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FINAL

PEORIA ROTARY CLUB LUNCHEON

MARCH 12, 1976

FELLOW ROTARIANS! WELL, ALMOST. MY DAD WAS PRESIDENT OF THE HOLLYWOOD CALIFORNIA ROTARY CLUB, AND A MORE DEDICATED ROTARIAN WOULD BE HARD TO FIND.

I AM TRULY IMPRESSED WITH THE FRANK OPENNESS OF THE PEOPLE OF THE "INLAND EMPIRE".

YOU TAKE SOME RIBBING, I KNOW, FROM THE PHRASE: "YES, BUT WILL IT PLAY IN PEORIA?"

BUT, I SUSPECT THAT SAYING CAME FROM A RECOGNITION THAT, OUT HERE WHERE PEOPLE HAVE NOTHING TO HIDE, YOU GET AN ABSOLUTELY HONEST REACTION TO ANY IDEA.

IT IS A SPECIAL PRIVILEGE FOR ME TO HAVE THE CHANCE TO CONFER WITH YOU BUSINESS AND PROFESSIONAL PEOPLE -- LEADERS OF A CITY WHOSE CIVIC PRIDE IS EVERYWHERE EVIDENCED BY COMMUNITY DEVELOPMENT AND IMPROVEMENT PROGRAMS. YOUR DOWNTOWN PEORIA PLAN -- YOUR LONG-RANGE PROJECTION OF A PEORIA CIVIC AND CONVENTION CENTER -- TESTIFY TO YOUR FORESIGHT.



THE OUTSTANDING QUALITY OF YOUR ELECTED REPRESENTATIVES DEMONSTRATES YOUR GOOD JUDGMENT. IT IS MY FINE FORTUNE TO HAVE THE OPPORTUNITY TO WORK WITH YOUR CONGRESSMAN BOB MICHEL, WHO IS TALENTED, HARD WORKING AND CLEARLY A LEADER IN THE CONGRESSIONAL BODY. AND YOUR MAYOR, DICK CARVER, IS ONE OF THE MOST ABLE, DEDICATED AND VISIONARY MAYORS WE HAVE IN THE COUNTRY.

SO, I WOULD -- IN THIS SPLENDID SETTING -- LIKE TO TAKE ADVANTAGE OF THE WIDE RANGE OF EXPERIENCE AND TALENT GATHERED UNDER THIS ROOF TO DISCUSS WITH YOU, THE ECONOMIC POLICIES THAT SHOULD GUIDE US IN THE HALF DECADE TO COME.

WE ALL KNOW THAT THE ERA OF THE 1960'S WAS ONE OF INCREASING POPULATION, AND ONE IN WHICH THE INCREASING COMPLEXITIES OF MODERN LIVING BECAME MORE APPARENT. ONE WOULD EXPECT, THEREFORE, A STEADILY INCREASING FEDERAL BUDGET.

BUT, WHO WOULD HAVE GUESSED IN 1962 THAT THE FEDERAL BUDGET WHICH HAD BEEN BELOW \$100 BILLION FROM THIS NATION'S BIRTH TO THAT YEAR WOULD DOUBLE TO \$200 BILLION BY 1971 AND THEN TRIPLE TO \$300 BILLION IN 1975?

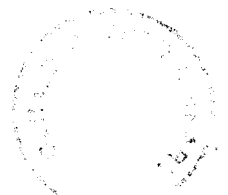


BY HINDSIGHT, WE CAN CLEARLY SEE WHAT HAPPENED TO AMERICA IN THE PAST TEN YEARS -- A DECADE WHICH THE KNOWLEDGEABLE SEERS OF THE SIXTIES HAD FORESEEN AS AN ERA OF GOOD WILL AND GOOD LIVING FOR ALL AMERICANS.

IN THAT DECADE WE SQUANDERED OUR RESOURCES, DECIMATED OUR CITIES, ROLLED UP A STAGGERING \$350 BILLION FEDERAL DEBT, FAILED TO BUY ANY REAL SOLUTIONS TO OUR COMPLEX ECONOMIC AND SOCIAL PROBLEMS, FIRED A RAGING INFLATION, AND GENERATED A PAINFUL RECESSION. AND IN SO DOING, WE SEVERELY SHOOK PUBLIC CONFIDENCE IN THE CREDIBILITY AND STABILITY OF BOTH BUSINESS AND GOVERNMENT.

INDEED THE LACK OF VOTER CONFIDENCE IN THE ABILITY OF EITHER THE PUBLIC OR PRIVATE SECTORS TO FIND ECONOMIC SOLUTIONS HAS PLACED OUR FREE ENTERPRISE SYSTEM IN ITS GREATEST JEOPARDY SINCE THE GREAT DEPRESSION.

IT IS STILL VERY "AMERICAN" TO SING THE PRAISES OF OUR FREE ECONOMY THAT HAS MADE AMERICA THE ENVY OF THE WORLD. AND, RECENT POLLS FINDING THAT MOST AMERICANS WOULD MAKE SACRIFICES TO PRESERVE THE SYSTEM, MAKE WARM READING.



BUT, WHAT WE SAY ABOUT FREEING OUR ECONOMIC SYSTEM FROM FEDERAL SHACKLES AND WHAT WE ACTUALLY DO DIFFER MEASURABLY.

TALK OF LIMITING "BIG GOVERNMENT" HAS INCREASED ON BOTH SIDES OF THE POLITICAL AISLE; BUT, SO HAS THE FLOW OF LAWS, REGULATION AND APPROPRIATIONS THAT INCREASE GOVERNMENT INTERVENTION AND INFLUENCE.

TALK OF CUTTING GOVERNMENT EXPENDITURES WHICH NOW COUNT FOR ABOUT 40 PERCENT OF OUR GROSS NATIONAL PRODUCT HAS INCREASED, BUT JUST A FEW WEEKS AGO, 321 CONGRESSMEN, REPRESENTING A MAJORITY OF THE AMERICAN PEOPLE VOTED A \$6 BILLION BILL TO EXPAND PUBLIC WORKS AND PUBLIC SERVICE JOBS -- A COSTLY ELECTION YEAR PORK BARREL BY ANY HISTORIC STANDARD.

THERE WILL ALWAYS BE PIED PIPERS FOR PROSPERITY WHOSE TUNE WILL FOREVER BE SPEND. THEIR TUNE FALLS PLEASANTLY ON THE EAR BECAUSE IT FAILS TO REMIND THE LISTENERS THAT THEY ARE THE GOVERNMENT -- AND THE SOURCE -- IN THE LAST ANALYSIS OF GOVERNMENT MONEY.

BUT, THE PIPER'S TUNE HAS NO VERSE ABOUT WHAT HAPPENS TO INTEREST RATES AND THE AVAILABILITY OF MORTGAGE MONEY, AND NO REFRAIN THAT CAUTIONS ABOUT THE \$100 MILLION WE PAY EACH AND EVERY DAY JUST TO COVER THE INTEREST ON OUR EXISTING FEDERAL DEBT -- WHICH NOW EXCEEDS \$350 BILLION.

POLITICAL CAMPAIGNS HAVE BEEN WAGED AND WON ON THE PROMISE OF "MORE FOR EVERYBODY". RESTRAINT AND REASON HAVE NOT BEEN THE RHETORIC OF MOST CANDIDATES.

AND, IN FACT, MANY STILL SINCERELY BELIEVE IN THE POWER OF GOVERNMENT TO RIGHT EVERY WRONG IN SPITE OF THE EVIDENCE. YOU MAY RECALL THE CONTRAST BETWEEN SENATOR MUSKIE'S RESPONSE TO THE PRESIDENT'S STATE OF THE UNION MESSAGE WHEREIN HE SAID:

"WE CAN HAVE CONFIDENCE THAT GOVERNMENT
CAN . . . PUT PEOPLE BACK TO WORK."

WITH THE PRESIDENT'S THEME THAT MORE REAL AND LASTING JOBS ARE CREATED THROUGH THE PRIVATE SECTOR.

THE AMERICAN PEOPLE -- CONFRONTED BY THIS CLASH OF IDEOLOGY -- MUST MAKE A PROFOUND CHOICE GROUNDED IN ECONOMICS. INDEED, IT IS A CHOICE THEY WILL BE MAKING NEXT TUESDAY IN ILLINOIS, IN SUCCEEDING PRIMARY CONTESTS, AND IN NOVEMBER -- AS THEY DECIDE UPON THOSE POLICIES AND THOSE PERSONS WHOM THEY SHALL CHOOSE TO LEAD THIS NATION OVER THE NEXT FOUR YEARS.

AND, IF THE PUBLIC IS VAGUE ABOUT THE FINE POINTS OF THE BUSINESS PROFITS STRUCTURE -- AS POINTED OUT IN GALLOP'S OPINION RESEARCH POLL QUOTED IN THE FEBRUARY 16TH ISSUE OF NEWSWEEK -- THERE ARE NEW SIGNS OF AN INTENSE INTEREST IN CURRENT ECONOMICS ON THE PART OF THE PEOPLE.

THOSE SIGNS CAN BE SEEN IN MOST LIVING ROOMS OF THE COUNTRY ON THE NIGHTLY NEWS SHOWS, AS ON-SCENE REPORTERS AND ANCHOR MEN COVER THE BUSINESS AND FINANCIAL SCENE WITH AS MUCH CARE AND DETAIL AS THEY GIVE TO THE TOP-BREAKING NEWS EVENTS.

THE GNP; THE DOW JONES; HOUSING STARTS; STEEL OUTPUT; DETROIT PRODUCTION; THE UNEMPLOYMENT RATE; THE PRESIDENT'S BUDGET; MORTGAGE RATES -- ARE NOT JUST "ECONOMIC" NEWS, BUT COMPELLING NATIONAL NEWS.

THE PUBLIC INTEREST IS THERE, BUT, IT IS DISHEARTENING TO CONCLUDE, AS WE MUST, THAT A GOOD MEASURE OF IT STEMS FROM CYNICISM ROOTED IN A GROWING DISTRUST OF ALL INSTITUTIONS -- AND -- THAT MORE AND MORE AMERICANS SEEM TO SEE THEIR OPTIONS NARROWED TO A CHOICE BETWEEN EVILS: EXPANSIVE GOVERNMENT WITH UNPRODUCTIVE INDUSTRY OR LIMITED GOVERNMENT WITH IRRESPONSIBLE INDUSTRY.

UNLESS WE CAN TAKE STEPS TO MAKE THE ALTERNATIVES MORE ATTRACTIVE, SOONER OR LATER THE GROWING WEIGHT OF THESE CHOICES WILL BREAK DOWN THE FREE SYSTEM, WHICH WE ALL ENDORSE, AND CREATE A CLIMATE IN WHICH EXTREME CALLS FOR ECONOMIC RESTRUCTURING WILL SEEM LESS STRIDENT AND MORE SENSIBLE.

IN HIS STATE OF THE UNION ADDRESS, PRESIDENT FORD CALLED FOR "COMMON SENSE" GOVERNMENT. AND, HE PROPOSED A FEDERAL BUDGET FOR FISCAL 1977 THAT "PROMISES NO MORE THAN WE CAN DELIVER", YET, PROVIDES THE MEANS TO "DELIVER ON ALL THAT WE PROMISE".

IT SOUNDS IN HORSE-AND-BUGGY ABSOLUTES TO ASK: HOW MUCH OR HOW LITTLE GOVERNMENT DO WE NEED? THE ANALYSIS SIMPLY MUST BE MORE QUALITATIVE: WHAT KIND OF GOVERNMENT WILL WE HAVE IN THIS NATION'S THIRD CENTURY? WHERE, HOW QUICKLY, AND HOW FAR DO WE MOVE THE BALANCE OF POWER FROM PUBLIC TO THE PRIVATE SECTOR?

TO SAY THAT THE GOVERNMENT SHOULD STOP THE WORLD AND GET OFF -- AT THIS POINT IN OUR COMBINED HISTORY -- IS A TURN-OF-THE-CENTURY ABSURDITY. FEDERAL STIMULANTS CAN BE USED TO BOOST SAGGING SECTORS OF THE ECONOMY WHEN AND WHERE NECESSARY WITHOUT FEDERALIZING THE ENTIRE ECONOMY.

BUT, AS WE MAKE OUR CHOICE OF LEADERS FOR THE FUTURE, WE CANNOT IGNORE THE LESSON FOR WHICH WE PAID SO DEARLY IN THE 1960'S -- THAT NO MATTER HOW MUCH WE MAY WILL IT -- A "SOCIETY" IS NOT SUDDENLY MADE "GREAT" THROUGH WELL-MEANING PROGRAMS WHOSE SOLE SOURCE OF SUSTENANCE IS THE FEDERAL EXCHEQUER.

WE KNOW THAT OUR PRIVATE ECONOMY CANNOT SUSTAIN AN AWESOME FEDERAL DEFICIT OF TODAY'S MAGNITUDE WITHOUT THE EROSION OF THE VERY FINANCIAL RESOURCES THAT ARE VITAL TO THE GROWTH AND PRODUCTIVITY OF OUR FREE ENTERPRISE SYSTEM.

HOW, FOR EXAMPLE, WILL AMERICA BUILD AND BUY HOMES IN WHICH TO LIVE IF GOVERNMENT IS THE BIGGEST COMPETITIVE BORROWER OF AVAILABLE MORTGAGE MONEY?

HOW WILL WE ACHIEVE REAL ECONOMIC GROWTH IF THE GOVERNMENT CONTINUES TO COMPETE WITH THE PRIVATE SECTOR FOR DOLLARS TO BUY PUBLIC SERVICE JOBS WHEN WE KNOW THAT JOBS CREATED IN THE PRIVATE SECTOR HAVE A FAR GREATER AND MORE LASTING IMPACT?

YET, YOU AND I KNOW THAT IT IS FAR MORE EXPEDIENT IN THE POLITICS OF AN ELECTION CYCLE TO SAY "YES" TO MORE FEDERAL EXPENDITURES. SO, I AM VERY PROUD OF PRESIDENT FORD'S COURAGE IN SAYING "NO" TO A SUCCESSION OF SPENDING MEASURES DURING 1975 THAT WOULD HAVE FUELED THE INFLATION HE HAS CUT IN HALF.

I LOOK BACK WITH EQUAL PRIDE AT THE PRESIDENT'S WILLINGNESS TO SAY "YES" TO CAREFULLY THOUGHT-OUT MEASURES TO INDUCE ECONOMIC RECOVERY. THESE HAVE BEEN THE VERY TOUGH POLICY CALLS THAT HAVE LED US TO THE TURN-ABOUT NOW FIRMLY IN PROGRESS.



FOR EXAMPLE, IN THE FIELD OF HOUSING, HE SAID "YES" TO THE USE OF MORTGAGE PURCHASE ASSISTANCE, ENABLING HUD -- OVER THE PAST TWO YEARS -- TO OFFER TO BUY FOR RESALE OVER 500,000 MORTGAGES BEARING BELOW-MARKET INTEREST RATES -- ENOUGH TO CRANK UP THE SINGLE-FAMILY HOUSING INDUSTRY, WITHOUT CRANKING UP MORE INFLATION.

HE SAID "YES" AGAIN IN OCTOBER, ENABLING HUD TO REACTIVATE ITS HOMEOWNERSHIP SUBSIDY PROGRAM UNDER WHICH IT SUBSIDIZES DOWN TO 5 PERCENT THE INTEREST ON A MORTGAGE IN THE RANGE OF \$20,000 TO \$25,000.

THIS PROGRAM TRANSLATES INTO HELP FOR 250,000 LOW AND MODERATE HOMEBUYERS, GENERATES \$6.5 BILLION IN CONSTRUCTION ACTIVITY AND PUTS 500,000 PEOPLE BACK TO WORK.

THESE PROGRAMS SOUGHT NOT TO FEDERALIZE A SICK INDUSTRY BUT RATHER TO ENCOURAGE RECOVERY THROUGH PRIVATE ENTERPRISE.

AND, THEY WORKED. TODAY, THE SINGLE-FAMILY HOUSING MARKET IS BACK ON THE ROAD TO ROBUST HEALTH, WITH INDUSTRY ECONOMISTS REVISING THEIR FORECASTS FOR 1976 WELL UPWARD FROM THEIR END-OF-THE-YEAR ESTIMATES.

AND, LAST MONTH, TO REMEDY THE LAG IN THE RECOVERY IN THE MULTIFAMILY MARKET, PRESIDENT FORD APPROVED HUD'S RELEASE OF \$3 BILLION OF FEDERAL FUNDS TO PURCHASE MULTIFAMILY MORTGAGES -- WHICH COVERS ABOUT 120,000 HOUSING UNITS.

AGAIN, THE OBJECTIVE IS TO SPARK RECOVERY WITHOUT RE-FIRING THE INFLATION.

IN ALL INSTANCES, IT IS PRIVATE INDUSTRY HELPED BY GOVERNMENT THAT IS RESTORING OUR HOUSING ECONOMY -- NOT THE OTHER WAY AROUND.

BUT REMEMBER, THAT LAST SPRING THE PRESIDENT ISSUED A RESOUNDING "NO" TO CONGRESSIONAL EFFORTS TO PASS A MULTIBILLION DOLLAR HOUSING BILL THAT WOULD BY EVERY REASONABLE STANDARD HAVE BEEN COUNTER-PRODUCTIVE.

WHAT WE HAVE NOW IS A GRADUAL BUT STEADY HOUSING RECOVERY. WHAT WE COULD HAVE HAD WAS A DISASTROUS SPENDING BILL HAD IT NOT BEEN FOR THE PRESIDENT'S STRENGTH IN ISSUING A VETO UNPOPULAR AT THE TIME AND THE POLITICAL CAPACITY TO MAKE THAT VETO HOLD.

AND, SO IT IS WITH BUSINESS AND INDUSTRY ACROSS THE BOARD -- AS PRESIDENT FORD STICKS TO HIS GUNS IN LIMITING THE FEDERAL PRESENCE TO PROVIDING JUDICIOUS STIMULANTS WHERE ABSOLUTELY INDICATED AND IN STAVING OFF FURTHER INFLATION SO THE PRIVATE SECTOR CAN GET ON WITH ITS RIGHTFUL JOBS.

AS A RESULT, CONFIDENCE IS RETURNING -- TO THE POINT WHERE FORTUNE'S LEAD EDITORIAL, LAST MONTH, CONCLUDED THAT WE'RE EVEN DOING BETTER THAN WE THINK.

BUT WE STILL HAVE A GOOD WAY TO GO BEFORE WE CAN HAVE THE LASTING CONFIDENCE THAT COMES FROM STRONG ECONOMIC STABILITY -- AT ALL LEVELS OF THE INCOME LADDER.

PUBLIC CONFIDENCE IN GOVERNMENT AND INDUSTRY IS IN DIRECT PROPORTION TO THE BREAD-WINNER'S CONFIDENCE IN HIS OR HER CHANCE TO MAKE IT, MULTIPLIED BY ALL THE BREAD-WINNERS IN THE NATION.

THE CHALLENGE OF OUR DECADE -- FOR BOTH BUSINESS AND FOR GOVERNMENT -- IS TO MAKE OUR SYSTEM OF FREE ENTERPRISE WORK, WHERE THE BARRIER IS NOT SO MUCH A HARSH ECONOMIC CLIMATE AS A LINGERING SAG IN PUBLIC CONFIDENCE.

THE NATION IS ON A SOUND ECONOMIC COURSE. WITH PATIENCE AND RESTRAINT I KNOW THAT WE CAN MEET THAT CHALLENGE -- RESTORING OUR FAITH IN OURSELVES AS A NATION AND IN OUR LEADERSHIP IN A WORLD DESPERATELY IN NEED OF A REBIRTH OF FAITH IN FREE DEMOCRATIC GOVERNMENT.

THANK YOU VERY MUCH.

