, however, in reviewing our first inflationary experience as a nation that at the end of the Revolutionary War the Congress established the First Bank of the United States, which systematically withdrew Continental Notes from circulation. Prices then leveled off and fell back toward their original level.

The next major inflation in American history was the War of 1812 inflation, which was basically a carbon copy of the Revolutionary War inflation. The principal method of deriving federal revenue was imposing import taxes or tariffs. But we were at war with our major trading partner, England, and tariffs had fallen off drastically. In order to fight the war we therefore issued tremendous quantities of paper currency and produced a rise in general price level. Again, however, to the credit of our forebears, when the war was over the Congress established a Second Bank of the United States that redeemed paper currency at par. Prices leveled off and declined back to their original level as the paper currency was withdrawn from circulation.

The next major inflation in American history occurred during the American Civil War. The federal government ran a billion dollar deficit, which was

im•pri•mis (im-pri´ mis) adv. In the first place. Middle English, from Latin in primis, among the first (things). . .

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without precedence in history. It financed a large part of this deficit by issuing Greenback Notes. These Greenback Notes expanded the money supply by over 150 percent, and prices roughly doubled from 1860 to 1865. At the end of the war taxes were left at their war-time level and government spending was cut back drastically. The government surplus drew Greenbacks out of circulation and the treasurer of the United States burned them. As the money supply declined prices fell off, and by 1879 we went back on the gold standard at exactly the same par value that existed in 1860 because prices had been driven back down to their previous level.

The next major inflation in American history occurred in World War II. The federal government ran a large deficit and the money stock grew 140 percent as the Federal Reserve Bank monetized a part of the debt. As the government entered the market armed with newly printed money, it drove up prices, increasing overall prices by over 60 percent during the Second World War. By 1946 we had balanced the budget, and by 1947 price increases had ceased. We established a period from 1947 to 1962 which proved to be one of the most prolonged periods of stable prices and stable economic growth in the Twentieth Century.

The next major inflation in American history occurred with the initiation of massive government expenditures on the Vietnam War. *We are today in the fifth major inflation in American history – and its source is identical to the four inflations that preceded it. The current inflation differs only by the fact that it has been carried over into a peace-time period; this is the only peace-time inflation in the entire history of our country. Our present inflation has been caused by the fact that the federal government since 1965 has run a $100 billion deficit and has financed 40 percent of that deficit by simply printing money.*

It is fundamentally important to note the difference in the impact on the economy caused by federal finance in taxing and borrowing, as opposed to printing money. When the government taxes and spends the receipts of those taxes, the ability of the private consumer to purchase goods and services is diminished by the amount of the tax. Therefore, the increase in total spending as a result of the increase in government spending is quite small. If the government goes onto the bond market and sells bonds, competing with private firms and private individuals for loanable funds, the competition simply drives up interest rates as government diverts funds away from private investment projects. In this case, private spending falls by the amount that public spending increases. In the case of selling government bonds to the Federal Reserve Bank, which in turn gives the treasurer the capacity to write checks drawn on the Federal Reserve Bank, there is no corresponding decrease in private spending. So the increase in government spending represents a net increase in total demand for goods and services.

There is a simple rule of thumb to follow in gauging the relation between the growth in the money stock, the growth in the economy, and changes in prices. Remember what money is used for – it is used to buy and sell goods and services and consummate exchange. We have found in economics that as the level of economic activity grows with the growth in income and commerce, the demand for money grows by a corresponding amount. So if the economy grows at about 3 percent a year, which has been the historic growth rate on average throughout the entire history of the United States, then the economy will absorb a 3 percent growth in the money supply with no change in prices. For example, from 1947 to 1962 the federal government ran small deficits and the money stock grew

at about 3 percent per year as the Federal Reserve Bank purchased government securities in the open market to keep interest rates low. The economy grew at about 3 percent a year so that the increase in money supply was simply absorbed in the consummation of exchange, and prices remained virtually stable for the entire period. One exception was the year 1950, when the economic impact of the Korean Conflict was felt. The money supply grew by 10 percent, the economy grew by about 3 percent, and prices increased about 8 percent.

Beginning in 1964 we had large increases in federal spending to finance unprecedented domestic expenditures on the War on Poverty and on Great Society programs. With the escalation of the war in Vietnam we saw the government deficit rise from a fairly low level in 1964 to $25 billion a year in 1968. The so-called anti-inflationary surcharge imposed in 1968 had no real impact on inflation rates because government expenditures grew more rapidly than tax receipts. As a result, in 1968 we ran a record peace-time deficit and the money supply grew by almost 8 percent.

In 1969, when President Nixon took office, we made the only real attempt in the whole inflationary period to stop the inflation. Beginning in January, President Nixon brought the budget into balance, and the rate of growth in the money stock from January to June was zero percent. This policy worked because the rate of pricing increase, which was almost 7 percent on an annual basis in December and January, had fallen to a 2.7 percent rate of price increase by June. But in April, May and June the unemployment rate jumped a significant amount.

Unemployment rose principally because in the wage negotiations which occurred in the fall of 1968, wage contracts were made on the assumption of a continuation of 5-7 percent inflation rates. This expectation was realistic, given our previous five years experience. So an employer who expected the productivity of his workers to rise by 2 percent was willing to negotiate a 7-9 percent wage increase if he expected the price of his product to rise by 5-7 percent. Laborers, being aware of the same set of circumstances, were unwilling to accept any smaller pay increase. If the federal government had continued its expansionary monetary and fiscal policy, such wage negotiations would have caused no changes in the unemployment rate. But when the federal government reversed its monetary policy in attempting to stabilize prices, and the rate of price increase fell below 3 percent by June, the wages that had been negotiated in the fall of 1968 were too high for full employment, and workers were laid off. The federal government at this point faced a crucial decision between two options. (1) It could reverse its monetary policy, reinflate, and therefore seek to drive up prices, which would produce a fall in real wages to the point necessary to produce full employment. Or (2), it could maintain its monetary policy, and allow the new contracts written in the fall of 1969 to be based on a 2.7 percent inflation rate and a higher unemployment rate.

In 1969 and 1970 the federal government reversed its policy and began to inflate at an increasing rate in the last six months of 1969 and 1970. By January of 1971 the inflation rate was back up to a 6 percent annual rise and the unemployment rate was beginning to slide. Since June of 1969, when we abandoned our only real attempt to stop the inflation, we have made no significant attempt to stop inflation in this country. We have sought to find easier solutions to our economic dilemma. At first we tried a voluntary basis, in the second half of 1969 and 1970. With mandatory wage and price controls in 1971 we attempted to freeze prices and wages in the United States by government edict.

While we in economics have a lot of data on inflation, we have even more data on wage and price controls. In fact, our first history of wage and price controls occurred 5,000 years ago when price controls were imposed in the fifth dynasty of ancient Egypt. Pericles imposed price controls in ancient Athens, and Diocletian imposed wage and price controls in ancient Rome. *And from the fifth dynasty of ancient Egypt to President Nixon's Phase IV price controls, all of these experiences have one thing in common – not one in history has ever worked. And they do not work for a very simple reason: they freeze prices at a point where the quantity demanded exceeds the quantity supplied. They simply turn price increases into shortages and stifle the incentive to produce, therefore causing output to fall.*

We have in fact produced a minor miracle in the United States in the 1970's, in that we have produced a grain and a meat shortage through government policy in a country that has the most fertile land, the highest level of capital equipment and technology in agriculture, and the best educated farmer in the world. We have produced shortages of critical inputs into the productions process, sending the country into a recession where output fell by 7 percent in the first quarter of 1974 and 1-1/2 percent in the second quarter of 1974. We are today recovering from a recession that was caused by wage and price controls.

If one looks at what the federal government says it is doing in its "anti-inflation" policy, and then looks at the growth in the money supply to see what it is actually doing, there is only one conclusion that can be drawn. That conclusion is that federal anti-inflation policy since June of 1969 has been a "fraud." *Over the last 12 months the monetary base has grown at almost an 8 percent annual rate. Never in history has such a rate of monetary expansion failed to produce rapid inflation.*

When the federal government, in June 1969, stopped trying to do anything about inflation it turned its activities toward developing scapegoats in order to get Americans to blame their neighbor for their problems. Had the scapegoat strategy not been so effective, it would be humorous. How does the system work? Well, you have all heard it. It works basically as follows. A bureaucrat goes to a businessman and says, "Why are you increasing your prices?" And the businessman says, "Because our costs are rising." And then the bureaucrat says. "What is your major cost?" And the businessman says, "labor." And then the bureaucrat says, "Well, labor unions cause inflation." And then the same bureaucrat goes to union leaders and says, "Why are you demanding such high wage increases?" And union leaders note that the consumer price index is up 12 percent since last year, and that real wages of hourly workers are 4 percent lower than they were a year ago in real purchasing power dollars. And the bureaucrat says, "Well, who sets prices anyway?" And the labor leaders say, "businessmen." And the bureaucrat says, "Well, through price collusion and administered prices, businessmen create inflation."

Then, of course, another popular version of scapegoatism was employed by John Connally when he became head of the price commission. He said, "We are all causing inflation through our greed. We are all so greedy in competing against each other for goods and services that we are, through this competition, driving up prices. We have all just got to stand back and quit being so greedy." I guess the low point in scapegoatism was reached when Herbert Stein pronounced, just before his retirement from the Council of Economic Advisors, that the American people were responsible for inflation.

Picking up the scapegoat theme, Jack Anderson, about eight months ago, wrote an article in which he said high interest rates are the result of banker collusion in an attempt to drive up the interest rate to make fat profits at the public's expense. This statement, I think, showed that Jack Anderson knows nothing about banking and finance and nothing about economic history, because never in the history of the United States have we had high inflation rates when we have not also had high interest rates.

Our high interest rates today, which have disrupted the long-term capital market, have been caused by irresponsible government. I think that it is important that we not allow bankers and businessmen to be used as scapegoats for government failure. In fact, if one looks at nominal interest rates and the current inflation rates and attempts to draw any parallel between current interest rates, in terms of real resources borrowed, relative to real resources paid back, interest rates today are not at historic highs, as we are told in the newspaper and on the news. They are at historic lows. We hear from Washington that government economists marvel at record demand in the short term credit market in the face of record high interest rates, but if one can borrow at 12-1/2 percent on prime commercial paper and the inflation rate is 12 percent, he is paying back, in real terms, only 1/2 percent interest. *It is indeed no marvel that the demand for capital on the short term credit market is at a record high, because real interest rates are at a record low.* Indeed, if the Federal Reserve Bank were not today following an easy money policy through open market purchases of government securities, interest rates on short-term credit would probably be 15 percent.

While high nominal interest rates have not disrupted the short-term credit market, they have had a disastrous effect on the long-term credit market, and the reason is very simple to understand. Historically, in the United States we have been blessed with fiscally responsible government. Indeed, if you throw out all the war years in American history, prices on the average have remained constant or fallen slightly throughout the entire history of the United States. As a result, we have had historically low nominal interest rates. Therefore, borrowers are loathe to commit themselves over 25 - 30 years to a nominal interest rate that, although it may be 2 percent or negative (in real terms) at current inflation rates, might later turn out to be an extremely disadvantageous rate if the current inflation should end. Secondly, at high inflation rates, funds have been diverted from their traditional channels, whereby savings flowed into commercial banks and savings and loans institutions, and were in turn loaned out to businesses to build new factories, to generate jobs, and to build new homes. As a result of high inflation rates, funds have been diverted into land, commodity speculation, and large government bond issues.

We are all aware of the impact inflation has on income redistribution, particularly on those with fixed salaries, the old, and the poor. There is no question that this is a major cost of inflation. But an additional, more important cost is the impact caused by diverting funds from traditional channels and disrupting the link between the saver and the investor. In this way, we are today planting seeds which will yield lower economic growth rates for a decade. The diversion of funds into land and commodity speculation, while it is an effective inflation hedge, does not promote the economic growth of the country or growth in employment and wages.

How do we stop the inflation? Inflation has one cause and it has but one cure. And that one cure is to slow the rate of growth in the money supply. This can occur only by closing the government deficit. Our inflation has resulted from the prevalence of a bankrupt (and bankrupting) idea within government that money solves problems. If one looks at the historic growth pattern of government spending over the history of the United States, it is very easy to discern that within the last 15 years there has been a fundamental change within our government. From the birth of the United States it took over 180 years for the federal budget to grow from roughly zero to $100 billion. It took only ten years to grow from $100 billion to $200 billion, and it has taken only four years for it to grow from $200 billion to $300 billion. Despite the fact that federal tax collections have grown by 110 percent over a decade, over three times the rate of economic growth, the federal government has failed to live within its budget. *The federal government is deficit financing at such a rate that today it is absorbing 60 percent of all the funds raised in U.S. capital markets.*

In January I had the pleasure of working in Washington for my Congressman, Olin Teague, on the Energy Emergency Act. While I was there, Congressman Teague asked me if I would read some of the bills that he had to vote on during the period I was working for him. I noticed that despite the fact that I make my living reading and writing, I was unable to read the bills as fast as they came in, so the stack on my desk kept getting higher and higher. Finally I realized that it was physically impossible for any Congressman to read the bills he had to vote on. I assert here today that no member of the United States Congress read the $25 billion education act that has just become law. The sheer bulk of paperwork is so great that no effective research is being done in the Congress by those who are actually engaged in the process of making decisions in the public interest. We are experiencing an attempt by the Congress to substitute money for ideas.

The best personal example that I have witnessed of the bankruptcy of government with regard to new and viable ideas was a call I received back in January. I was working in my office at Texas A & M and my secretary, who gets excited with very little provocation, came into my office and said, "Dr. Gramm, you're not going to believe this, but the President of the United States is on the telephone." And I said, "You're right, I don't believe it." But, anyway, I picked up the phone and this very stern sounding lady said, "Is this Dr. W. Philip Gramm of Texas A & M University?" I said, "Yes, Ma'm." She said, "Dr. Gramm, this is the White House calling."

So I sat on the edge of my chair awaiting some message – some mission from my President – and this guy came on the phone from the White House staff. He said, "Dr. Gramm, your name has been given to us by some very, very important people. We think you might be the kind of guy that can help us develop a new and viable energy program, a system of government control and subsidies, a system of government and industry mutual research and project participation. And as an index of our commitment to this project we are willing to commit $20 billion." He went on and used every 25-cent word in the English language. When he got through, being an Aggie, I said simply, "It is a happy coincidence that out of 211 million Americans you have called the right man, because I know exactly what to do." I told him that I envisioned a system which was not going to cost a penny, but in fact would make money. It would be so productive that we could tax its output and finance government programs on the basis of its productivity. I told him that I envisioned a system whereby we would allow people to own property, and we would allow them to combine this property with their God-given talents to produce output. We would allow them to sell output in a free market so that each individual, in attempting to maximize his own welfare, would operate at maximum efficiency. And each consumer, in attempting to maximize his own individual welfare, would economize on the things that were scarce and therefore expensive, and substitute for them things that were abundant and therefore cheap. In such a system, by rewarding production and innovation, we could assure a maximum level of economic growth. I told him that I was basically a modest person and that I wanted him to know this was not totally my idea; that in fact if he would like a written reference, he might look at Adam Smith's *Wealth of Nations,* written in 1776. And I hung up. Well, I assumed that I would never hear from the White House again, but indeed they went to a great deal of trouble to get in touch with me. And that's how, as I expressed it, for about a four-month period, while I didn't invent free enterprise, I had the sole Washington distributorship on it.

Probably the best statement of the money-solves-problems philosophy that I have ever heard was John Lindsay's statement shortly after he became mayor of New York. The gist of John Lindsay's message was as follows: people think New York City has a lot of problems, but New York City has only one problem – private affluence and public poverty. If my budget were simply twice what it is today I could solve every problem in New York City. The day John Lindsay left office his budget was 2.2 times what it was the day he took office, and by every index from garbage collection to crime in the streets, New York City was a worse place to live the day he left than the day he came. And the reason is that money does not solve problems, ideas solve problems. And government has not had a viable idea in 40 years.

If we are to ever put an end to spiralling prices, shortages, high interest rates and economic stagnation, we must stop the growth of government and put our monetary and fiscal house in order. To reverse the trend of fiscal irresponsibility we need strong leadership, which is a scarce commodity in Washington today. We must resist the siren song of more and more government spending and more and more government controls, and stand up for the free enterprise system which has made us prosperous and free.

The hour is late. It has become quite fashionable to proclaim the inevitability of the demise of our system. Such a philosophy is a convenient escape. For if there is not hope we are not obligated to do anything. In fact, there is no real reason for pessimism. We have human talents on our side. We have money and economic power on our side, and most important, we have history on our side. We have in the American free enterprise system, the most successful economic system in the world. It has elevated us from a powerless nation, 90 percent of whose citizens were in poverty – by any measure – at the time of the Revolution, into the greatest agricultural and industrial power on earth. So successful is our system and so high are the aspirations of the American people that we define poverty at an income level that is higher than the average income level of the world's second most powerful nation. Yet, paradoxically, this great system is under attack at all levels of government, and is being replaced by a system which has never worked in history and which is working effectively no where in the world today. The greatest product in history is not selling for the simple reason that it has no salesman. Those within our government who supposedly represent our views are defending our system with an ineptitude unparalleled in the history of the Republic. To reverse this trend we need but a unit of will.

I wish to tell you today that I am optimistic about the future of America, and I am optimistic about the future of the American free enterprise system. If we have learned anything in the 1970's, it is that big government cannot solve problems, and that spending more of the taxpayers' money cannot turn a bad idea into a good one. Everywhere I go in our state and in our nation I find the American people feel a sense of helplessness. They know big government is not working, they know something is out of kilter, but they don't know what to do about it. What we need today, more than at any time in the history of the United States, is a new wave of leadership to turn this country around. We need this leadership to fulfill the ideals and aspirations of a revolution which occurred almost two hundred years ago. In the coming struggle for the survival and the success of the American experiment, I call upon you as our business and civic leaders not to be merely passive observers, but to be active participants. While I cannot speak for the actions of others, in my own case I mean not only to participate, I mean in that participation to lead.

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Attorney at Law

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Virginia Davis Nordin
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University of Wisconsin
Madison

Paul Seabury
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Robert Sasseen
Dean of Faculty
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San Jose

Phyllis Schlafly
Author and columnist
Opponent of Equal Rights Amendment

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Thomas Sowell
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Miro Todorovich
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