

REMARKS OF VICE PRESIDENT HUBERT H. HUMPHREY BEFORE THE
BUSINESS COUNCIL, HOT SPRINGS, VIRGINIA, OCTOBER 15, 1965

Today we are casting aside old economic myths.

All of us know them too well:

That the only way to overcome a federal budget deficit is to raise taxes.

That in times of budget surplus we should cut taxes due to unexpected
wealth.

That sound economic growth can be effectively achieved by pump-priming.

That the economic problems of the poor can be solved to large degree
by welfare and unemployment payments.

We are also dispelling today such myths as the inevitable clash between
government and business, business and labor, and government and labor.

How long has it been since we've heard the terms "economic royalist"
and "labor boss" in common usage?

All of us -- government, business, labor -- are united today in a positive
partnership for prosperity. And we are united, to an almost surprising degree, on
four basic economic goals for America:

Maximum employment.

Steady economic growth.

Price stability.

Equilibrium in our balance of payments.

And we are in agreement, too, as to the means of accomplishing these
objectives -- means entirely consistent with the free enterprise system.

These means are sophisticated blends of fiscal and budgetary policy, monetary and manpower policy, all aimed at unleashing the full productivity of our private, profit system.

The proof is in the pudding: We are now in our 56th month of economic expansion.

We have seen an increase in our Gross National Product of 173 billion dollars from the beginning of 1961 to today. Our American GNP is today approximately half of total world GNP.

And during this expansion, we have had a remarkable record of price and cost stability. Consumer prices have risen only 6 per cent in 4-1/2 years. The wholesale price index has risen from 101.0 in February of 1961 to 103.0 in September of this year.

This expansion has meant a great deal to the labor force. It has provided a net of nearly 6 million jobs between February of 1961 and September, 1965, and unemployment has declined from 7 per cent to 4-1/2 per cent -- the lowest rate since 1957.

We have seen, too, a decline in unemployment both for teenagers and Negro workers, although these are still unemployment trouble areas.

Wages and personal income are up.

This has provided fuel to bring consumption up.

The American consumer has done a remarkable job in taking up the output of our great economic machine. In the past year and a half he has, in fact, contributed 72 per cent of our 73 billion-dollar rise in GNP. Part of this increased consumption, has been stimulated by tax cuts which -- to the old way of thinking -- would have been heresy.

Then there is the story of profits.

The latest statistics show a rise in corporate profits after taxes of over 80 per cent from the first quarter of 1961 to the second quarter of 1965 -- an increase of 20 billion dollars. And these profits, in turn, are being reinvested in the economy to the benefit of us all. And here I point to the investment tax credit and the reform of depreciation guidelines as measures which have been of positive help.

Yes, we are building today, in partnership, a strong and prosperous America. We must be strong and prosperous if we are to remain safe and free. We have world responsibilities that we have not sought but that are ours to bear.

Today, with our present commitment in Vietnam, I hear the question:
Can we have both guns and butter?

Can we keep our commitment abroad and still undertake great tasks at home?

Can we have prosperity without inflation and still commit necessary resources to national security and to overseas obligations?

My answer is that we can, and must.

I have heard Vietnam compared with Korea. I would warn against any such comparison.

During the Korean conflict, defense expenditures rose sharply from about 13 billion dollars in fiscal 1950 to 22-1/2 billion dollars in fiscal 1951, 44 billion dollars in fiscal 1952 and 50-1/2 billion dollars in fiscal 1953. Defense expenditures, as a proportion of GNP, almost tripled -- rising from a little less than 5 per cent in fiscal 1950 to almost 14 per cent in fiscal 1953.

Today we start from a base of a strong defense establishment brought to a peak of efficiency over these past several years by Secretary McNamara. During the past fiscal year, national defense expenditures were 50 billion dollars -- or about 7-1/2 per cent of Gross National Product.

But the amounts can be provided without inflationary strain or the curtailment of essential domestic programs.

We will and must provide for whatever expansion in our defense expenditures the situation requires. But, we see no present likelihood that expenditures will rise enough to bring threat of inflation. If they did, President Johnson would take appropriate fiscal and financial action, I can assure you.

Today our economy is much larger and stronger than at the time of Korea. In fact our Gross National Product at mid-1950 was only some 275 billion dollars. It is now over 675 billion dollars.

Not only will we be able to press ahead with the programs of our Great Society. But these programs in themselves will promote the strength necessary to meet long-term world responsibilities.

These are programs of self help -- programs providing opportunity to people; programs of education for children and of job training for adolescents and

adults; programs to create better housing; programs to promote the health of our people; programs of research to increase our knowledge.

No nation need fear bankruptcy because of expenditures on education. You, more than anyone, are aware of our national need for highly-trained people.

That is why business has invested millions of dollars in the past few years in American educational institutions and in individual American students. That is why business establishes new plants and facilities in communities which invest in education, where citizens are well-trained and productive.

Our nation cannot tolerate the projected 750,000 young people who will drop out of school this year -- young people headed surely for the welfare rolls, unless we invest time and money so that they can become taxpayers instead.

You, more than anyone, know the importance of investment in health.

Your business . . . our country cannot afford the loss of human talent and energy to disease which might have been prevented.

Before this year is over, more than a million productive citizens will have been lost to heart disease, cancer and stroke alone.

That is why this Congress has passed important legislation not only to give older Americans better medical care, but also to find medical answers which will avert the loss of men and women in prime-of-life to preventable disease and premature death.

You, more than anyone, know the importance of research.

This year the amount spent for research in the United States will approach 20 billion dollars. Of this the United States Government will pay for almost 75 per cent.

Federal research grants and contracts account for almost two-thirds of the total research expenditures of our American colleges and universities. Over 25,000 graduate students in engineering, mathematics, physical and life sciences are supported by employment under these grants and contracts.

In this Congress we have passed important new legislation -- the State Technical Services Act -- which will do for American business what the Agricultural Extension Service has done for the American farmer. This Act -- President Johnson has called it the "sleeper" of the 89th Congress -- will put into the hands of private enterprise the latest fruits of research and development.

This new information will be made available to private business through 250 colleges and technical schools throughout the country.

This program will be administered by state and local officials close to the problems of their own areas.

As the President has said, if we had passed this legislation 25 or 30 years ago, we might have prevented the economic problems of Appalachia today.

Are these new programs worth it? I think that they are.

I think that all the national investments we make today -- investment in productivity, in opportunity, in enterprise, in greater social justice, in self-help -- are worth it.

These are investments in America. These are investments which aim at full development of the most important resources we have: our people.

Vast new programs initiated by this 89th Congress will place a heavy administrative and management burden on government agencies. Legislative

authorization and appropriations alone will not assure maximum impact of these policies and programs. The indispensable ingredient will be trained and dedicated administrators utilizing the best in modern management techniques.

As these programs get underway, we ask: Will these investments be well managed?

This is the challenge we face. This is the challenge we will meet.

President Johnson has already written an impressive record of economy and efficiency in government.

President Johnson hates waste -- waste of the taxpayers' dollars, waste of material and human resources.

The President reviews every single item in the federal budget with his Budget Director. Each Cabinet member, in turn, is required to justify every single item in his department budget to the Bureau of the Budget.

Every single government official with spending responsibility must account, in turn, to his superior for each requested budget item.

Not many weeks ago the President directed a memorandum to the head of each government department and agency. Many of you are familiar with that memorandum. In summary, it set out guidelines for management of government programs -- management similar to that already in effect in the Department of Defense and, I might add, in well-managed American business.

Basically, two techniques are involved. One is the cost-effectiveness measure, which requires that every item of expenditure justify itself in terms of other expenditures.

For instance -- and I cite a hypothetical example -- a new extension service for farmers may be important, but is it more important than a program to retain jobless workers?

The whole purpose of such item-by-item analysis is to select those expenditures from which the greatest benefits are derived and to weed out those items which are least necessary. This cost-effectiveness measure requires that every item be truly important to our national interest.

The second technique that is now coming into general use is the systems analysis technique. Under this technique, all separate operations of government are analyzed so that, wherever possible, they can be placed under unified direction or supervision. This not only eliminates duplication of services, but also institutes new and more efficient means of overall government operation.

In this regard, I call your attention particularly to a Bill introduced in this Congress by Representative Jack Brooks of Texas. Under terms of this Bill -- supported by this Administration -- purchase, lease, and utilization of computers by the government will be more greatly coordinated with the aim of saving up to 200 million dollars or more in equipment and operational costs each year.

Every single department of government has been required -- as part of its present budget preparation program -- to list all its agencies and activities -- and, this is the important part, to rank them in order of priority.

This organizing process requires Cabinet members to provide the Budget Bureau and the President with a ready-made blue print for cutting their own budgets. This is really the sharpest tool of all. It provides the cutting edge for the entire cost-effectiveness program.

These are the lists the Budget Director will refer to when the President asks him -- as he has promised he will -- where budget cuts can be made.

These are the lists the President was thinking of when he said recently: "I have instructed the Budget Director, in reviewing your 1967 budget requests with me, to present me with a list of possible saving through

- Greater efficiency in operation
- elimination or reduction of obsolete programs, and
- substitution of private for public credit totaling at least 3 billion dollars."

Furthermore, this aggressive approach to economy in government does more than merely show where budget cuts can be made. It provides a sound systematic basis for intelligent and responsible planning. A budget thus becomes not merely a column of figures, but a series of choices, and with each choice the alternative is clearly stated.

My message then is this: To meet our responsibilities at home and in the world, we must build a strong and prospering America. Toward that end, we are today making great national investments in our resources, both human and material.

I pledge to you that these investments, now and tomorrow, will be efficiently managed. Your government will save wherever it can to spend wherever it must.

Finally, I will add one further thought.

In the atmosphere of mutual respect and confidence which now exists in our American society, I would hope that business and labor would -- as they have so well to date -- continue to exercise the utmost judgment so that we may all avoid the danger which could wipe out the gains we have made: I mean the danger of inflation.

Particularly, I would hope that price stability could be maintained -- price stability to keep us competitive in world markets, to help us in our balance of payments, to protect the purchasing power of fixed dollar earnings, retirement benefits and insurance payments.

Both business and labor know that short-term advantages become meaningless if they bring about a wage-price spiral.

Thus it is that I hope that increases in wages and fringe benefits can be kept within the Guidepost recommended limits of 3.2 per cent, as in the recent steel settlement.

Thus it is that I hope that prices may be kept down, as in the auto industry, and even lowered where possible.

The potential rewards are great.

Together, in a free society, we can achieve what man has always sought; A better life, a greater opportunity, a security from fear. Our productivity and energy can prove in history that free men can accomplish what totalitarians can never do.

Our expanding economy can continue to expand. We can make tomorrow better than today.

Working together, we will succeed.

Remarks by
Vice President Hubert Humphrey
The Business Council
Hot Springs, Virginia
October 15, 1965

Thank you very much, Chairman Murphy. First of all may I thank you for that moment of silent meditation that you offered. It will be the only moment of silence for quite a while, so I hope that you've enjoyed it.

I'm particularly honored tonight to be able to share in these festivities, and I gather that this is a bit of a festive evening, as well as an evening for what we might have, some constructive and helpful thought, but for a moment let's be festive.

I want, first of all, to take note, not only of all the many distinguished servants of the American people in their Government that are here, but also the men of finance and industry and their charming ladies. I am directing my remarks tonight primarily to that force in American life that controls most every decision, the women, so, if you men are not particularly pleased with what I have to say, check it out with the ladies a little later on.

But I was noting that some remarks have been made about the Twins. I must say that I thought that Bev Murphy might have foregone that little bit of sadism that he indulged in here. He said that he knew I was happy that the Los Angeles Dodgers had won, and may I say politically I am. There are forty electoral votes in California. Just to show you the depths of my loyalty, I publicly proclaimed early that I was for the Minnesota Twins. The President only scolded me about twelve minutes for saying that. Particularly when one remembers that the Los Angeles Dodgers were once in Brooklyn, and if you lose both New York and California on a baseball game, you've had a political disaster, I might add.

But this meeting is fully a tribute to what happened up there in the John Cowles territory where our wounds are open but the heart is still warm, and I'm pleased that it's all in black tie tonight, out of respect for what took place.

There are many things that I want to talk to you about, but before I do it, may I just make note of the fact that one of our very distinguished friends is not here this evening -- the gentleman that I was asking Mr. Murphy about just a moment ago. I was looking for him throughout the audience. I say this for many reasons, one of which is the kindness extended to me some months ago. Just to prove what a courageous man Roger Blough is, he joined up with Sidney Weinberg one time to give me a lunch up in New York, a dinner in fact. We went the whole way, and, tonight we

miss Sidney Weinberg, who is ill, and I know that everyone of you feel as I do, that whenever he's not present with us on an occasion like this, a certain amount of the spark of the occasion has left us.

Just a few nights ago, I was in New York City. Sitting behind me was Herbert Brownell and Jock Whitney, and when my wife came into the hall, a man by the name of Tom Dewey came over and gave her a little kiss on the cheek. I want to tell you that every Democrat in the hall almost fainted when they saw the surroundings that I had, and the attention that was being paid to my wife; but on that particular occasion, I made note of the fact, because the meeting was getting rather long -- we were approaching the 12 o'clock hour on the 13th of October. I couldn't help but note that on the 14th we were going to celebrate the birthday, the 75th birthday, of the former President of the United States, Dwight Eisenhower. So we're just one day later now. And there are many here in this audience tonight that served with President Eisenhower, and many of you that are his close intimate friends, and I only hope that every man that serves his country can do as well as this great man, and can look as well, and as healthy, and as happy, at age 75 as this distinguished American and public servant.

When I landed at the airport tonight, I was very pleased to see the surroundings. As you know, this Administration is deeply concerned about poverty, and we lost a program known as the Appalachia program. And I've always told Joe Fowler that if we just put enough emphasis behind this program, it could take hold quickly. And Joe, he says: "You're too optimistic, Hubert. You're just too optimistic." And I couldn't help but think, as I came in to see the beautiful countryside, and knowing that when I've been here before, the difficulties that Virginia and West Virginia have suffered, particularly in this particular area -- there I landed at the airport, and I found myself a member of the "jet set": five JetStars out there, and plane after plane. I know that the President will be very encouraged, when I report to him tomorrow, that the program has been an outstanding success. Appalachia is at work.

Every time I come before a group such as this, I'm always having somebody get ahold of me before I speak, that, in a gentle and kindly manner, reminding me that, well -- something like this. "You know, Mr. Vice President, I recall hearing you speak ten years ago, or five years ago, and I'm mighty glad to see you here. We're very pleased to see the changes that have taken place," and I suppose they sort of mean that's happened to me too. And I sort of nod appreciatively of the fact that people have noted there is some change. For example, I like this job better than the one I had last time. But I couldn't help but think that there have been changes taking place many places. What we witnessed these last few days, and, since we are so close to the World Series, I think I should share with you the changes that have taken place: Changes in your mind, and changes in mine, and changes in our respective habits -- the Brooklyn Dodgers went to Los Angeles, the Washington Senators went to Minnesota, the Pope went to Yankee Stadium, and Humphrey came to The Business Council. Now that's just about as much change as you can think. And I gather that within that framework of change, one can almost speak on anything he'd like to at this particular moment.

So I'm going to indulge myself in a certain amount of speaking this evening on subjects that you would like, I'm sure, to hear my views, because there's no one here that can speak on these subjects, other than the Vice President, such as monetary policy, and fiscal policy, wage price guidelines, and economic policy. I know you have Bill Martin here, and Joe Fowler with balance of payments, and Gardner Ackley. These fellows, they're all right, but if you really want to get the word, you're about to receive it. Each of these men will discuss politics with you tomorrow. We all like to venture into new fields.

Speaking of change, I suppose it's fair to say that all of us go through a constant learning process. We've been learning a great deal, as a nation and as a people, as an economy and as a government. We've surely had to learn about our place in this world; the significant place that this nation has in the affairs of the world. We've had to learn that what happens here in America conditions everything that happens in the world. We've had to learn that what happens even in the most remote sections of the world can seriously affect what may take place here in America.

Who would have ever thought, 25 years ago for example, that a little sliver of land in Southeast Asia, a peninsula that was only known as IndoChina, people whom we'd never met and knew little about -- that this area of the world could command such attention as it does today and such sacrifice?

Who would have ever dreamed that we, a great power, would be deeply concerned about movements and forces at work in the heartland of Africa? An area that only less than a quarter of a century ago we regarded only as a primitive area, possibly an area with potential wealth, but surely with no developed wealth. And yet, this area of the world today may very well determine the fate of this nation.

I come from the Midwest, yet it is fair to say that what happens in the Near East will more basically affect the life of this nation than anything that happens in the Midwest.

So it is a very changed world. And we've changed some ideas, and we've given up some old habits, and we have, for all practical purposes, cast aside what I might call old myths -- and yet we accepted these matters as truths.

For example, we long believed that about the only way you could overcome a federal budget deficit was to raise taxes. And today we know that that is not the only way -- there are other ways. In fact we have learned that you can increase the revenues of your government by lowering taxes.

We felt and believed for a long time that sound economic growth could be achieved efficiently and promptly by just pump-priming. We went through a period of that and we believed it. Some of us did, at least. Some others believed that no need at all existed. Both were wrong.

And then we believed that the problems of the poor, of the low income groups, could be solved, to a large degree, by welfare, or by unemployment payments. And we've come to understand that that is not the answer, because there are families in this great nation of ours that have, for better than four generations, been receiving generous welfare payments -- all forms of social assistance -- and poverty has become a pattern of life, rather than a temporary ordeal or a momentary problem.

So we've given up some old myths now, and we're trying to find some new answers.

We're dispelling today such myths as the long-accepted theory in many areas of this nation and the world, of a class conflict, or the inevitable clash between government and business, between business and labor, and government and labor. I ask you, how long has it been since you've heard anyone in high places in government call you an "economic royalist"? You haven't heard it at least in recent years. And how long has it been since you've heard a labor leader called a "labor boss"? There's a different attitude. The attitude is one of trying to find accomodation, of promoting a better understanding between the different forces, and the different groups in our community.

I happen to believe that the President of the United States, that I am privileged, in part, on occasions like this to represent, that his greatness in history will not be so much the legislative programs, even though they're sensational from the point of view of the legislator. Not so much even in terms of his basic sense of firmness and strength in our international policy. I think that his mark in history will be that he was the healer. He believes in consensus. He really believes that a nation that is as mature and as well-educated as ours can reason together. He really believes, and I believe with him, that your country is more important than your party; that your nation is more important than your group; and because we believe these things, there is a new spirit in this country, because you believe it too. And the role of leadership is to bring out of people what really they believe. Leaders do not get you to believe what you do not already believe. They get you, or cause you, to come forth with your beliefs, in a common cause and a common purpose.

Now all of us -- government, which I am privileged to represent this evening, business, labor -- are, at the present time, and I hope for the years to come, united in a positive partnership -- a partnership for the strength of this country: for its economic strength, for its social strength, yes indeed for its political strength, and stability. I know that in this group, this Council, I believe there have been approximately 180 - 82 members of The Business Council, and 120 of you have held government positions. You've left your business, you've come to the government, you've served your country, and served it well and faithfully, and you've gone back to your business, and you have served your stock owners, or your partners, or your associates, or yourselves, with even more distinction. So there is, even in business itself, a relationship and a partnership, between government and business.

And we're united today, in a surprising degree, on four basic economic goals for our country. These are goals that are attainable, because we're doing it. Maximum employment -- I didn't say full, because that has a totality to it -- but maximum employment, and steady economic growth, price stability, and equilibrium in our balance of payments. I know today that you've heard from our distinguished Secretary of the Treasury on this very, very difficult problem of the balance of payments, but let me underscore it from the elected point of view, the elected official point of view.

We are determined, as a government, to maintain the integrity of the American dollar, and we are determined, as a government, to maintain the American dollar as a means of exchange and currency in this world where people will be happy to say that is "sound as a dollar." And there's no way that you can do it, without the kind of self-discipline that we are asking people now to take unto themselves in this effort to bring an equilibrium in our balance of payments. And we're going to achieve it -- not in a manner that will upset economies, but rather in a manner that will stabilize economies.

And I think too that we are in substantial agreement as to the means of achieving these goals of employment, and price stability, and economic growth, and balance of payments. We don't want it done through coercion. The government is not designed in this great republic of ours to be an instrument of coercion. It is primarily to be an instrument of cooperation, rather than domination. It is here to supplement, rather than to supplant. It is to be a partner, rather than a tyrant. And if anything has happened in recent days which I think is very encouraging, it is the fact that many people in our economic and our private sector, in our business financial community, are beginning to understand that this government of yours seeks not to cause you undue trouble, to harass you, but rather to work with you. We still have much to learn, but the effort is sincere, and the purpose is clear. So we seek to obtain these goals within the framework of a free economy, of a free enterprise system.

Now these means that we have available -- our sophisticated blending of fiscal and budgetary policy, which you've heard about, monetary and manpower policy -- and all of these are aimed primarily at unleashing the productive capacity, the full productive creative capacity of our private profit incentive system.

I want to just say once again, because I have said this privately to some of you. I think there are at least two things that every citizen ought to know of their President and of their Vice President. You already know it of your President, so you ought to know it of your Vice President.

First of all, his attitude on national security, and that attitude is manifestly clear. I do not support President Lyndon Johnson's policies on foreign policy because I am told to. I support them because I believe in them. I believe that the only way to attain any degree of peace in this world is to have an America that is strong enough to command respect. An America that is strong without being arrogant. An America, if you please,

that can be firm, without being belligerent. An America that is perfectly willing at all times to seek honorable peace, but never to appease. And I believe that that is something that you need to understand from your government people.

Secondly, I think you need to know where a man stands in terms of the economy. Does he believe in the profit system? Does he believe in free enterprise? Does he really believe that the creative forces, the dynamic forces of this great American system of enterprise are really of priceless value? And I testify that I do, because there is no system on the face of the earth that has given so much to so many, over such a continuous period of time, and produced such benefits for producer, and consumer, and investors, and for the public at large, and for the whole world, as the system of which we are a part; and we ought to be proud of it, and cherish it, and guard it. And that is our aim. That's our objective.

Now I've said that we, we are seeking to unleash this great productive capacity, and I think that the proof of the pudding is the tasting thereof. And we've had 56 consecutive months of substantial economic growth. I believe I'm correct in saying that there is no comparable period in history. I believe I can say that never before has any nation ever known such a steady growth of an economy under such stabilized conditions as this America of ours. So even though at times we may be critical of one sector or another, when you take a look at the big picture, the fact is, that what has been achieved is literally a miracle. Every bit as great a miracle, and even more so, may I say, than putting a man on the moon.

Now we've seen a great increase in our gross national product. The figures that I've received from Mr. Ackley -- since he'll use them tomorrow, I'll use them tonight, I'd like to get a little jump on him -- the figures that I've seen as of the last month show 173 billions of dollars increase in the gross national product from the beginning of 1961 to today. Now that's a rather substantial growth. And our American G.N.P. is today approximately half of the total gross national product of the world. And right in this room, in this Business Council, if every member were present, you would represent between 20 and 25% of the total gross national product. This audience tonight represents, in its management, in its relationship to wealth and productive capacity, between 10 and 12% of the total production of the world. It is indeed an amazing audience. Think of it. And then may I say, when we think of the fact that we represent 50% of the G.N.P. of the world, 195 million Americans, maybe you can understand why there is restlessness in the rest of the world.

The gap between the rich and the poor widens. This is one of the greatest political problems that faces us today. Because just as surely as I'm looking at you, and you're here with me tonight, if something can not be done to close that gap -- I don't say to close it quickly, but to give hope of at least narrowing that gap -- there will be violence and disorder, trouble and tension, and dissension, that will play havoc with all that we believe in. So when we think of the rest of the world and its problems, we're thinking of ours, make no mistake about it.

Now during this period of economic expansion that we point to with such pride, we've had a remarkable record of price stability and cost stability. I didn't say a perfect record, but a good record. Consumer prices have risen only 6% in 4-1/2 years. No country can compare to that. Not one on the face of the earth. The wholesale price index has risen from 101 in February of 1961 to 103 in September of this year. No country can claim such a record. And when I hear about the wonders of Germany, when I hear about the great productive capacity of other countries, and when I hear about the stability of their currency, all I can say is that the record of economic indices shows that no country can hold a candle to us. This doesn't give us cause for braggadocio, but it gives us cause, if you please, to reflect on why it is so, and I think the answer is to be found in this partnership, in this new sense of cooperation and understanding, and in the genius of management, the skill of labor, the capacity of fiscal management in this country in monetary policy, when put together, giving us a remarkable record.

Now this expansion has provided a net of nearly six million jobs, new jobs, since February 1961 through September of 1965. And unemployment has declined from 7% to 4-1/2%, the lowest rate since 1957, and now we get down to the hard core of unemployment -- the teenagers, the unskilled, the Negro, the minority. And these are the groups now that challenge us, because a 4% unemployment figure is too large; if for only one reason, that it represents lost wealth, lost opportunity, wasted resources. Now wages and personal income are up, and this has provided a boom for consumption, and the American consumer has done a remarkable job in being able to absorb the output of our great economic machine, and part of this increased consumption has been stimulated by tax cuts, which to the old way of thinking, would have been heresy. So when I hear people say some of us have changed, I say, "Haven't we all? Haven't we all?" The tax cuts have been like blood transfusions, vitamins, new strength to an economy.

And then there is the story of profits. The latest statistics show a rise in corporate profits after taxes of over 80%, from the first quarter of 1961 to the second quarter of 1965 -- an increase of 20 billions of dollars after taxes. And these profits, in turn, are being reinvested in the economy, to the benefit of all of us. Throughout this land -- not only in the groups that manage, and not only amongst the financial community, but amongst people everywhere -- there is a growing appreciation that jobs can only be made available through investment. Therefore, when we speak of profits, we do not speak of something which represents mere luxury. We speak of the substance, of the means, that provides for new jobs, better living, new investments.

Now today we ask ourselves some questions. We have very serious commitments around the world. With our present commitment in Viet Nam, I have heard the question asked again and again. And you've asked it, and you should. Can we have both guns and butter? Can we keep our commitments abroad and still undertake great tasks at home? Can we have prosperity without inflation, and still commit necessary resources to national security and overseas obligations? My answer? My answer is that we can. And not only that we can, but we must. And

when you know that you must, then you can. Because this nation can do anything that it needs to do, if it has the will to do it. We haven't even scratched the surface of our capacity to do great things.

I have heard Viet Nam compared with Korea. And I want to warn tonight against any such comparison. There are many facets here that one could speak of, but let me speak of the economics, for a minute. During the Korean conflict, defense expenditures rose sharply from 13 billion dollars in fiscal 1950 to 22-1/2 billion in 1951, to 44 billion in 1952, and to 50-1/2 billion dollars in 1953. From 1950 to '53, up from 13 billion to 50 billion. Skyrocketing expenditures in defense. Defense expenditures as a proportion or related to gross national product almost tripled, rising from a little less than 5% in fiscal 1950 to over 14% in 1953. That's Korea. Now what about today?

Well, we start from a strong base, a strong defense, and a well-managed defense establishment. During the past fiscal year, national defense expenditures were 50 billion dollars, just about what they were, a little less than they were, in fiscal 1953. But, this was about 7-1/2 of our gross national product as compared to 14% in 1953.

But now what about the new amounts that have been asked for? Approximately 2-1/2, maybe 3 billions of dollars. I say that these new amounts can be provided, and will be, without inflationary strain, or the curtailment of essential domestic programs, as long as this economy keeps moving ahead. Of course we will, and we must provide for whatever expansion of our defense expenditures the situation requires. But we see no present likelihood that expenditures will rise enough to bring the threat of inflation. If they did, the President of the United States would take appropriate fiscal and monetary action and budgetary action to throttle that inflation. I can assure you of that tonight. Have no doubt about it.

Today, our economy is much larger and stronger than any time, and particularly of Korea time. In fact, our gross national product in the mid 1950 was only some 275 billion. Tonight it is over 675 billion. We're a bigger nation. We're a stronger nation. We're a richer nation. We're a much more populated nation. We have right now about 35 million more Americans than we had at the time of Korea.

Not only will we be able to press ahead, therefore, with the necessary defense, but we will also be able to move ahead prudently with some of the programs that your government and this Administration has sponsored for the Great Society. But I want to say these programs in themselves will help promote the strength necessary to meet the long-term world responsibilities. Because these are programs essentially of self-help -- programs providing opportunity to people, programs of education, programs of job-training, for adolescents and adults, programs to help create better housing, programs to promote the health of our people, programs of research to increase our knowledge.

When President Johnson signed the bill the other day to expand our research in the field of cancer, heart disease and stroke, he reminded

us that the doctors that had made a study of this particular situation, this health problem, told him that the loss in income from premature death, and from long-term sickness, and medical care, of heart disease, cancer and stroke in one year, was approximately 45 billions of dollars. And the investments that we make, the few billions of dollars of investment to find some answers -- my dear friends, those investments will bring dividends such as no investment we've ever known.

And the same thing is true of education. No country ever spent itself into insolvency by expanding education. And you men in this room are the first to know it, because you contribute generously -- from your respective companies, and your own personal incomes -- to the colleges and the universities and the technical schools. What is more, every survey today indicates that American business, as it seeks new plant locations, new outlets for its goods, the first thing it checks on is the educational system of the community in which that investment is to be made. Education, to which this Administration has pledged itself, in the sum of billions, is a wise investment.

In research, over 20 billion dollars of money in research this year. Of that 20 billion, 15 billion is from the federal government. Much of it for the military, but not all, by any means. But that research is today not only helping industry, but it is, in a sense, expanding our whole university and college system. 25,000 of the best graduate students in America -- in the field of the life sciences, mathematics, physics, engineering, and all of the great sciences -- 25,000 of the graduate students today are there as graduate students under grants from federal programs. Huge universities grow and expand because of this. These are not expenditures, my fellow Americans. These are the wisest investments that a nation ever made. They are investments in America. These are investments which aim at full development. The most important resource that we have -- the human resource. And when we see staggering figures that are almost shocking -- 750,000 new school dropouts this year, a potential in ten years of 30 million in our labor force, without a high school education, unless we do something about it -- then I submit that what we are seeking to do is the proper thing to do: to provide a better opportunity, more encouragement, in the field of education.

But now having said this, all of these programs are no better than their management. I've helped pass programs in the Congress, and now I'm on the other end of the line. I watch these programs come to fruition. I am there when the President signs the bills. I've helped get a vote or two for some of these programs. But the question is, how will they be managed? And I think I can say to you that this Administration in the coming year, not only the coming year but in the time ahead, will concentrate its attention upon bringing to bear upon these great programs in which billions of dollars of your money, taxpayers' money, is being channelled, that we will concentrate our attention upon efficient management. The most modern management techniques, that's what we're seeking now, because they have to be well-managed. They cannot be just spend and spend. They must be managed, and they must be efficient.

President Johnson issued an instruction the other day. The men that are at this table were there when that instruction was issued. There isn't a Cabinet meeting that we hold, but what some member of the Cabinet is required to report to his fellow colleagues and the President of the new management programs -- the programs to combat waste in his department. And many programs are well under way that have yielded excellent results. Here's what the President said: 'I've instructed the Budget Director, in reviewing your 1967 budget requests with me, to present me with a list of possible saving through greater efficiency in operation, elimination or reduction of obsolete programs, and substitution of private for public credit, totalling at least 3 billion dollars.' I've heard many people say that the government ought to get out of business. That's a 3 billion dollar retreat right there that your President has ordered.

This aggressive approach to sensible economy in government does more than merely show where budget cuts can be made. It provides a sound systematic basis for intelligent and responsible planning. Cost-effectiveness measures are instituted. Systems analysis techniques are being applied. A budget thus becomes not merely a column of figures, a huge book, copies of which, the photo of which, you frequently see in your press, and a book so large that no one can hardly understand it. But it becomes, this budget now becomes, a series of choices, and with each choice, the alternative is clearly stated.

My message then tonight is this: To meet our responsibilities at home and abroad, and we must meet those responsibilities, we must build a strong, and a prospering, America, and, I must say once again, that it is my considered judgement as one who has been now in government service for many years, and one who has tried to apply himself at least somewhat to the problems of international relations, that I see no relief from our burdens in the foreseeable future. I do not see the leaders of the Communist forces yielding to us merely because they have a sort of new-found affection for us, because that they do not have. I see us in a long-term competition, which we hope and pray can be peaceful, and if it is peaceful competition, and we apply ourselves to it, the victory is inevitable -- inevitable.

It isn't we that are changing to methods of socialism. It is they that are beginning to accept some of the standards that we have known for years. I couldn't help but note the other night as I spoke in New York about the recent statement of Premier Kosygin, Prime Minister Kosygin of the Soviet Union. He talked about revolutionary ideas being applied across the board in the Soviet Union. What revolutionary ideas? Profit, incentive, a new revolutionary idea like private ownership, and unemployment compensation where they say there are no unemployed.

Ladies and gentlemen, we have really and truly had the revolutionary ideas. I know this is an uncomfortable word for some. But we are the authentic revolution in this world. The revolution of freedom. We are the revolution of freedom in the marketplace, which historically teaches us, provides for freedom of thought, and of assembly, and of choice, and of worship. They are one and inseparable. So I submit

that our task is to keep this nation strong, not for 1965, not even for '66, but for the long term; and when I hear people say: "Well, we will maybe have to face recessions, and depressions," then I say what you're saying is "we'll have to lose some battles to the enemy."

I have been in politics a long time, and I have suffered both defeat, (or should I say I have experienced), both defeat and victory. And I am here to tell you that there is not a thing that you gain in defeat that victory can't do better for you.

So let's make up our mind right -- that the inevitability of the so-called hills and valleys need not be inevitable. At least we can work to find ways and means of easing them off, and of bringing them into less abrupt adjustment. And towards that end we are making these great national investments in our resources, both human and material. And I repeat the pledge to you tonight, because you are our advisers. You are The Business Council. We respect you, and we welcome your counsel and advice, and you have helped this government of yours, your nation, time after time, in peace and at war. I pledge you that these investments, heavy investments they are, now and tomorrow, will be efficiently managed. And your government will save, wherever it can, in order to spend, wherever it must.

And I'll add this further thought. In the atmosphere of mutual respect, and confidence, which now seems to characterize most of our American society, I would hope that business and labor would, as they have so well to date, continue to exercise restraint and prudent judgement so that we may all avoid the danger which would wipe out the gains which we have made. And that danger is ever-present. Closer now than ever. I mean the danger of inflation.

Particularly I would hope that price stability could be maintained. Price stability to keep us competitive in world markets, because we need to compete in those markets. The balance of payments problem, to which your Secretary of Treasury has addressed himself, will not be managed and handled simply by restraints. One other answer is to sell, to compete, to permit American business, may I say, to sell, and to encourage that business in cooperation with government, to find markets, and to develop them. So we'll need price stability for that, and we'll need it to help us in our balance of payments, and we're going to need price stability to protect the purchasing power of fixed dollar earnings, and retirement benefits, and insurance payments, all of which are so much a part today of the American economic structure.

Both business and labor now know, or should know, that short-term advantages become meaningless if they bring about a wage-price spiral. And let me say in confidence to this audience, that I'm not just making a speech to you. This morning, I spent better than an hour with the representatives of the government employees of the United States, with the Director of the Budget, with a member of the Council of Economic Advisers, with the Chairman of a Senate Committee, and with others, and insisted, to my friends in labor, that they give up their request -- their

request and their demand -- and that they stay within the wage-price guidelines. And may I say that I insisted upon this despite the fact that the House of Representatives had violated by its vote, those wage-price guidelines by 100%, almost. And I asked those workers to bring their requests down to the standards that this government had outlined as a reasonable wage guideline. It wasn't easy, and I told them quite frankly that if they didn't, those of us in that room would recommend to the President that he veto the bill. Because we cannot ask private industry, we cannot ask labor and management in the private sector, to abide by a policy of restraint, to abide by wage-price guidelines, and then permit the Congress of the United States, at the request of federal employees, to violate those guidelines. And I'm happy to tell you that after a little coaching, a little urging, and a little meditation, the Committee, on a vote, 4 - 4, first with the tie vote to reject a 4% increase; on an 8 - 1 vote later on, stayed within the guidelines that your government has asked others to stay within. We practice what we preach.

Now, increases in wages, fringe benefits, can, as I've said, and must, be kept within these guide posts, or guide lines. I know there's honest differences about this. I understand some were expressed here today. And I think it is well that business leaders and labor leaders, financiers and others, economists, take a good look at what this all means.

Where are we headed? I'm not sure that we have all of the answers. All I know is that now, in light of the continuous economic growth that this country has had, in light of the pressure upon our economy, that if anyone thinks that he can get out of bounds, and play the game just his way, without any regard to the public interest, or the nation's needs, that while he may have the legal right to do it, and while he may be able to justify it in classical economics, he cannot justify it in terms of the position of this nation in the world -- and the need of this nation for long-term stability and responsibility.

So, together in this free society, and it is a free one, freer than any in the world, we can achieve what man has always sought: a better life, a greater opportunity, for ourselves and our children, and, security. In a real sense, security from fear. Our productivity and our energy can prove in history that free men can accomplish what the totalitarians never do. And I believe that this is a lesson that needs to be learned and taught. There's a world in the making now -- a world in Asia, a world in Africa, a world in Latin America. Whole new worlds being created, and we are the teachers. It will be by our precept and our example that we will have some bearing upon their future course. Not merely by our preachments, not even by our loans, not even by our promises -- but I think we have to demonstrate to people everywhere, that the economy and the system which we have can produce more on short-term and long-term standards, for more people, than any other system in the world, and at the same time that we produce it for the better life. We also maintain the strength which can safeguard the freedom, not only of ourselves, but others who aspire to be free too.

Thank you.

✓ Chairman Murphy
Sect Fowler

(1) Thanks for Contributing
to the good relationship
between Government &
Business

REMARKS

Tip are
changing

VICE PRESIDENT HUBERT HUMPHREY

THE BUSINESS COUNCIL

HOT SPRINGS, VIRGINIA

OCTOBER 15, 1965

(2) Thanks for
your help in govt
recruiting

(3) Thanks for
help in Summer
Youth Projects

↳ Brook Dodge to LA
↳ Washen to me
↳ Pope to Jantler Stadium
↳ Humphrey to Business
Council

Today we are casting aside old economic myths.

All of us know them too well:—

(a) That the only way to overcome a federal budget deficit is to raise taxes.

~~(b) That in times of budget surplus we should cut taxes due to unexpected wealth.~~

(c) That sound economic growth can be effectively achieved by pump-priming.

(d) That the economic problems of the poor can be solved to large degree by welfare and unemployment payments.

Changes - Brooklyn Dodger LA
Wash Sen. Twins
Pope - Yankee Stadium

- 2 -

and, We are also dispelling today such myths as the
inevitable clash between government and business,
business and labor, and government and labor.

Thanks
for your
help!

How long has it been since we've heard the terms
"economic royalist" and "labor boss" in common usage?

↳ All of us -- government, business, labor -- are
united today in a positive partnership for prosperity.

↳ And we are united, to an almost surprising degree, on
four basic economic goals for America:

↳ Maximum employment.

↳ Steady economic growth.

↳ Price stability.

↳ Equilibrium in our balance of payments.

And we are in substantial agreement, too, as to the means of
accomplishing these objectives -- means entirely
consistent with the free enterprise system.

These means are sophisticated blends of fiscal and budgetary policy, monetary and manpower policy, all aimed at unleashing the full productivity of our private, profit-~~incentive~~ system.

and The proof is in the pudding: We are now in our 56th month of economic expansion. *and there is no accident.*

We have seen an increase in our Gross National Product of ~~173~~ ^{\$ 173} billion dollars from the beginning of 1961 to today. Our American GNP is today approximately half

of total world GNP. - *(Business Council represents 20 to 25% of U.S. G.N.P. + 10 to 12% of world G.N.P.)*

And during this expansion, we have had a remarkable record of price and cost stability. Consumer prices have risen only 6 per cent in 4-1/2 years. The wholesale price index has risen from 101.0 in February of 1961 to 103.0 in September of this year.

GNP

Stability
 Goodman
 Kelly

Labour Force

↳ This expansion ~~has meant a great deal to the~~
~~labor force.~~ It has provided a net of nearly 6 million
jobs between February of 1961 and September, 1965, and
unemployment has declined from 7 per cent to 4-1/2
per cent -- the lowest rate since 1957. - teenagers, unskilled
+ negro

↳ We have seen, too, a decline in unemployment
both for teenagers and Negro workers, although these
are still unemployment trouble areas.

↳ Wages and personal income are up.

Consumption

This has provided fuel to bring consumption up.

↳ The American consumer has done a remarkable job
in taking up the output of our great economic machine.

In the past year and a half he has, in fact, contributed
72 per cent of our ⁷³ billion-dollar rise in GNP. Part

of this increased consumption, has been stimulated by tax
cuts which -- to the old way of thinking -- would have
been heresy.

Then there is the story of profits.

The latest statistics show a rise in corporate profits after taxes of over 80 per cent from the first quarter of 1961 to the second quarter of 1965 -- an increase of 20 billion dollars.

And these profits, in turn, are being reinvested in the economy to the benefit of us all. And here I point to the investment tax credit and the reform of depreciation guidelines as measures which have been of positive help. ~~(I was for them)~~

~~Yes, we are building today, in partnership, a strong and prosperous America. We must be strong and prosperous if we are to remain safe and free. We have world responsibilities that we have not sought but that are ours to bear.~~

Need to be strong world commitments

Today, with our present commitment in Vietnam, I hear the question: Can we have both guns and butter?

↳ Can we keep our commitments abroad and still undertake great tasks at home?

↳ Can we have prosperity without inflation and still commit necessary resources to national security and to overseas obligations?

↳ My answer is that we can, and must. !!

↳ I have heard Vietnam compared with Korea. I would warn against any such comparison.

↳ During the Korean conflict, defense expenditures rose sharply from about 13 billion dollars in fiscal 1950 to 22-1/2 billion dollars in fiscal 1951, 44 billion dollars in fiscal 1952 and 50-1/2 billion dollars in fiscal 1953.

↳ Defense expenditures, as a proportion of GNP, almost tripled -- rising from a little less than 5 per cent in fiscal 1950 to almost 14 per cent in fiscal 1953.

Viet
Korea

Situation Today

⁻⁷⁻
in the Vietnam situation
Today, we start from a base of a strong defense establishment brought to a peak of efficiency over these past several years by Secretary McNamara. During the past fiscal year, national defense expenditures were 50 billion dollars -- or about 7-1/2 per cent of Gross National Product. (as compared to 14% in 1953)

new asked for (about \$ Billion)
But the amounts can be provided without inflationary strain or the curtailment of essential domestic programs.

of course We will and must provide for whatever expansion in our defense expenditures the situation requires. But,

we see no present likelihood that expenditures will rise enough to bring threat of inflation. If they did,

President Johnson would take appropriate fiscal and monetary financial action, I can assure you.

no inflation threat.

Industrial Production which increased about 45% between 1950-1960 - has jumped another 30% in last 5 yrs.

Today our economy is much larger and stronger than at the time of Korea. In fact our Gross National Product at mid-1950 was only some 275 billion dollars. It is now ~~probably close to~~ ^{over} 675 billion dollars.

Not only will we be able to press ahead with the programs of our Great Society. But these programs in themselves will ^{help} promote the strength necessary to meet long-term world responsibilities.

These are programs of self help -- programs providing opportunity to people; programs of education for ~~for~~ children and of job training for adolescents and adults; programs to create better housing; programs to promote the health of our people; programs of research to increase our knowledge.

How about the Domestic Programs

Educ + Research - Wise investments
Over 20 Billion in research in U.S - 75% Govt
Over 25,000 Graduate Students - Univ - etc

↳ No nation need fear bankruptcy because of expenditures on education. You, more than anyone, are aware of our national need for well-trained people.

That is why business has invested millions of dollars in the past few years in American educational institutions and in individual American students. That is why business establishes new plants and facilities in communities which invest in education, where citizens are well-trained and productive.

↳ Our nation cannot tolerate the projected 750,000 young people who will drop out of school this year -- young people headed surely for the welfare rolls, unless we invest time and money so that they can become taxpayers instead.

Business
+
Educ

↳ You, more than anyone, know the importance of investment in health. - Heart, Cancer, & Stroke \$45 Billion

↳ Your businesses . . . our country cannot afford the loss of human talent and energy to disease which might have been prevented.

↳ Before this year is over, more than a million productive citizens will have been lost to heart disease, cancer and stroke alone.

That is why this Congress has passed important legislation not only to give older Americans better medical care, but also to find medical answers which will avert the loss of men and women in prime-of-life to preventable disease and premature death.

You, more than anyone, know the importance of research.

You know the importance of research.

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↳ This year the amount spent for research in the United States will approach 20 billion dollars. Of this the United States Government will pay for almost 75 per cent.

↳ Federal research grants and contracts account for almost two-thirds of the total research expenditures of our American colleges and universities. Over 25,000 graduate students in engineering, mathematics, physical and life sciences are supported by employment under these grants and contracts.

↳ In this Congress we have passed important new legislation -- the State Technical Services Act -- which will do for American business what the Agricultural Extension Service has done for the American farmer. This Act -- President Johnson has called it the "sleeper" of the 89th Congress -- will put into the hands of private enterprise the latest fruits of research and development.

↳ This new information will be made available to private business through 250 colleges and technical schools throughout the country.

This program will be administered by state and local officials close to the problems of their own areas.

As the President has said, if we had passed this legislation 25 or 30 years ago, we might have prevented the economic problems of Appalachia today.

↳ Are these new programs worth it? I think that they are.

I think that all the national investments we make today -- investment in productivity, in opportunity, in enterprise, in greater social justice, in self-help *in Educ* are worth it.

These are investments in America. These are investments which aim at full development of the most important resources we have our people.

But vast new programs initiated by this 89th Congress will place a heavy administrative and management burden on government agencies. Legislative authorization and appropriations alone will not assure maximum impact of these policies and programs. The indispensable ingredient will be trained and dedicated administrators utilizing the best in modern management techniques.

So As these programs get underway, we ask: Will these investments be well managed?

This is the challenge we face. This is the challenge we will meet.

President Johnson has already written an impressive record of economy and efficiency in government.

Will we spend - Will we spend - Wasteful

say no

[Large handwritten scribbles and lines crossing out the bottom text]

President Johnson hates waste -- waste of the taxpayers' dollars, waste of material and human resources.

The President reviews every single item in the federal budget with his Budget Director. Each Cabinet member, in turn, is required to justify every single item in his department budget to the Bureau of the Budget.

Every ~~single~~ government official with spending responsibility must account, in turn, to his superior for each requested budget item.

Not many weeks ago the President directed a memorandum to the head of each government department and agency. Many of you are familiar with that memorandum. ~~In summary,~~ It set out guidelines for management of government programs -- management similar to that already in effect in the Department of

Defense and, I might add, in well-managed American business.

Basically, two techniques are involved. One is the cost-effectiveness measure, which requires that every item of expenditure justify itself in terms of other expenditures.

For instance -- and I cite a hypothetical example -- a new extension service for farmers may be important, but is it more important than a program to retrain jobless workers?

The whole purpose of such item-by-item analysis is to select those expenditures from which the greatest benefits are derived and to weed out those items which are least necessary. This cost-effectiveness measure requires that every item be truly important to our national interest.

↳ The second technique that is now coming into general use is the systems analysis technique. Under this technique, all separate operations of government are analyzed so that, wherever possible, they can be placed under unified direction or supervision. This not only eliminates duplication of services, but also institutes new and more efficient means of overall government operation.

↳ In this regard, I call your attention particularly to a Bill introduced in this Congress by Representative Jack Brooks of Texas. Under terms of this Bill -- supported by this Administration -- purchase, lease, and utilization of computers by the government will be more greatly coordinated with the aim of saving up to 200 million dollars or more in equipment and operational costs each year.

Every single department of government has been required -- as part of its present budget preparation program -- to list all its agencies and activities -- and, ~~this is the important part~~, to rank them in order of priority.

↳ This organizing process requires Cabinet members to provide the Budget Bureau and the President with a ready-made blue print for cutting their own budgets. This is really the sharpest tool of all. It provides the cutting edge for the entire cost-effectiveness program.

↳ These are the lists the Budget Director will refer to when the President asks him -- as he has promised he will -- where budget cuts can be made.

↳ ~~These are the lists the President was thinking of when he said recently:~~ "I have instructed the Budget Director, in reviewing your 1967 budget requests with me,

LBJ

to present me with a list of possible saving through

- Greater efficiency in operation
- elimination or reduction of obsolete programs, and
- substitution of private for public credit totaling
at least 3 billion dollars."

↳ ~~Furthermore~~, This aggressive approach to economy in government does more than merely show where budget cuts can be made. It provides a sound systematic basis for intelligent and responsible planning. ↳ A budget thus becomes not merely a column of figures, but a series of choices, and with each choice the alternative is clearly stated.

↳ My message then is this: To meet our responsibilities at home and in the world, we must build a strong and prospering America. ↳ Toward that end, we are today

↳ long term needs

Cost-effectiveness Measures

Systems Analysis Techniques

making great national investments in our resources,
both human and material.

I pledge to you that these investments, now and
tomorrow, will be efficiently managed. Your government
will save wherever it can to spend wherever it must.

~~Finally,~~ I will add one further thought.

In the atmosphere of mutual respect and confidence
which now exists in our American society, I would hope
that business and labor would -- as they have so well
to date -- continue to exercise ~~the utmost~~ *restrained prudent* judgement
so that we may all avoid the danger which could wipe
out the gains we have made: I mean the danger of
inflation.

Particularly, I would hope that price stability could
be maintained -- price stability to keep us competitive in
world markets, to help us in our balance of payments,

to protect the purchasing power of fixed dollar earnings,
retirement benefits and insurance payments.

Both business and labor know that short-term
advantages become meaningless if they bring about a
wage-price spiral.

✓ | ~~Thus it is that I hope that~~ increases in wages and
^{must} fringe benefits can be kept within the ^{wage-price} Guidepost, recommended
as in recent Steel Settlement
~~limits of 3.2 per cent, as in the recent steel settlement.~~

~~It is to be~~ ~~Thus it is that~~ hope that prices may be kept down,
as in the auto industry, and even lowered where possible.

The potential rewards are great.

Together, in a free society, we can achieve what man
has always sought: A better life, a greater opportunity, a
security from fear. Our productivity and energy can prove
in history that free men can accomplish what totalitarians
can never do.

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Our expanding economy can continue to expand.

We can make tomorrow better than today.

Working together, we will succeed.

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