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## PALO ALTO CHAMBER OF COMMERCE

OCTOBER 26, 1976

AS A NATIVE CALIFORNIAN, I WELCOME ALL OPPORTUNITIES TO COME BACK TO THE GOLDEN STATE.

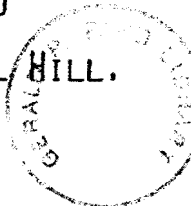
AS A STANFORD GRADUATE, I WAS PARTICULARLY ENTHUSIASTIC ABOUT YOUR INVITATION TO COME TO PALO ALTO.

AS A MEMBER OF THE FORD ADMINISTRATION, YOU MAY THINK THAT MY ENTHUSIASM IS SOMEWHAT RELATED TO THE FACT THAT THE ELECTION IS EXACTLY 7 DAYS AWAY.

WELL, YOU ARE RIGHT! I TAKE EVERY CHANCE I GET TO TALK ABOUT THE GREAT JOB PRESIDENT FORD IS DOING BECAUSE I AM CONVINCED THAT THIS NATION NEEDS THE THOUGHTFUL EXECUTIVE LEADERSHIP THAT HE HAS GIVEN.

BUT, WE ALSO NEED EXCELLENCE IN OUR LEGISLATIVE BRANCH, AND THE FACT THAT THIS IS THE CONGRESSIONAL DISTRICT OF MY OLD FRIEND, PETE McCLOSKEY -- WHO ALSO HAPPENS TO BE RUNNING FOR RE-ELECTION -- ONLY INCREASES MY ENTHUSIASM FOR BEING WITH YOU.

PETE ISN'T HERE, AND ALTHO I HATE TO SAY THINGS BEHIND ANYBODY'S BACK, I KNOW HE'LL FORGIVE ME IF I CONFIDE TO YOU THAT I THINK HE IS ONE OF THE FINEST CONGRESSMEN ON CAPITOL HILL.



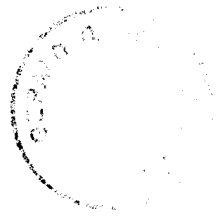
I HAVE ALWAYS SUPPORTED PETE BECAUSE I CONSIDER HIM A HIGHLY "REPRESENTATIVE CALIFORNIAN". BUT I REALLY BEGAN TO APPRECIATE HIS VALUE TO THIS DISTRICT, TO OUR STATE, AND TO OUR NATION WHEN I GOT TO WASHINGTON AND COULD OBSERVE HIM AT WORK -- IN THE COMPANY OF ALL CONGRESSMEN FROM ALL THE STATES.

BY ANY YARDSTICK, HE IS A FIRST-CLASS LEGISLATOR -- CONCERNED ABOUT GOVERNMENT.

AS I HAVE TRAVELLED TO CITIES, LARGE AND SMALL, ACROSS THE COUNTRY THIS YEAR, I FIND THAT THE NATIONAL ELECTION CYCLE HAS SHARPENED THE AWARENESS AND CONCERN OF PRIVATE LEADERS, EVERYWHERE, ABOUT GOVERNMENT. AND PROPERLY SO.

FOR, OVER THE PAST TWO DECADES, LEADERS IN THE PRIVATE SECTOR HAVE SEEN GOVERNMENT -- AT ALL THREE LEVELS -- BECOME MORE AND MORE INVOLVED WITH OUR LIVES, OUR BUSINESSES, AND OUR DESTINIES -- SO WE CANNOT ESCAPE THE 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. AND 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 TO 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 DOUBLE 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 40 PERCENT OVER LAST AUGUST, AND 93 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.

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.

I HAVE LISTENED TO OUR OPPOSITION'S PROPOSALS THAT WOULD ADD \$100 TO \$200 BILLION TO A BUDGET THAT IS ALREADY PRODUCING A DEFICIT OF OVER \$50 BILLION. BUT I HAVE NOT HEARD HOW WE ARE TO PAY FOR THEM.

WE WILL EITHER HAVE HUGE DEFICITS OR WE WILL HAVE HIGHER TAXES. THERE ARE NO SECRET SOURCES OF REVENUES.

THEY TELL US THEY WILL BALANCE THE BUDGET.

THEY TELL US THEY WILL FIND THE MONEY BY RAISING THE TAXES OF THE UNDESERVING RICH. SOME CONFUSION EXISTS WHETHER THE RICH TO BE TARGETED ARE THOSE WITH INCOMES ABOVE THE NATIONAL MEDIAN OF \$14,000, THOSE ABOVE \$25,000, OR THOSE ABOVE \$50,000.

BUT ONLY 10 PERCENT OF FAMILIES MAKE \$25,000 OR MORE AND A FULL 40 PERCENT OF THEM DO IT WITH TWO WAGE EARNERS.

IF WE FOCUS ONLY ON \$50,000 INCOMES -- THEN WE MUST BE AWARE THAT FEWER THAN 5 PERCENT OF AMERICAN FAMILIES MAKE \$50,000 PLUS.

IF WE DOUBLE THEIR TAX, WE COULD ONLY PICK UP ABOUT \$20 BILLION.

IF WE LOOK FOR TAX LOOPHOLES TO CLOSE, THEN WE MUST BE AWARE THAT \$65 BILLION IN PREFERENCES GO TO ALL TAXPAYERS. \$53 BILLION GO TO PERSONS WITH INCOMES BELOW \$25,000. IF WE CLOSE ALL LOOPHOLES FOR PERSONS MAKING \$25,000 PLUS, WE COULD ONLY PICK UP ABOUT \$12 BILLION -- FAR SHORT OF THE \$200 BILLION WORTH OF NEW PROGRAMS WHICH ARE GLIBLY OFFERED AS CURES TO OUR NATION'S ILLS.

THE ANALYSIS REMINDS ME OF H.L. MINCKINS COMMENT:

"FOR EVERY HUMAN PROBLEM THERE IS A SOLUTION THAT IS SIMPLE, NEAT AND WRONG!"

DON'T BE MISLED.

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 -- NOT TO MENTION OUR CITIES.



IT WORRIES ME THAT WE HEAR OUR OPPOSITION IN THIS CAMPAIGN CALLING FOR THE FEDERAL GOVERNMENT TO SUBSIDIZE BUILDING UP TO 2.5 MILLION HOUSING UNITS A YEAR. WE HAVE ALREADY BEEN DOWN THAT ROAD -- DISASTEROUSLY.

FOR PURSUANT TO THE HOUSING ACT OF 1968, THIS NATION SUBSIDIZED, ANNUALLY, WITHOUT REGARD TO THE MARKET NEEDS OF PARTICULAR AREAS, 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 URBAN DWELLERS HEADED THE PIED PIPER CALL OF "NEW IS BETTER". NEIGHBORHOODS WERE BLIGHTED WITH ROW UPON ROW OF BOARDED-UP HOUSES LEFT TO DECAY.

BUT IT WAS NOT ONLY OUR CITIES THAT SUFFERED -- OUR HOUSING INDUSTRY -- MANAGEMENT AND LABOR -- 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 THE EXCESSIVE INVENTORIES, WITH DISASTEROUSLY HIGH LAY-OFFS IN THE CONSTRUCTION INDUSTRY.

PRESIDENT FORD'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 THESE HOUSING POLICIES HAVE WORKED. EVEN IF WE FAIL TO BUILD ANOTHER HOUSE IN 1976, THIS YEAR -- RIGHT NOW -- WILL BE THE FOURTH BEST YEAR ON RECORD FOR NEW SINGLE-FAMILY STARTS -- CURRENTLY AT 1.3 MILLION. AND MULTI-FAMILY STARTS, ALTHOUGH NOT SO QUICK TO RECOVER, JUMPED 48 PERCENT IN JULY AND 46 PERCENT IN AUGUST WITH EXCITING JUMPS 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 BY HOLDING THE LINE ON EXPENDITURES, AND IN SO DOING HE HAS CREATED THE LARGEST NUMBER OF JOBS IN OUR NATION'S HISTORY.



I HAVE SEEN A NEW EFFORT GROWING AMONGST CIVIC LEADERS, LIKE YOURSELVES, TO FIGHT AGAINST THE OLD AND EXPENSIVE NOTION THAT OUR CITIES, OUR ENTERPRISES AND OUR LIVES CAN BE RUN FROM WASHINGTON -- WITH A NEW COSTLY NATIONAL PROGRAM FOR EVERY SOCIAL AND ECONOMIC ILL.

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.

I DO NOT BELIEVE THAT THIS LESSON IS BEING IGNORED HERE IN MY HOME STATE.

AND, I THINK THE VOTERS WILL PROVE IT NEXT TUESDAY.

THANK YOU.

