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## FORT WORTH FEDERAL BUSINESS ASSOCIATION

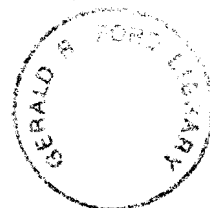
SEPTEMBER 28, 1976

YOU INVITED ME TO TALK WITH YOU ABOUT "HOUSING AND THE ECONOMY". BUT, BEFORE STARTING OUT, I'D LIKE TO EXPRESS A FEELING THAT I HAVE HAD OVER AND OVER IN THIS CAMPAIGN YEAR WHEN SOME CANDIDATES HAVE BEEN RUNNING AGAINST THE FEDERAL GOVERNMENT.

AS SOME OF YOU KNOW, I HAVE SPENT MOST OF MY WORKING LIFE OUTSIDE OF THE FEDERAL ESTABLISHMENT. BUT IN THE 2-1/2 YEARS SINCE I ENTERED GOVERNMENT, I CAN HONESTLY SAY THAT I HAVE NEVER MET ANY MORE SINCERELY DEDICATED, HARD-WORKING AND EFFECTIVE PEOPLE AS I HAVE BEEN PRIVILEGED TO COME TO KNOW IN THE DEPARTMENT OF HUD AND THE DEPARTMENT OF JUSTICE -- BOTH IN WASHINGTON AND IN THE FIELD.

THOSE WHO CONSTANTLY "PUT DOWN" THE FEDERAL GOVERNMENT UNDER THE ALL-ENCOMPASSING SYMBOL OF "WASHINGTON" SHOULD BE APPRISED THAT MORE THAN 83 PERCENT OF THE PEOPLE DOING THIS NATION'S BUSINESS ARE OUT IN THE STATES, CITIES AND COUNTIES WHERE ALL AMERICA LIVES.

WE HAVE BEEN THROUGH SO MUCH THESE PAST TWO YEARS, IT DOES SEEM TO ME THAT THIS NATION HAS HAD ALL THE DEVISIVENESS IT CAN TAKE. AND CARPING AT ANY SEGMENT OF OUR POPULATION SIMPLY DOESN'T HELP.



THE FEDERAL GOVERNMENT, WITH ALL ITS FAULTS AND ADVANTAGES, REPRESENTS THE WILL OF THE AMERICAN PEOPLE. AND OUR FEDERAL EMPLOYEES HAVE THE NEAR IMPOSSIBLE TASK OF CARRYING OUT ALL OF THE DIRECTIVES -- TOO OFTEN CONTRARY AND CONFUSING -- OF THE PEOPLE'S REPRESENTATIVES.

TO MAKE IT WORK, WE DO NOT NEED JEERING RHETORIC -- WE NEED REAL COOPERATION. COOPERATION THRIVES ON OPEN COMMUNICATION.

THE PRESENCE HERE, TODAY, OF HOMEBUILDERS, REALTORS, MORTGAGE BANKERS AND REPRESENTATIVES OF CONSUMERS -- ALONG WITH THOSE OF US WHO WORK FOR UNCLE SAM -- IS PROOF THAT THE FEDERAL GOVERNMENT IS NOT A PLOT, IT'S A PARTNERSHIP.

JUST BY BEING HERE YOU VERIFY THE PROPOSITION THAT THE FEDERAL GOVERNMENT, WORKING THROUGH THE PRIVATE SECTOR, CAN HAVE A VITAL ROLE IN BOTH HOUSING AND THE ECONOMY.

BUT THAT ROLE IS, HAS BEEN -- AND WILL CONTINUE TO BE -- QUESTIONED AND CHALLENGED BY THE AMERICAN PEOPLE OF ALL POLITICAL PURSUASIONS: THOSE WHO HOLD THAT THE GOVERNMENT SHOULD DROP THE WHOLE HOUSING PROBLEM; THOSE WHO CONTEND THAT THE HOUSING INDUSTRY SHOULD BE FEDERALIZED; AND THOSE, IN BETWEEN, WHO AGREE THAT THE GOVERNMENT CAN HAVE AN AFFIRMATIVE ROLE IN HOUSING, BUT ARE AT SIXES-AND-SEVENS OVER JUST WHAT THAT ROLE SHOULD BE.

IT IS MY OPINION -- SUPPORTED BY A HARD, BUT DEFINITIVE 18 MONTHS AT HUD -- THAT THE PROPER ROLE OF THE FEDERAL GOVERNMENT IN HOUSING IS IN LARGE MEASURE DETERMINED BY THE STATE OF THE NATIONAL ECONOMY AT ANY GIVEN TIME IN HISTORY.

THE THINKER-POET, EDWIN MARKHAM, ONCE WROTE:

"FOR ALL YOUR DAYS, PREPARE.  
BUT, TREAT THEM NOT ALIKE.  
WHEN YOU'RE THE ANVIL -- BEAR,  
WHEN YOU'RE THE HAMMER -- STRIKE!"

MR. MARKHAM, OF COURSE, WAS TALKING ABOUT ONE'S LIFE PHILOSOPHY -- BUT HE COULD HAVE BEEN PRESCRIBING FEDERAL MEDICINE TO TREAT HOUSING ILLS ACCORDING TO THE NATION'S CHANGING ECONOMY.

IT SEEMS TO ME, THAT MOST OFTEN WHERE THE GOVERNMENT HAS GONE OFF THE DEEP END, IT IS NOT FROM THE LAWMAKERS' LACK OF COMPASSION BUT FROM THEIR ESPOUSAL OF PROGRAMS THAT WORK IN OPPOSITION TO THE MARKET.

FOR EXAMPLE, IT HAS BEEN PROPOSED THAT THE FEDERAL GOVERNMENT SUBSIDIZE THE BUILDING OF 2.5 MILLION HOUSING UNITS A YEAR, ON THE THEORY THAT "WE HAVE TO GET THE HOUSING INDUSTRY WORKING AGAIN".

ON THE SURFACE, IT SOUNDS GREAT. MORE JOBS, MORE HOMES, MORE OF ALL THOSE THINGS THAT HAVE MADE AMERICA THE GREATEST COUNTRY ON THE FACE OF THE EARTH!

BUT TO EVERY GOVERNMENT ACTION THERE IS A SOBERING REACTION -- AND THE NATION'S HOUSING PICTURE SUFFERED AN ENORMOUS SET-BACK FROM THAT VERY PHILOSOPHY -- WHICH WAS MANDATED BY THE HOUSING ACT OF 1968.

FOR PURSUANT TO THAT ACT, THIS NATION SUBSIDIZED, ANNUALLY, MORE THAN 2 MILLION HOUSING STARTS FOR THREE YEARS RUNNING -- AND GENERATED A BURST OF HOUSING OVERPRODUCTION THAT WE ARE STILL TRYING TO WORK OFF.

IN THE COURSE OF THIS PRODUCTION EXPLOSION OUR NATION ABANDONED THOUSANDS OF SOUND, WELL-DESIGNED HOMES IN OUR CITIES AND UNDER-UTILIZED ROADS, UTILITIES, AND SEWAGE SYSTEMS ALREADY IN PLACE THERE, AS BUYERS HEEDED THE PIED PIPER CALL OF "NEW IS BETTER".

AND BECAUSE ALL FACTORS IN AN ECONOMIC EQUATION ARE RELATED, THE ARTIFICIALLY PRODUCED "BOOM" LED TO THE INEVITABLE SHARP CUT-BACKS IN HOUSING PRODUCTION AND RESULTING LAY-OFFS IN THE CONSTRUCTION INDUSTRY WHICH HIT US HARD ABOUT TWO YEARS AGO.

SO LET US BEGIN BY TAKING STOCK.

WHERE WERE WE A YEAR AGO? WHAT HAVE WE DONE ABOUT IT?  
WHAT HAVE WE LEARNED?

NONE OF US CAN FORGET THAT IN 1975, THE MAJOR QUESTION MARK WAS WHETHER OUR NATIONAL ECONOMY WOULD SUSTAIN THE FORWARD MOMENTUM WHICH WAS THEN ON THE CUSP OF A POSITIVE TURN-AROUND -- FROM THE BLEAK AND DEPRESSING 12-MONTH PERIOD OF A TERRIFYING RECESSION COMPOUNDED BY AN UNCEASING INCREASE IN THE COST OF EVERYTHING.

INFLATION STOOD AT 12-14 PERCENT. THE UNEMPLOYMENT RATE WAS ABOUT 9 PERCENT.

URBAN REVENUES WERE WAY DOWN. NEW YORK WAS ON THE BRINK OF FINANCIAL FAILURE. INDUSTRY WAS DEPRESSED AND THE HOUSING SECTOR WAS SUFFERING ITS WORST YEAR IN 3 DECADES.

ON CAPITOL HILL, THE ECONOMISTS AND OTHER EXPERTS WERE PROPHECIZING A NATIONAL COLLAPSE UNLESS WE ENGAGED IN MASSIVE FEDERAL SPENDING -- IN THE FORM OF SUBSIDIES -- PARTICULARLY IN THE HOUSING INDUSTRY.

SO, HERE WE ARE -- ONE YEAR LATER.

THE NATION AND ITS ECONOMY SURVIVED -- IN SPITE OF THE DOOMSAYERS -- AND THE DELICATE HEALTH OF THE ECONOMIC UPTURN, WHICH WE WATCHED SO FRETFULLY A YEAR AGO, HAS BECOME STRONGER AND STRONGER WITH EACH PASSING MONTH.

IN ONE SHORT YEAR WE HAVE SEEN:

PERSONAL INCOME JUMP \$83 BILLION; -- OUR GROSS NATIONAL PRODUCT GROW BY \$200 BILLION; RETAIL SALES INCREASE 16 PERCENT; AUTO SALES 38 PERCENT; GENERAL MERCHANDISE 11 PERCENT; -- NEW FACTORY ORDERS UP \$17 BILLION.

TODAY, THERE ARE 3 MILLION MORE AMERICANS WORKING THAN ONE YEAR AGO -- IN SPITE OF A TREMENDOUS IN-FLUX OF WOMEN AND YOUNG PEOPLE INTO THE LABOR MARKET. AND INFLATION HAS BEEN MORE THAN CUT IN HALF.

IN HOUSING -- PERHAPS THE HARDEST HIT SECTOR OF OUR ENTIRE ECONOMY -- NEW STARTS ARE UP 22 PERCENT OVER LAST AUGUST, AND 64 PERCENT OVER THE BEGINNING OF 1975.

WHAT HAVE WE LEARNED?

WE HAVE COME THIS FAR, NOT THROUGH THE MAGIC OF A BIG FEDERAL GOVERNMENT "SAVE", BUT THROUGH THE STRONG AND CONSISTENT GUIDING HAND OF A PRAGMATIC PRESIDENT.

AND OUR PROSPECTS FOR CONTINUED GROWTH AND PROGRESS DEPEND ON MAINTAINING THE STEADY COURSE PRESIDENT FORD SET WHEN HE TOOK OFFICE TWO YEARS AGO.

UNDER PRESIDENT FORD, BASED ON HIS RECORD OF UNDERSTATED PROMISES AND HIS PATTERN OF DELIVERING MORE THAN HE PROMISES --

WE CAN COUNT ON THE FACT THAT INFLATION WILL DROP STEADILY DOWN TO 3 PERCENT IN 1980.

WE CAN COUNT ON THE FACT THAT PERSONAL INCOME WILL INCREASE BY MORE THAN 10 PERCENT EACH YEAR -- PRODUCING MORE REAL PURCHASING POWER NOT A MERE COST-OF-LIVING CATCH-UP.

AND WE CAN COUNT ON THE FACT THAT UNEMPLOYMENT WILL CONTINUE ITS STEADY DECLINE TO LESS THAN 5 PERCENT BY 1980.

WHAT WORRIES ME ARE THE REPEATED CALLS FOR MORE GOVERNMENT SPENDING PROGRAMS.



IF WE LISTEN TO THE ENDORSEMENT OF PROPOSALS THAT WOULD ADD \$100 TO \$200 BILLION TO A BUDGET THAT IS ALREADY PRODUCING A DEFICIT OF OVER \$50 BILLION, WE MUST CONCLUDE THAT THE "MAGIC" OF THE FEDERAL PURSE HAS MORE PULLING POWER THAN OUR GREAT FREE ENTERPRISE SYSTEM.

THE UNVARNISHED EVIDENCE IS THAT THESE BIG SPENDING PROGRAMS THWART NEEDED BUSINESS EXPANSION BY DRIVING UP COSTS OF DOING BUSINESS.

THAT HURTS THE VERY PEOPLE SUCH PROGRAMS WERE SUPPOSED TO HELP -- WITH GREATER EXPENSES, EMPLOYMENT CONTRACTION, LAY-OFFS AND STILL ANOTHER ROUND OF UNEMPLOYMENT CHECKS.

CERTAINLY, THAT DOES NOT MEAN WE CAN EVER IGNORE THE GREAT HUMAN PROBLEMS -- SUCH AS CATASTROPHIC ILLNESS AND UNEMPLOYMENT. BUT, PRESIDENT FORD'S SOLUTION DOES NOT CALL FOR A DON QUIXOTE CHARGE OF MASSIVE FEDERAL SPENDING TO WIPE OUT THESE ANCIENT ENEMIES.

IN HEALTH INSURANCE, FOR EXAMPLE, THE PRESIDENT PROPOSES NOT TO FEDERALIZE ALL OF THE HEALTH CARE, BUT, INSTEAD, TO INSURE THAT ELDERLY PERSONS WITH MAJOR MEDICAL EXPENSES WILL NOT BE FINANCIALLY DESTROYED BY THOSE COSTS.

AND, THE PRESIDENT'S CURE FOR UNEMPLOYMENT IS THE BEST REMEDY KNOWN TO A DEMOCRATIC SOCIETY: TO ESTABLISH A STABLE ECONOMY IN WHICH EXPANDING BUSINESS AND INDUSTRY, UNDER OUR SYSTEM OF FREE ENTERPRISE, CREATES REAL AND LASTING JOBS AND A GROWING DEMAND FOR BLUE AND WHITE COLLAR WORKERS AT EVERY INCOME LEVEL.

CERTAINLY PRESIDENT FORD HAS SHOWN HIS BELIEF IN MAINTAINING REASONABLE LEVELS OF HOUSING PRODUCTION -- AND PROOF IS FOUND IN THE GOVERNMENT'S PURCHASE OF MORTGAGES BEARING BELOW-MARKET INTEREST RATES, A PROGRAM WHICH HAS BEEN JUDICIOUSLY AND EFFECTIVELY USED TO NURTURE RECOVERY OF THE HOUSING INDUSTRY.

HIS HOUSING POLICIES ARE DESIGNED TO ACCOMMODATE THE LOGICAL CALL FOR REASONABLE LEVELS OF STARTS WHILE AVOIDING THE DISASTEROUS CYCLES OF ALL OR NOTHING THAT HAVE CHARACTERIZED THE HOUSING CONSTRUCTION INDUSTRY EVER SINCE BIG GOVERNMENT GOT INTO THE ACT.

IT IS A CREDIT TO PRESIDENT FORD'S POLICY OF WORKING WITH -- AND NOT AGAINST -- THE MARKET, THAT HUD HAS ACHIEVED A 42-YEAR SALES RECORD IN RETURNING HOMES TO USEFUL OCCUPANCY, AND HAS PREVENTED THE ABANDONMENT OF OTHERS THROUGH OUR RENTAL SUBSIDY PROGRAM.

RATHER THAN RE-CREATE MASSIVE SUBSIDY PROGRAMS TO EXPAND HOMEOWNERSHIP OPPORTUNITIES, WHICH TOO OFTEN FORCE TAXPAYERS TO SUBSIDIZE THEIR ECONOMIC PEERS, THE PRESIDENT ANNOUNCED IN ANN ARBOR THREE INITIATIVES WHICH HAVE BEEN UNDER STUDY IN MY DEPARTMENT FOR SEVERAL MONTHS.

THE FIRST IS TO LOWER DOWNPAYMENTS FOR THOSE WHO BUY HOMES WITH FHA INSURANCE. FOR THE TYPICALLY-PRICED NEW HOME, THE PRESIDENT'S INITIATIVE WILL CUT THE DOWNPAYMENT IN HALF, THUS HELPING FAMILIES, PARTICULARLY YOUNG FAMILIES WHO ARE BUYING THEIR FIRST HOMES, TO GAIN THE PRACTICAL AND PERSONAL BENEFITS OF HOMEOWNERSHIP.

THE SECOND IS TO EXPAND FHA MORTGAGE LIMITS TO COVER ABOUT 87 PERCENT OF SALES.

AND THE THIRD IS TO PROVIDE A FEDERAL GUARANTEE OF A GRADUATED PAYMENT MORTGAGE, WHICH ALLOWS YOUNG FAMILIES TO REDUCE THEIR MONTHLY PAYMENTS IN THE EARLY YEARS WHEN THEIR INCOMES ARE LIKELY TO BE LOWER. THE PAYMENTS INCREASE MODERATELY IN LATER YEARS WHEN THEIR INCOMES ARE EXPECTED TO RISE.

IN THE 1930'S AND 40'S THE FEDERAL GOVERNMENT REVOLUTIONIZED HOME PURCHASING BY INTRODUCING THE 30-YEAR FULLY-AMORTIZED LOAN. UNDER THE PRESIDENT'S GRADUATED PAYMENT PROGRAM, WE CAN DO THE SAME, ON A SMALLER SCALE, IN THE 1970'S. THESE PROPOSALS ARE NOT BASED ON SUBSIDIES PAID FOR WITH TAX DOLLARS -- THEY ARE INNOVATIVE METHODS FOR HELPING FAMILIES TO PAY FOR THEIR OWN HOMES.

BUT NO AMOUNT OF INNOVATION WILL WORK IF THE AMERICAN FAMILY DOES NOT HAVE THE SPENDABLE INCOME TO MAKE THE DOWNPAYMENT AND TO PAY THE MORTGAGE, UTILITIES AND MAINTENANCE.

THE ONLY SURE PRESCRIPTION FOR THAT IS THE CONTINUATION OF THE STEADY PROGRESS WHICH PRESIDENT FORD HAS MADE IN REDUCING INFLATION AND INCREASING EMPLOYMENT THROUGH ARTFUL STIMULATION OF THE PRIVATE SECTOR.

CERTAINLY, GOVERNMENT MUST BE HUMANE, AND RESPONSIVE. BUT, UNLESS IT IS PROPERLY COMPATIBLE WITH THE FREE ECONOMY OF THIS NATION, THOSE ARE NOTHING BUT "BUZZ" WORDS.

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

IT IS REALLY THE JOINT CHALLENGE OF BUSINESS AND GOVERNMENT TO DEVISE COMMON SENSE PROGRAMS AND INITIATIVES THAT ALLOW US BOTH TO DELIVER ON OUR PROMISES.

FOR EXAMPLE, COMMON SENSE DEMANDS A GENUINELY COOPERATIVE ACTION PROGRAM TO KEEP GOVERNMENT GROWTH TO AN ABSOLUTE MINIMUM, -- BECAUSE SOME GROWTH IS INEVITABLE AS THE COMPLEXITIES OF EXISTENCE INCREASE. WE NEED TO REFRAIN FROM ISSUING NEW REGULATIONS AND TO DO AWAY WITH REGULATIONS NOW ON THE BOOKS THAT SERVE NO DEMONSTRABLE PURPOSE.

THIS TAKES A CONSTANT DIALOGUE. WHERE WE HAVE HAD STRONG AND OPEN LINES OF COMMUNICATION WITH THE PRIVATE SECTOR, WE HAVE SUCCEEDED. WHERE WE HAVE NOT, WE HAVE COMPOUNDED THE PROBLEMS.

THE SAME, CERTAINLY, IS TRUE OF HOUSING AND THE ECONOMY. THE SUCCESS OF PRESIDENT FORD'S JUDICIOUS USE OF FEDERAL STIMULANTS TO GET THE HOUSING INDUSTRY ON THE ROAD TO RECOVERY WITHOUT STIMULATING A MATCHING, SELF-DEFEATING INFLATION DEPENDED ON A JOINT AWARENESS OF ALL THE STAKES INVOLVED.

TOGETHER, WE CAN CONTINUE TO DEVELOP A STABLE HOUSING ECONOMY, FREE FROM THE WILD CYCLICAL SWINGS THAT HAVE REPEATEDLY PLAGUED THIS ESSENTIAL AMERICAN INDUSTRY.

I SERIOUSLY DOUBT THAT ANYONE, WORKING HARD IN GOVERNMENT, REALLY BELIEVES IN GIVING THE AMERICAN PEOPLE MORE "WASHINGTON" THAN THEY ALREADY HAVE.

BUT, I AM CONVINCED THAT ALL OF US ARE INTERESTED IN GIVING MORE AMERICA TO THE AMERICAN PEOPLE. AND THAT MEANS CONTINUING TO GIVE THEM:

- MORE REAL INCOME FROM THEIR EARNINGS;
- MORE REAL JOBS SUPPORTED BY HEALTHY PRIVATE ENTERPRISE;
- MORE HOMES THEY CAN AFFORD TO BUY AND MAINTAIN; AND
- A NATIONAL ECONOMY FREE FROM THE BOMBARDMENTS OF ARTIFICIAL PROGRAMS THAT SAP THE VITALITY OF AMERICA.

THANK YOU.

