

Draft Do not Disturb

JANUARY 15, 1975

CAPITOL CLOAKROOM

Corresponding
Cassette
Tape

~~_____~~, ~~_____~~
Senator Humphrey will President Ford's economic plan revive the economy?

Senator Humphrey is President Ford right that we can conserve enough energy ~~xxxxxxx~~ without gas rationing?

Welcome to CAPITOL CLOAKROOM, ^{ONCE AGAIN} SENATOR Humphrey. You hardly need an introduction. You ~~came~~ ^{CAME} to the Senate in 1949, left it in 1965 to become Vice President. You ran for the presidency and lost in 1968, and came back to the Senate in 1971 and now as the junior Senator from Minnesota. ^{But} Unlike ~~many~~ ^{MANY} of the junior Senators you are still very much heard from. ^{ON MANY SUBJECTS} You are a member of the Foreign Relations & Agriculture Comm. and the Select Comm. on ^{NUTRITION} Human Needs and of the Joint Economic Comm. of the Congress.

So we seek your economic views, Senator Humphrey, on President Ford's new program which calls for individual ~~tax~~ tax rebates and tax cuts, ~~xxxxxxx~~ ~~xxxxxxx~~ for increased investment credits, and a corporate tax cut to ^{together will} business which ~~xxxxx~~ hold down Federal spending and ~~tariffs~~ ^{an} increase in tariffs on oil imports. The question is: Is this a package that can lead to economic recovery?

Well, first of all, it is a package that represents a substantial shift on the part of the President. The President has made on tax reduction, for example, about 180 degrees turn, since last summer, or last fall. At that time I had advanced a tax reduction program which received a "no" sign from the Administration. So, today, I feel that the President has come a long ways and what we are arguing about now is how the benefits will be distributed and whether or not this program is adequate.

bill
Let's talk about the tax ~~xxxxxxx~~ first. The tax reduction on the rebate represents \$12 billion to the American consumer. That's exactly what we had in 1964. And things are much different in 1975. To put it bluntly it's too little. It is not going to have the impact he would like it to have. Also the distribution is not proper. About 45%, I believe it's around that figure, about 43% of the benefits go to ~~the~~ those with incomes over \$20,000. I think that most of the benefits should come to families and individuals under \$20,000. So the forumula that the President has, I take exception to. On the investment tax credit, I ⁱⁿ think that that ought to be new legislation in terms of perspective. In terms of where we're going down the road now. From 1975 on. However, I do favor investment tax credit.

The energy parts of the President's program however, are even more

controversial. Let me get back again to taxes. I think that what you need right now, ~~right now~~ most of all, is a tax bill that goes into effect that starts reducing withholding tax immediately. And this is a bill that I have proposed. A bill that will have about \$20 billion of tax relief. With 80 some percent of that/relief going to persons with incomes under \$20,000 a year. Instead of 43% of the tax relief going to people with incomes over \$20,000 a year.

Senator, is Congress in a race with the President? To see who can appear to be taking the initiative on this subject?

Well, if that's the case, that's the best news we've heard in a long time. Because what's been plaguing this town is what I call political apathy, and indifference, ~~particularly~~ particularly at the executive branch. We were caught for ~~almost~~ better than a year in all the incredible tales of Watergate which paralyzed our government. Frankly, we didn't have a government for ~~almost~~ almost a year. Except what Congress could offer. Congress can't run the country. Congress ~~can't~~ can lay down ~~the~~ policy. So if there is a healthy competition now between the Congress and the President, it's all to the good. And I said, and I want to repeat it. The President has now come out for a tax reduction program. This ~~is~~ I think is something that's been brought about by the solid economic facts of recession. Or should I say, the sorry economic facts of recession and the pressure from the Congress. From here on out we can argue out the details but I think we will ^{get a tax bill} that gives us substantial reduction.

Senator Humphrey there were two parts to President Ford's tax program. You've been talking about, essentially, the ~~tax~~ rebate on the 1974 taxes. He's also ~~proposing~~ proposing cuts on ~~the~~ ^{income} 1975/taxes. Which ^{withholding reductions} would show up in/the second half of this year?

Well, that's based pretty much on this energy bill.

And one further point is that this would have a form pretty much like what you have called for.

That is correct. That is correct. But it is also based ^{for} on the revenue which he hopes to get to provide that is based on his energy program. Primarily to raise money off the tariffs that he would impose on the importation of crude oil and upon excise taxes ~~that~~ that will be placed on natural gas and on domestically produced

crude oil. So, I think, that we have got to take a good hard look at the economics here, that the President has proposed. Because this really is a sort of changing of money between ~~the~~ different hands. You take it from one group in energy costs and you give it to the other group. But the other group is the one, who also use the energy. So you really don't get too much tax relief, out of it.

Well, Senator, is there any real stimulus involved here. We're talking about a tax cut, an immediate tax cut, perhaps, to individuals. in the President's program of \$12 billion. And then you add an additional \$55 billion in costs of fuel. So where's the stimulus?

That's what I was saying. That the tax cut proposed in the beginning was too small. It will not give the stimulus that it needs. But, fortunately, the principle of the tax cut has now been established. Secondly, the impact of the increased cost of energy which you have calculated may I say is a very rough calculation. We do not really know what the impact is going to be. For example, if you increase the price of crude oil to \$15.50 a barrel, and that's exactly what it is. Presently, in the United States the mixed blended price between imported crude and domestic crude is \$9.50. And you're going to increase the price of crude oil in the United States to \$6.00 a barrel. That is going to effect not only the gasoline prices at the pump which can be anywhere from \$.08 to \$.12 a gallon but it will also affect fuel oil. ~~That~~ That is ~~heating~~ heating oil, diesel fuel oil, the petrochemical industry, fertilizer, everything across the board. And I ~~do~~ do not believe the Administration has thought thru the economics of this. The question is how much will it raise the cost of living? They say 2%. I say closer to 4%. That's the calculation of our people in the Joint Economic Committee. Secondly, if you increase the price of crude oil as much as the President is contemplating what will this do to employment? What will this do to industry? What impact is it going to have on the recession. And I think it does not have the stimulating effect for sure. And how much deadening effect does it have?

Does it have the conserving effect that the President wants?

That's debatable. But at least the President is using his program for that purpose. I think it is highly questionable as to whether or not it will have as much conserving effect as the President is contemplating. Obviously it will have some. When price goes up there is no doubt there is smaller usage, or less usage of the product. There isn't any

doubt about that. But you have to balance ~~that all~~ all of this off. This is why I hesitate to be too dogmatic here, about it. I think we need to look at this very ^{VERY} carefully. But don't let anybody be fooled. If the President's energy program is enacted let's assume Number one that it will conserve. And it will conserve some. Secondly, I do think that from the point/^{of view of} research and development that it has considerable merit. But on the point of what it does for the economy, I think we have been given short answers or short and simple answers for complex problems. It will definitely increase the cost of living. In other words ~~xxxxxx~~ Price the Cost of Living/Index will definitely go up. They say about ~~2%~~ 2% I ^{CLOSER TO} say ~~about~~ 4%. It will ~~xxxxxxx~~ definitely increase the cost of industrial production. Will this have an effect on employment? I think it may very well ~~xxxxxxxxxxxxxxx~~ have an adverse effect. So we will have to balance this off with exceeding care. And that's why the Joint Economic Comm. will be holding hearings promptly on the ~~xxxxxx~~ President's proposals. And this is why I think every committee in Congress should gear up for a much longer shift than we have been contemplating. Get rid of our vacation in February. We've got no time to be fooling around. We need to get at the job and stick with it.

Senator, if you have this stand-off of tax relief on the one hand and ~~the~~ higher fuel costs on the other and go ahead and do ^{also} as the President wants and hold down ~~the~~ Federal spending, Are you going to have much stimulus at all? If not negative stimulus?

Here's what I feel. On the one hand the President has received advice from people whom I would call the more modern economists that say, Mr. President you need a tax reduction, a substantial one, to get the economy on the way. To start moving it again. Or as he put it, to put the money back in the hands of the citizen, the taxpayer, and not in the hands of the government. That has satisfied that group of advisors. On the other hand, he has a group of advisors that are traditional, conservative Republican economists. I have ~~to~~ use that terminology because essentially that is what it is. Who said, Mr. President you have ^{also} got to ~~xxx~~ slow down things around here. You've got to slow down Federal programs, you've got to slow down Social Security increases, and you've got to raise the price of energy. That satisfies that group. And I am afraid that it is not what I would call a consistent economic policy. It's two policies. And they have to be dove-tailed much better than they are as I see it. For example, the President ~~did~~ did not tell us a thing ^{about} ~~about~~ what we are going to do for the housing industry. Now let me just

lay it on the line. There is no recovery from this recession, as long as the construction industry is in a depression. Just forget it. You can reduce taxes, you can do all kinds of things. But until something is done that will release money for mortgages at reasonable rates of interest, until you can ease the money supply, which means that the Federal Reserve system has to be involved at reasonable rates of interest this country is going to have a growing recession despite tax reductions. And I didn't hear a word about what we are going to do for the housing industry in America, which is the bell-weather industry. And if we don't do something to get it out of the doldrums, to get the skilled work force back to work, to get these construction companies back on the job, to start building these homes you are going to have mounting unemployment and continued economic downturn.

Senator Humphrey can I go back to energy for just a moment? First, do you ~~believe~~ believe, as some of your fellow Democrats, that rationing is the only answer to really conserve? And, secondly, no one seems ^{SURE} ~~sure~~ what the effects are if we do conserve in the terms of employment. What does it mean in terms of ^{jobs} ~~unemployment~~ if we cut down on a million or two million barrels a day?

I can't give you that answer and I don't believe in trying to answer ~~the~~ question ^{do not at least} around about which I ~~at least~~ have some knowledge. This is why I say the energy proposals which have been given by the President are a mixed bag. I don't want to be contrary about it. And this is no time ~~xxxx~~ for partisanship. I think on the basis of exploration, development and research they were very encouraging. On the economics of them, I am very much concerned. I don't quite know, but it would be my off-hand judgment that if you have to cut back substantially on the consumption of petroleum products, that unless you have a system of allocation, that assures adequate supplies for agriculture and for industry for the income producing segments of the economy you are going to be in serious trouble. I hope that the President's program calls for a strict program of allocation. I think that we ought to reduce imports, number one. We ought to reduce imports. That can be done just by quota. Secondly, I think we need an allocation program.

Rationing?

Well, first an allocation program to ensure that adequate supplies go to certain key segments of our economy. And, thirdly, before we start to increase the price of crude oil and oil and all petroleum products, by a tremendous jump, by \$6.00 a barrel is the average jump increase I think

we better ~~xx~~ take a good hard look at ~~the ramifications~~ what the long-term economic ramifications are involved in this, and whether or not an allocation and rationing ~~is~~ program is not a better alternative.

~~xxxx~~ Now, I know the President has studied that alternative. I know they have rejected that alternative. They feel that the pricing system is better. In other words by raising the price, you ~~xx~~ ration it. In a sense. You force people out of using it. Now the question is you force what people out? And who is going to get the heaviest burden?

And it appears to me and, of course, as we said earlier you have to keep in mind that tied in with this energy program is the tax reduction program.

And the President will ^{say} ~~is~~, and rightly so, ^{that} you get tax reduction ~~is~~ AS YOU GET

^{AN} ~~is~~ increased ^{IN THE} cost of energy. But I say that is a stand-off as far as a stimulus to the economy. You don't really get that extra push for the year 1975 and 1976 ^{THAT YOU NEED.}

Because if you increase the cost of petroleum \$55 billion ~~is~~ and you only give a tax reduction in the same year ^{OF APPROXIMATELY} \$15 billion which is about what they are contemplating. You don't get any stimulus.

As a matter of fact, you get a push-down again, a pressure on the economy,

Senator Humphrey in other parts of the President's program will the Congress buy a slowing down in the Social Security benefits increases?

Not with my vote.

Will it buy ~~the same thing~~ his proposal ^{AGAINST} ~~is~~ any new spending bills?

Well, I do think that there will be a feeling on the part of the Congress to go easy on new spending. I do feel, however, that when it comes to Social Security that their ^{is} a sense of social justice amongst the members of Congress which ^{I HOPE} will make itself evident. People who have suffered grievously from this inflation have ~~xx~~ been the elderly

people in our country. People on fixed incomes. Those Social Security benefits are not ^{ADEQUATE.} ~~adequate~~.

And that's why we put a Cost of Living escalator clause in the Social Security law. So that we could have some equity here. It's one thing to tell a person who is earning \$20,000 a year in government service, for example, that he ought not to get anymore than a ~~xx~~ 5% pay increase. I can understand that. And I think those are the matters that deserve ~~xx~~ our very careful attention and possibly our ~~xxxx~~ synthetic attention. But when you are telling someone who is getting \$150 a month on Social Security, or a couple that's getting \$200 ~~xxx~~ a month or \$180 a month, and have to pay rent out of that, and have to pay heat, and have to pay for their groceries. That all ~~is~~ ^{THEY ARE} going to

get as a maximum out of \$200 a month is another \$10 increase. I really don't believe you can justify that. And I think the President was poorly advised to make that recommendation. I don't believe Congress will buy that at all. Now there are other things that Congress is going to have to look at. Because medical costs have gone up and people on Medicare, and people need food stamps. Here is the Administration saying they are going to save money. I think they estimate 600 million dollars when they raise the price of the food stamps. So, actually, that some ~~people~~ ^{PEOPLE} who would buy food stamps for their health would be paying more for the food stamps than the food stamps will actually buy. I'm introducing legislation to prevent that. Because we cannot take more out of the hides of the poor and the elderly in this country. It is wrong. If ~~there~~ ^{THESE} are sacrifices to be made let me make ~~them~~ ^{THEM}, let some of the rest of us make them, and I say that because some of us can make more sacrifices. The same thing is true in the use of energy. There are some things which we can conserve on in energy. In allocation we can do a great deal of it. And, also, the moral leadership in this country - I would have had every governor in here, every mayor in every major city, the oil companies, ~~the~~ ^{the} people and fill that White House and ask them to face the emergency which is ours. We have to ~~have~~ ^{SELF} ~~self~~ ^{IN THIS COUNTRY} discipline as well as ~~enforced~~ ^{government} discipline. And I bet you if we would do that, if we'd make this a real concerted effort, we could do a great deal to conserve on energy. I'm very pleased that the President has recommended these tax credits for example on ~~xxx~~ insulation, This is something we ~~proposed~~ ^{PROPOSED} in the Joint Economic Committee. We think it's pretty helpful. There are many ways in which you can save, and there are many ways that you can develop our energy resources. But I noticed that the Administration's proposals on solar energy are still very limited. The sun is the source of all energy. We've simply got to get at ~~it~~ ^{IT}. And we can do a whole lot more on the use of coal. The President did come down on that, and I want him to push that issue considerably more. And when I hear that we can't make it less pollutant I don't buy that. The British did it. Years ago Great Britain almost choked itself to death in a weather inversion. You recall that there were hundreds of people who lost their lives in London. And what did the British government do? It established firm environmental standards. And the British burn ~~coal~~ ^{COAL}.

How do you feel ~~about~~ ^{THEM} about the delay that the President has made in auto emission standards?

Again I do not ~~feel~~^{believe} that the engineering studies prove that that is necessary. I think that the automobile industry needs to be told quite candidly that they need to produce a much more efficient fuel using engine.

Of course, the ^{IR} answer is that the engineering isn't there.

Well, get the engineering at it. I guarantee you that the President used some examples in his State of the Union Message where he said that Roosevelt called for the production of 60,000 planes and we produced more. And the great things that we've done in this country. If we really want to do it we can do it. And, I have a feeling that there is a little bit too much coziness ~~between~~ between the automobile industry and the oil industry. And a little too much interlocking ^{corporate} directorships and ownership between coal and oil. No one yet has got into this oil industry set-up. They own the oil from the well right ~~to~~^{to} the retail gas station. From the well to the pump that puts the fuel oil in your house or your business. That kind of vertical and horizontal integration is a real monopolistic ~~practice~~^{PRACTICE.} Needs to be gone into. And strongly and promptly.

Senator Humphrey, there are some critics who say that taken all together this program is of greater benefit to business than to individuals. Do you agree?

In the main I would say so. But I wouldn't want to say it is only, obviously, it's greater benefit to business. The 12% rebate on investment tax credit is a very substantial amount to business. A quarter of the total rebate tax package. That's a very large amount. I do believe that for the future that we could get a good 10% investment tax credit. And with some special considerations to utilities. But when the President recommends a decrease in the corporate tax rate from 48 to 42% a 6% drop. I'm not at all sure that the economics of today justify that along with an investment tax credit. The investment tax credit makes sure that you have special emphasis, special tax consideration if you expand your plant, you improve your productivity, if you put in new tools. The 6% tax cut - that's just taking it home.

Senator Humphrey, your reaction to where do we go from here on the Soviet Union's backing away from the trade agreements?

That was a decision made by the Soviet Union and I think a very unfortunate one. For them not for us. For them. We extended the most ~~favorable~~^{favorable} treatment.

Under conditions?

Under conditions, that are very desirable conditions. The American people are concerned about human rights. I thank God that this country at long last has the courage to speak up in the ~~international~~ ^{INTERNATIONAL} community for human rights. We ought to do it all over. In South Africa, The Soviet Union and in country after country. We ought to let people know that we do have some ethical standards and some moral standards in this country. And it will help by the way in making us do a better job here at home. And we also provided for the Soviet Union ^{under} Export-Import Bank a large amount of money, Under credits. And if they want to turn that down, I regret it, I hope that they will rethink but if they want to do it that is a decision that was made in the Kremlin and it may have a lot to do with the kind of internal politics that's going on within the Soviet Union. I don't know what Mr. Breznev's position is now. I hope that the spirit of detente will continue. I want to see it continue. But the Soviet Union has made its own decision. Now maybe it can get the money it wants in Western Europe or from the OPEC countries. I don't know. Maybe they can do business with them. But we have a right to establish our standards and I think the Trade Bill which we passed included the Soviet Union was a reasonable trade bill. And the Soviet Union I think has made a serious blunder in rejecting it.

You would not favor then changing those conditions, Senator?

Not particularly. Surely not on the loans. And I think that what we did in reference to human relations to immigration is a compromise. After all, it was a compromise.

Thank you very much, Senator Humphrey for being with us on C.C.

#



Minnesota Historical Society

Copyright in this digital version belongs to the Minnesota Historical Society and its content may not be copied without the copyright holder's express written permission. Users may print, download, link to, or email content, however, for individual use.

To request permission for commercial or educational use, please contact the Minnesota Historical Society.



www.mnhs.org