

REMARKS BY SENATOR HUBERT H. HUMPHREY

EXECUTIVE SEMINAR

Washington, D. C.

February 27, 1975

I am pleased to have this opportunity to meet with you today and to share with you some of my ideas on the economic and energy situation in the U.S.

I am sure all of you would agree that I have assumed the chairmanship of the Joint Economic Committee in the midst of one of the most difficult and complex economic periods in our nation's history.

But I do not share the pessimism of the President's Annual Economic Report. Things don't have to be as bad as they predict.

I strongly believe that there are certain positive steps which can be taken now to reverse the current decline, generate increased output and income, and get many millions of Americans back into productive jobs.

I will spell out these major steps in a moment. But first I want to indicate briefly the current economic situation and where the experts say we are headed in the near future.

I will not dwell on the current statistics too long. They are as well known as they are disturbing and depressing. Unemployment rose by a full percentage point last month to 8.2 percent; that means 7 1/2 million workers jobless.

Accompanying this sharp slump in employment was an equally serious drop in our nation's output. And this drop spells lower per worker production and declining productivity.

The real GNP declined at a 9.4% annual rate in the fourth quarter, bringing the total decline for 1974 to five percent.

At the same time, prices continue to soar.

The GNP deflator, the most comprehensive measure of price changes for the entire economy, rose at an annual rate of 13.7 percent in the fourth quarter of 1974.

I wish I could now switch things around and say that the outlook for this dismal state of affairs is to be dramatically turned around. Unfortunately, none of the forecasts available, including the Administration's, allow for such optimism.

The Administration has forecast that unemployment will average 8.1 percent in 1975 and 7.9 percent in 1976. Just two weeks ago, Alan Greenspan told our Committee that he expected unemployment to peak at around 8.5 percent by mid-year.

Regrettably, even this two-week old forecast appears to be a serious understatement. Moreover, the Administration forecasts that unemployment will not dip below 6% in this decade.

For 1975, the Administration foresees a decline in real GNP of 2.3 percent, and this assumes that the economy will begin an upturn in the second half of the year.

A fact that I find truly shocking is that the growth path forecast by the Administration for the next two years would result in a real output level in 1976 that is actually below the 1973 level.

It is anticipated that the recovery after mid-year will come from housing and consumer spending, rather than business investment which is expected to decline nine percent in real terms during the year even with a higher investment tax credit.

And the Administration says we are in for another year of double-digit inflation, with the GNP deflator rising 10.8 percent.

We are facing an economic crisis, and it demands our primary attention at this time. Nearly every non-Administration witness who has appeared before the Joint Economic Committee in the last four weeks, as part of our annual economic hearings, has said that recession is our Number One problem. It is tragic that the Administration's economic-energy program does not recognize this critically important fact.

The President's budget stressed cutting taxes to stimulate the economy, while restraining spending to control inflation. Thus, we have the \$12 billion rebate on the one hand, and the request to reduce spending by \$17 billion on the other hand.

I must add that the bulk of that spending cut comes from what could be called "human expenditures," including placing a 5.5 percent ceiling on Social Security payments.

This is outrageous.

From an economic standpoint, this strategy does not make sense. The net stimulative impact of the President's budget is minimal. And, if the energy proposals are included, the net impact is restrictive. This is because the direct costs alone of the President's proposals are currently estimated at \$45-50 billion, while only \$30 billion of the taxes are scheduled to be returned to the economy. This package is absolutely unacceptable, in light of the economy's need for a large stimulus.

Let me be blunt about it; it is inadequate, ill-considered, and inequitable.

This disenchantment with the President's program is not confined to Democrats or liberal economists. Business leaders who have testified before the JEC have expressed disagreement with the basic thrust of the Administration's program.

One particularly significant statement was made by Henry Ford II. "In my judgment," he said, "the American people will not and should not accept policies that would lead to nearly seven percent unemployment as late as 1978, as the Administration has projected. I do face and recognize the gloomy facts, but I also feel that we must not become bogged down in them and that there are positive steps which can be taken that will turn the economy around much more quickly and substantially than the President's program does."

The alternative program which I have proposed includes the following elements:

(1) A \$10 billion tax rebate on the 1974 tax liability of individuals.

(2) A \$20 billion permanent reduction in personal income taxes, targeted primarily toward low and moderate income families.

(3) An increase in the investment tax credit to 10 percent.

(4) Increases in social security and retirement programs, in line with the cost of living, offset partially by reductions in the proposed 18 percent rise in military spending.

(5) A public service employment program designed to employ one million persons.

(6) An 8 to 10 percent increase in the money supply.

The effect of this economic program has been analyzed and compared with the President's program by two of the top economic forecasters in the country (Chase and Wharton), as well as by the Council of Economic Advisers. Their conclusions deserve your attention.

The results I will now cite come straight from an analysis by the President's Council of Economic Advisers, which was provided to the JEC earlier this week.

First, the unemployment rate would be .5 to .8 percentage point lower under my proposal.

Second, the real GNP would be 1 1/2 to 2 percentage points above the levels forecast under the President's program, by the end of 1976. This means roughly \$30 billion in goods and services that would be available to use and build on in the future.

What happens to prices?

Mr. Greenspan said: "We believe that price behavior will not be modified immediately by either monetary or fiscal stimuli, if resources are substantially underemployed." And, of course, they are.

The one "cost" involved with this set of proposals is that the budget deficit would rise by about \$20 billion. I find it extremely unfortunate that the deficit is so poorly understood. The main point is that it can only be understood relative to the size of the economy, which of course sustains it. Viewed in this way, as a percentage of Gross National Product, the significance of the federal debt has been shrinking and is actually at its smallest percentage in 42 years.

I just can't buy, and I hope you won't either, all the talk about being "horrified" by the size of the deficit.

What "horrifies" me is the tremendous waste of human and capital resources presently taking place by our failure to sustain economic growth. We will lose about \$150 billion this year, compared to where we would be if we kept unemployment even at 4 percent.

If we were operating on 4 percent unemployment, we wouldn't have to worry about a deficit. Instead, we would enjoy a \$17 billion surplus in FY 1975 and a \$12 billion surplus in FY 1976.

As for the President's energy package, virtually all Democrats and many Republicans reject it.

The President's target of reducing oil imports by 1 million barrels a day by the end of this year is simply not acceptable. It would deepen recession and increase inflation. Moreover, I am not convinced that his program would meet the Administration's arbitrary goal.

What we need is a sensible program to achieve a reduced rate of increase in energy demand and an increase in energy supply over the next decade. We must not needlessly punish the American people.

The broad strategy of the Democratic program, which will be announced in the very near future, will include four major elements:

- (1) A comprehensive, mandatory conservation program.
- (2) The creation of an Energy Production Board to expand domestic supplies, and create emergency stockpiles.
- (3) The creation of a new energy trust fund to finance this program.
- (4) The establishment of a stand-by program of allocation and rationing to protect the U.S. against future embargoes.

It has been estimated that the conservation program alone could save from 300-500 thousand barrels of oil a day this year and 3-4 million barrels by the end of the decade.

Some of the likely specifics in the Democratic program are:

- Mandatory gas mileage standards for all cars by model year 1978.
- Immediate tax rebates for purchasing small, domestically produced, economy cars.
- A tax credit program for insulation and other home energy saving improvements.
- A strictly enforced 55 mph national speed limit.
- Increased funds for mass transit and rail development, and more energy efficient appliances.

Let me state my specific objections to the President's energy package.

It would further weaken an economy in the midst of its most severe recession since the Great Depression.

The purpose for this mammoth program is a bogus one, for there is virtually no one, outside the Administration, who maintains that a 1 million barrel per day reduction must be obtained at all costs.

Finally, a National Energy Policy should be one that the Administration and Congress present to the American people; for the success of any program depends on the willingness of the American people to support it.

Unilateral action, confrontation politics, will not work.

I will conclude my remarks with a topic that is often neglected, yet it is absolutely vital to the success of any economic recovery program. I am referring to monetary policy.

Many of the witnesses coming before our Committee have talked about monetary policy. Their message came through loud and clear: We need a more expansive monetary policy, more credit available and lower interest rates.

During December and January, when the economy was taking its deepest plunge in terms of output and employment, the money supply actually decreased sharply. In fact, since last June the annual growth rate has averaged only about one percent.

This is abhorrent.

There is simply no way this recession can be reversed until more money begins to flow into the economy.

Senator Proxmire and I have introduced a Senate resolution directing the Federal Reserve to increase the money supply rapidly enough this year to promote economic recovery. Even though the Fed is an independent agency, it is the creature of the Congress, and I now feel that it is time the creator had some input into the actions of the creature.

We don't want to dictate to the Fed. We do want to consult. The Fed must join the team in the battle against recession, if it is to fulfill its responsibility to the American people.

I have outlined for you the steps I feel should be taken to get the economy on track again and to restore the confidence of the American people. I will continue in the Congress, and before the public, to push for these measures which will reverse the recession quickly and decisively this year and lay the foundation for a strong, growing, American economy in the future.

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REMARKS BY SENATOR HUBERT H. HUMPHREY

GOLDBERG EXECUTIVE SEMINAR

WASHINGTON, D.C.
FEBRUARY 27, 1975

I AM PLEASED TO HAVE THIS OPPORTUNITY TO MEET WITH
YOU TODAY AND TO SHARE WITH YOU SOME OF MY IDEAS ON THE
ECONOMIC AND ENERGY SITUATION IN THE U.S.

I AM SURE ALL OF YOU WOULD AGREE THAT I HAVE ASSUMED
THE CHAIRMANSHIP OF THE JOINT ECONOMIC COMMITTEE IN THE MIDST
OF ONE OF THE MOST DIFFICULT AND COMPLEX ECONOMIC PERIODS IN OUR
NATION'S HISTORY.

 { BUT I DO NOT SHARE THE PESSIMISM OF THE PRESIDENT'S
ANNUAL ECONOMIC REPORT. THINGS DON'T HAVE TO BE AS BAD AS THEY
PREDICT.

 { I STRONGLY BELIEVE THAT THERE ARE CERTAIN POSITIVE STEPS
WHICH CAN BE TAKEN NOW TO REVERSE THE CURRENT DECLINE, GENERATE
INCREASED OUTPUT AND INCOME, AND GET MANY MILLIONS OF AMERICANS
BACK INTO PRODUCTIVE JOBS.

I WILL SPELL OUT THESE MAJOR STEPS IN A MOMENT, BUT FIRST
I WANT TO INDICATE BRIEFLY THE CURRENT ECONOMIC SITUATION AND
WHERE THE EXPERTS SAY WE ARE HEADED IN THE NEAR FUTURE.

I WILL NOT DWELL ON THE CURRENT STATISTICS TOO LONG,
THEY ARE AS WELL KNOWN AS THEY ARE DISTURBING AND DEPRESSING.
UNEMPLOYMENT ROSE BY A FULL PERCENTAGE POINT LAST MONTH TO
8.2 PERCENT; THAT MEANS 7 1/2 MILLION WORKERS **JOBLESS**.

ACCOMPANYING THIS SHARP SLUMP IN EMPLOYMENT WAS AN EQUALLY
SERIOUS DROP IN OUR NATION'S OUTPUT. AND THIS DROP SPELLS LOWER
PER WORKER PRODUCTION AND DECLINING PRODUCTIVITY.

THE REAL GNP DECLINED AT A 9.4% ANNUAL RATE IN THE FOURTH
QUARTER, BRINGING THE TOTAL DECLINE FOR 1974 TO FIVE PERCENT.

*Worker Productivity declined
per man hour - 4th quarter, 3.7%
below 4th Quarter 7/1973*

AT THE SAME TIME, PRICES CONTINUE TO SOAR.

THE GNP DEFLATOR, THE MOST COMPREHENSIVE MEASURE OF
PRICE CHANGES FOR THE ENTIRE ECONOMY, ROSE AT AN ANNUAL RATE
OF ~~13.7~~^{14.4} PERCENT IN THE FOURTH QUARTER OF 1974.


I WISH I COULD NOW SWITCH THINGS AROUND AND SAY THAT THE
OUTLOOK ~~IS~~ FOR THIS DISMAL STATE OF AFFAIRS^{IS} TO BE DRAMATICALLY
TURNED AROUND. UNFORTUNATELY, NONE OF THE FORECASTS AVAILABLE,
INCLUDING THE ADMINISTRATION'S, ALLOW FOR SUCH OPTIMISM.

THE ADMINISTRATION HAS FORECAST THAT UNEMPLOYMENT WILL
AVERAGE 8.1 PERCENT IN 1975 AND 7.9 PERCENT IN 1976. JUST
TWO WEEKS AGO, ALAN GREENSPAN TOLD OUR COMMITTEE THAT HE EXPECTED
UNEMPLOYMENT TO PEAK AT AROUND 8.5 PERCENT BY MID-YEAR.

REGRETTABLY, EVEN THIS TWO-WEEK OLD FORECAST APPEARS TO BE
MOREOVER,
A SERIOUS UNDERSTATEMENT. [^]THE ADMINISTRATION FORECASTS THAT
UNEMPLOYMENT WILL NOT DIP BELOW 6% IN THIS DECADE.

FOR 1975, THE ADMINISTRATION FORESEES A DECLINE IN REAL
GNP OF 2.3 PERCENT, AND THIS ASSUMES THAT THE ECONOMY WILL
BEGIN AN UPTURN IN THE SECOND HALF OF THE YEAR.

A FACT THAT I FIND TRULY SHOCKING IS THAT THE GROWTH
PATH FORECAST BY THE ADMINISTRATION FOR THE NEXT TWO YEARS
WOULD RESULT IN A REAL OUTPUT LEVEL IN 1976 THAT IS
ACTUALLY BELOW THE 1973 LEVEL.



⌞ IT IS ANTICIPATED THAT THE RECOVERY AFTER MID-YEAR WILL
COME FROM HOUSING AND CONSUMER SPENDING, RATHER THAN BUSINESS
INVESTMENT WHICH IS EXPECTED TO DECLINE NINE PERCENT IN REAL
TERMS DURING THE YEAR EVEN WITH A HIGHER INVESTMENT TAX CREDIT.

AND THE ADMINISTRATION SAYS WE ARE IN FOR ANOTHER YEAR OF
DOUBLE-DIGIT INFLATION, WITH THE GNP DEFLATOR RISING 10.8
PERCENT.

↳ WE ARE FACING AN ECONOMIC CRISIS, AND IT DEMANDS OUR
PRIMARY ATTENTION, ~~AT THIS TIME~~. NEARLY EVERY NON-ADMINISTRATION
WITNESS WHO HAS APPEARED BEFORE THE JOINT ECONOMIC COMMITTEE IN
THE LAST FOUR WEEKS, AS PART OF OUR ANNUAL ECONOMIC HEARINGS,
HAS SAID THAT RECESSION IS OUR NUMBER ONE PROBLEM. IT IS
TRAGIC THAT THE ADMINISTRATION'S ECONOMIC-ENERGY PROGRAM DOES
^{fully} NOT RECOGNIZE THIS CRITICALLY IMPORTANT FACT.

↳ THE PRESIDENT'S BUDGET STRESSED CUTTING TAXES TO STIMULATE
THE ECONOMY, WHILE RESTRAINING SPENDING TO CONTROL INFLATION.

THUS, WE HAVE THE \$12 BILLION REBATE ON THE ONE HAND, AND THE REQUEST TO REDUCE SPENDING BY \$17 BILLION ON THE OTHER HAND.

L I MUST ADD THAT THE BULK OF THAT SPENDING CUT COMES FROM WHAT COULD BE CALLED "HUMAN EXPENDITURES," INCLUDING PLACING A 5.5 PERCENT CEILING ON SOCIAL SECURITY PAYMENTS.

THIS IS ~~OUTRAGEOUS~~ *unacceptable*.

L FROM AN ECONOMIC STANDPOINT, THIS STRATEGY DOES NOT MAKE SENSE. THE NET STIMULATIVE IMPACT OF THE PRESIDENT'S BUDGET IS MINIMAL. AND, IF THE ENERGY PROPOSALS ARE INCLUDED, THE NET IMPACT IS RESTRICTIVE. THIS IS BECAUSE THE DIRECT COSTS ALONE OF THE PRESIDENT'S PROPOSALS ARE CURRENTLY ESTIMATED AT \$45-50 BILLION, WHILE ONLY \$30 BILLION OF THE TAXES ARE SCHEDULED TO BE RETURNED TO THE ECONOMY.

THIS PACKAGE IS ~~ABSOLUTELY~~ UNACCEPTABLE, IN LIGHT OF THE
ECONOMY'S NEED FOR A LARGE STIMULUS. ,

LET ME BE BLUNT ABOUT IT; IT IS INADEQUATE, ILL-CONSIDERED,
AND INEQUITABLE.

↳ THIS DISENCHANTMENT WITH THE PRESIDENT'S PROGRAM IS NOT
CONFINED TO DEMOCRATS OR LIBERAL ECONOMISTS. ↳ BUSINESS LEADERS
WHO HAVE TESTIFIED BEFORE THE JEC HAVE EXPRESSED DISAGREEMENT
WITH THE BASIC THRUST OF THE ADMINISTRATION'S PROGRAM.

↳ ONE PARTICULARLY SIGNIFICANT STATEMENT WAS MADE BY
HENRY FORD II. "IN MY JUDGMENT," HE SAID, "THE AMERICAN PEOPLE
WILL NOT AND SHOULD NOT ACCEPT POLICIES THAT WOULD LEAD TO
NEARLY SEVEN PERCENT UNEMPLOYMENT AS LATE AS 1978, AS THE
ADMINISTRATION HAS PROJECTED. →

" I DO FACE AND RECOGNIZE THE GLOOMY FACTS, BUT I ALSO FEEL THAT WE MUST NOT BECOME BOGGED DOWN IN THEM AND THAT THERE ARE POSITIVE STEPS WHICH CAN BE TAKEN THAT WILL TURN THE ECONOMY AROUND MUCH MORE QUICKLY AND SUBSTANTIALLY THAN THE PRESIDENT'S PROGRAM DOES."

THE ALTERNATIVE PROGRAM WHICH I HAVE PROPOSED INCLUDES THE FOLLOWING ELEMENTS:

(1) A \$10 BILLION TAX REBATE ON THE 1974 TAX LIABILITY OF INDIVIDUALS.

(2) A \$20 BILLION ~~REBATE~~ REDUCTION IN PERSONAL INCOME TAXES, TARGETED PRIMARILY TOWARD LOW AND MODERATE INCOME FAMILIES.

(2 year Program)

(3) AN INCREASE IN THE INVESTMENT TAX CREDIT TO 10 PERCENT,

(4) INCREASES IN SOCIAL SECURITY AND RETIREMENT PROGRAMS,
IN LINE WITH THE COST OF LIVING, OFFSET PARTIALLY BY REDUCTIONS
IN THE PROPOSED 18 PERCENT RISE IN MILITARY SPENDING,

(5) A PUBLIC SERVICE EMPLOYMENT PROGRAM DESIGNED TO
EMPLOY ONE MILLION PERSONS,

(6) AN 8 TO 10 PERCENT INCREASE IN THE MONEY SUPPLY,

THE EFFECT OF THIS ECONOMIC PROGRAM HAS BEEN ANALYZED AND
COMPARED WITH THE PRESIDENT'S PROGRAM BY TWO OF THE TOP
ECONOMIC FORECASTERS IN THE COUNTRY (CHASE AND WHARTON) AS
WELL AS BY THE COUNCIL OF ECONOMIC ADVISERS. THEIR CONCLUSIONS
DESERVE YOUR ATTENTION,

THE RESULTS I WILL NOW CITE COME STRIAHT FROM AN ANALYSIS
BY THE PRESIDENT'S COUNCIL OF ECONOMIC ADVISERS, WHICH WAS
PROVIDED TO THE JEC EARLIER THIS WEEK.

FIRST, THE UNEMPLOYMENT RATE WOULD BE .5 TO .8 PERCENTAGE
POINTS LOWER UNDER MY PROPOSAL.

SECOND, THE REAL GNP WOULD BE 1-1/2 TO 2 PERCENTAGE POINTS
ABOVE THE LEVELS FORECAST UNDER THE PRESIDENT'S PROGRAM, BY
THE END OF 1976. THIS MEANS ROUGHLY \$30 BILLION IN GOODS AND
SERVICES THAT WOULD BE AVAILABLE TO USE AND BUILD ON IN THE
FUTURE.

WHAT HAPPENS TO PRICES?

MR. GREENSPAN SAID: "WE BELIEVE THAT PRICE BEHAVIOR WILL NOT BE MODIFIED IMMEDIATELY BY EITHER MONETARY OR FISCAL STIMULI, IF RESOURCES ARE SUBSTANTIALLY UNDEREMPLOYED." AND, OF COURSE, THEY ARE. *(Dr Rees)*

THE ONE "COST" INVOLVED WITH THIS SET OF PROPOSALS IS THAT THE BUDGET DEFICIT WOULD RISE BY ABOUT \$20 BILLION. I FIND IT EXTREMELY UNFORTUNATE THAT THE DEFICIT IS SO POORLY UNDERSTOOD. THE MAIN POINT IS THAT IT CAN ONLY BE UNDERSTOOD RELATIVE TO THE SIZE OF THE ECONOMY, WHICH OF COURSE SUSTAINS IT. VIEWED IN THIS WAY, AS A PERCENTAGE OF GROSS NATIONAL PRODUCT, THE SIGNIFICANCE OF THE FEDERAL DEBT HAS BEEN SHRINKING AND IS ACTUALLY AT ITS SMALLEST PERCENTAGE IN 42 YEARS.

I JUST CAN'T BUY, AND I HOPE YOU WON'T EITHER, ALL THE TALK
ABOUT BEING "HORRIFIED" BY THE SIZE OF THE DEFICIT.

WHAT ^{"HORRIFIES"} ~~ME~~ ME IS THE TREMENDOUS WASTE OF HUMAN AND
CAPITAL RESOURCES PRESENTLY TAKING PLACE BY OUR FAILURE TO SUSTAIN
ECONOMIC GROWTH ^{\$110 Billion Loss 1974, 239B, 1975} WE WILL LOSE ABOUT ~~\$100~~ BILLION THIS YEAR, ^{In 1976}
^{* 238B}
COMPARED TO WHERE WE WOULD BE IF WE KEPT UNEMPLOYMENT EVEN AT

4 PERCENT. -

IF WE WERE OPERATING ON 4 PERCENT UNEMPLOYMENT, WE WOULDN'T
HAVE TO WORRY ABOUT A DEFICIT. INSTEAD, WE WOULD ENJOY A
\$17 BILLION SURPLUS IN FY 1975 AND A \$12 BILLION SURPLUS IN
FY 1976.

As FOR THE PRESIDENT'S ENERGY PACKAGE, VIRTUALLY ALL
DEMOCRATS AND MANY REPUBLICANS REJECT IT.

*unemp.
Recession
cost of living
increase*

THE PRESIDENT'S TARGET OF REDUCING OIL IMPORTS BY
1 MILLION BARRELS A DAY BY THE END OF THIS YEAR IS SIMPLY NOT
ACCEPTABLE. IT WOULD DEEPEN RECESSION AND INCREASE INFLATION.

HIS PROGRAM
MOREOVER, I AM NOT CONVINCED THAT ~~●~~[^] WOULD MEET THE

ADMINISTRATION'S ARBITRARY GOAL.

WHAT WE NEED IS A ~~SENSE~~IBLE PROGRAM TO ACHIEVE A REDUCED
RATE OF INCREASE IN ENERGY DEMAND AND AN INCREASE IN ENERGY
SUPPLY OVER THE NEXT DECADE. WE MUST NOT NEEDLESSLY PUNISH THE
AMERICAN PEOPLE.

THE BROAD STRATEGY OF THE DEMOCRATIC PROGRAM, WHICH WILL BE ANNOUNCED IN THE VERY NEAR FUTURE, WILL INCLUDE FOUR MAJOR ELEMENTS:

- (1) A COMPREHENSIVE, MANDATORY CONSERVATION PROGRAM.
- (2) THE CREATION OF AN ENERGY PRODUCTION BOARD TO EXPAND DOMESTIC SUPPLIES, AND CREATE EMERGENCY STOCKPILES.
- (3) THE CREATION OF A NEW ENERGY TRUST FUND TO FINANCE THIS PROGRAM.
- (4) THE ESTABLISHMENT OF A STAND-BY PROGRAM OF ALLOCATION AND RATIONING TO PROTECT THE U.S. AGAINST FUTURE EMBARGOES.

✓ IT HAS BEEN ESTIMATED THAT THE CONSERVATION PROGRAM ALONE COULD SAVE FROM 300-500 THOUSAND BARRELS OF OIL A DAY THIS YEAR AND 3-4 MILLION BARRELS BY THE END OF THE DECADE.

SOME OF THE LIKELY SPECIFICS IN THE DEMOCRATIC PROGRAM

ARE:

- MANDATORY GAS MILEAGE STANDARDS FOR ALL CARS BY
MODEL YEAR 1978.
- IMMEDIATE TAX REBATES FOR PURCHASING SMALL, DOMESTICALLY
PRODUCED, ECONOMY CARS.
- A TAX CREDIT PROGRAM FOR INSULATION AND OTHER HOME
ENERGY-~~SAVING~~ IMPROVEMENTS.
- A STRICTLY ENFORCED 55 MPH NATIONAL SPEED LIMIT.
- INCREASED FUNDS FOR MASS TRANSIT AND RAIL DEVELOPMENT,
AND MORE ENERGY EFFICIENT APPLIANCES.

LET ME STATE MY SPECIFIC OBJECTIONS TO THE PRESIDENT'S
ENERGY PACKAGE.

IT WOULD FURTHER WEAKEN AN ECONOMY IN THE MIDST OF ITS
MOST SEVERE RECESSION SINCE THE GREAT DEPRESSION.

THE PURPOSE FOR THIS MAMMOTH PROGRAM IS A BOGUS ONE, FOR
THERE IS VIRTUALLY NO ONE, OUTSIDE THE ADMINISTRATION, WHO
MAINTAINS THAT A 1 MILLION BARREL ^{PER DAY} REDUCTION MUST BE OBTAINED
AT ALL COSTS.

FINALLY, A NATIONAL ENERGY POLICY SHOULD BE ONE THAT THE
ADMINISTRATION AND CONGRESS PRESENT TO THE AMERICAN PEOPLE; FOR
THE SUCCESS OF ANY PROGRAM DEPENDS ON THE WILLINGNESS OF THE
AMERICAN PEOPLE TO SUPPORT IT.

cease-fire

UNILATERAL ACTION, CONFRONTATION POLITICS, WILL NOT WORK.

I WILL CONCLUDE MY REMARKS WITH A TOPIC THAT IS OFTEN
NEGLECTED, YET IT IS ABSOLUTELY VITAL TO THE SUCCESS OF ANY
ECONOMIC RECOVERY PROGRAM. I AM REFERRING TO MONETARY POLICY.

MANY OF THE WITNESSES COMING BEFORE OUR COMMITTEE HAVE
TALKED ABOUT MONETARY POLICY. THEIR MESSAGE CAME THROUGH LOUD
AND CLEAR: WE NEED A MORE EXPANSIVE MONETARY POLICY, MORE
CREDIT AVAILABLE AND LOWER INTEREST RATES.

DURING DECEMBER AND JANUARY, WHEN THE ECONOMY WAS TAKING
ITS DEEPEST PLUNGE IN TERMS OF OUTPUT AND EMPLOYMENT, THE
MONEY SUPPLY ACTUALLY DECREASED SHARPLY. IN FACT, SINCE LAST
JUNE THE ANNUAL GROWTH RATE HAS AVERAGED ONLY ABOUT ONE PERCENT.

THIS IS ABHORRENT.

THERE IS SIMPLY NO WAY THIS RECESSION CAN BE REVERSED
UNTIL MORE MONEY BEGINS TO FLOW INTO THE ECONOMY.

SENATOR PROXMIRE AND I HAVE INTRODUCED A SENATE RESOLUTION
DIRECTING THE FEDERAL RESERVE TO INCREASE THE MONEY SUPPLY
RAPIDLY ENOUGH THIS YEAR TO PROMOTE ECONOMIC RECOVERY, EVEN
THOUGH THE FED IS AN INDEPENDENT AGENCY, IT IS THE CREATURE OF
THE CONGRESS, AND I NOW FEEL THAT IT IS TIME THE CREATOR HAD
SOME INPUT INTO THE ACTIONS OF THE CREATURE.

WE DON'T WANT TO DICTATE TO THE FED. WE DO WANT TO CONSULT.
THE FED MUST JOIN THE TEAM IN THE BATTLE AGAINST RECESSION, IF
IT IS TO FULFILL ITS RESPONSIBILITY TO THE AMERICAN PEOPLE.

I HAVE OUTLINED FOR YOU THE STEPS I FEEL SHOULD BE TAKEN
TO GET THE ECONOMY ON TRACK AGAIN AND TO RESTORE THE CONFIDENCE
OF THE AMERICAN PEOPLE. I WILL CONTINUE IN THE CONGRESS, AND
BEFORE THE PUBLIC, TO PUSH FOR THESE MEASURES WHICH WILL REVERSE
THE RECESSION QUICKLY AND DECISIVELY THIS YEAR AND LAY THE
FOUNDATION FOR A STRONG, GROWING, AMERICAN ECONOMY IN THE
FUTURE.

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