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AKRON PUBLIC AFFAIRS FORUM

OCTOBER 14, 1976

I AM SO PLEASED THAT YOU INVITED ME TO PARTICIPATE IN THIS INAUGURAL YEAR OF YOUR NEW PUBLIC AFFAIRS FORUM.

SINCE I AM A MEMBER OF THE FORD ADMINISTRATION, AND THE PRESIDENTIAL ELECTION IS JUST 19 DAYS AWAY, YOU MIGHT THINK MY ENTHUSIASM IN BEING HERE IS SOMEWHAT RELATED.

WELL -- YOU ARE RIGHT! I USE EVERY OCCASION I CAN GET TO TELL WHAT A FINE JOB OUR PRESIDENT IS DOING.

YOU COULD NOT HAVE PICKED A BETTER YEAR TO BEGIN YOUR MEETINGS ON PUBLIC POLICY. THE COMBINATION OF OUR NATION'S BICENTENNIAL AND THE ELECTION CYCLE HAS SHARPENED THE AWARENESS AND CONCERN OF PRIVATE LEADERS, EVERYWHERE, IN OUR NATION'S PUBLIC AFFAIRS.

AND FOR GOOD REASON. FOR, OVER THE PAST TWO DECADES, WE HAVE SEEN GOVERNMENT AT ALL LEVELS BECOME MORE AND MORE INVOLVED WITH OUR LIVES, OUR BUSINESSES AND OUR DESTINIES, SO THAT WE CANNOT ESCAPE OUR NEED TO DEAL INTELLIGENTLY WITH IT.

NOWHERE IS THE INTERLOCKING OF PRIVATE AND PUBLIC AFFAIRS MORE EVIDENT, MORE SIGNIFICANT, AND MORE SUBJECT TO CONTROVERSY THAN IN THE ROLE GOVERNMENT PLAYS IN OUR NATION'S ECONOMY. THAT FACT IS BEST ILLUSTRATED 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 THREE DECADES.

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

A PARADE OF POORLY CONCEIVED SPENDING BILLS WERE LITERALLY TUMBLING OUT OF THE LEGISLATIVE BRANCH TO FUEL OUR DOUGLE DIGIT INFLATION.

WITH THE SMALLEST PARTY SUPPORT IN CONGRESS IN OVER 50 YEARS, THE PRESIDENT HAD THE LEADERSHIP CAPACITY AND POLITICAL SHREWDNESS TO BLOCK THE VAST MAJORITY OF THESE AND SAVE THE TAXPAYERS NEARLY \$10 BILLION IN A YEAR ALREADY PRODUCING A DEFICIT OVER \$50 BILLION.

OUR FOUNDING FATHERS CONSTRUCTED OUR SYSTEM OF CHECKS AND BALANCES FOR VERY GOOD REASON -- AND NEVER BETTER DEMONSTRATED THAN DURING 1975.

SO, HERE WE ARE -- ONE YEAR LATER -- WHAT DO WE FIND?

THE NATION AND ITS ECONOMY SURVIVED -- 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 THREE MILLION MORE AMERICANS WORKING THAN ONE YEAR AGO -- IN SPITE OF A TREMENDOUS INFLUX 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.

ACROSS THE BOARD, WE ARE RIGHT ON TARGET WITH OUR FORECASTS MADE AT THE BEGINNING OF THE YEAR.

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

IF WE LISTEN TO MR. CARTER'S 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 HE BELIEVES THE "MAGIC" OF THE FEDERAL PURSE HAS MORE PULLING POWER THAN OUR FREE ENTERPRISE SYSTEM.

BUT, 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.

IN THE HOUSING AREA I AM VERY CONCERNED ABOUT MR. CARTER'S CALL FOR THE FEDERAL GOVERNMENT TO SUBSIDIZE THE BUILDING OF 2-1/2 MILLION HOUSING UNITS A YEAR.

THE FACT IS THAT THE PROBLEMS WE HAVE SUFFERED IN HOUSING OVER THE PAST TWO YEARS WERE CAUSED IN LARGE MEASURE BY 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 JUST NOW WORKING 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". NEIGHBORHOODS ALL ACROSS THIS NATION WERE BLIGHTED WITH ROW UPON ROW OF BOARDED-UP HOUSES LEFT TO DECAY, THE MOST FREQUENTLY CITED SYMPTON OF THE ILLNESS IN OUR CITIES.

BUT IT WAS NOT ONLY OUR CITIES THAT SUFFERED -- OUR HOUSING INDUSTRY WAS INCAPACITATED. BECAUSE AN ARTIFICIALLY PRODUCED "BOOM" CANNOT CONTINUE FOREVER, THE NEXT PERIOD, WHICH HIT US ABOUT TWO YEARS AGO, WAS ONE OF EXAGGERATED CONTRACTION TO ENABLE US TO WORK OFF EXCESSIVE INVENTORIES WITH THE RESULTING LAY-OFFS IN THE CONSTRUCTION INDUSTRY.

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.

THE PRESIDENT'S 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.

AND HIS POLICIES HAVE WORKED. EVEN IF WE FAIL TO BUILD ANOTHER HOUSE IN 1976, THIS YEAR -- RIGHT NOW -- WHICH HAS ALREADY REACHED 1.2 MILLION STARTS -- WILL BE THE FOURTH BEST YEAR ON RECORD FOR NEW FAMILY STARTS. AND MULTI-FAMILY STARTS, ALTHOUGH NOT SO QUICK TO RECOVERY, JUMPED 48 PERCENT LAST MONTH WITH A SUBSTANTIAL JUMP IN PERMITS SO THAT WE HAVE EVERY REASON TO BE CONFIDENT OF THEIR CONTINUED GAIN.

IT IS A CREDIT TO PRESIDENT FORD'S POLICY OF WORKING WITH -- AND NOT AGAINST -- THE MARKET, THAT THE NEW HOUSING MARKET HAS RALLIED SO WELL, WHILE AT THE SAME TIME HUD HAS BROKEN EVERY PAST SALES RECORD IN RETURNING HOMES TO USEFUL OCCUPANCY, AND HAS PREVENTED THE ABANDONMENT OF OTHERS THROUGH ITS NEW 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 MICHIGAN 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 WITH A 10 TO 20 PERCENT DOWNPAYMENT. YOU MAY RECALL THAT IN 1930, THE TRADITIONAL MORTGAGE WAS FOR 5-YEARS WITH A 50 PERCENT DOWNPAYMENT.

UNDER THE PRESIDENT'S GRADUATED PAYMENT PROGRAM, WE CAN CHANGE THE MARKET IN A SIMILAR WAY 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.

WE SIMPLY 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 THE 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 ENTERPRISES, WHICH ARE THE SOURCE OF FIVE OUT OF SIX JOBS.

PRESIDENT FORD HAS HELD THE LINE IN EXPENDITURES, AND IN SO DOING HAS CREATED THE LARGEST NUMBER OF JOBS IN OUR NATION'S HISTORY.

HE HAS DIRECTLY ATTACKED THE DELAYS, THE RED-TAPE, AND THE REGULATION MAZE SO DISHEARTENING TO THE INNOVATIVE SPIRIT THAT IS THE SOUL OF THE FREE ENTERPRISE SYSTEM. AND HE HAS DONE IT IN TWO SHORT YEARS, ASSEMBLING HIS WINNING TEAM AT THE LOWEST POINT IN THE POLITICAL HISTORY OF OUR COUNTRY.

AND ONE OF THE GREAT REASONS FOR HIS SUCCESS IS THAT HE REALLY KNOWS WASHINGTON AND HE KNOWS HOW TO MAKE IT WORK FOR THE NATION.

FOR MORE THAN 25 YEARS, GERALD FORD HAS FOUGHT AGAINST EVERY SCHEME THAT WOULD GIVE THE AMERICAN PEOPLE MORE "WASHINGTON" THAN THEY ALREADY HAVE.

HIS "WASHINGTON" POLICY AS PRESIDENT HAS BEEN, IS, AND WILL BE TO GIVE MORE AMERICA TO THE AMERICAN PEOPLE BY 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.