

REMARKS BY SENATOR HUBERT H. HUMPHREY

OUTDOOR POWER EQUIPMENT INSTITUTE

Washington, D.C.

March 19, 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 do not share either the long-term pessimism of the President's Annual Economic Report or the new-found optimism of Mr. Simon that the skies are clearing.

It will be a long, hard struggle to reverse the decline in our economy. It won't happen by hoping it will. A recovery is going to take strong medicine. But, if we act boldly, we can produce a much more rapid restoration of our economy than we will experience if Congress follows the advice of this Administration.

There are several specific steps that I believe we must take now to reverse the current decline, generate increased output and income, and get millions of Americans back into productive jobs.

But first, I want to indicate briefly the current economic situation and where the experts say we are headed in the near future.

Unemployment is currently 8.2 percent; that means 7 1/2 million workers are jobless. Also, the increase in unemployment in the last four months is the largest since the Great Depression.

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 sad fact is that worker productivity in the fourth quarter of 1974 was 3.7 percent below that of one year earlier.

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

One positive development is the growing consensus among forecasters that the rate of inflation will be down in the 4% - 6% range by the end of this year. Of course, when we look at the projected 9% - 10% unemployment at year's end, the tragic cost of bringing down inflation is clear.

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 allow for much optimism.

As Walter Heller testified before the Joint Economic Committee last week, "the same forces of prudence and responsibility that glibly dismissed the slide into recession as 'sideways waffling' now profess to see an early bottoming out." Even if the upturn occurs in the next six to nine months, it will be the economic non-event of 1975. The forces that will turn us around are not clearly in sight."

Frankly, the only forecasts that are at all optimistic are those that assume the enactment of the type of economic program that I and other Congressional Democrats have been urging.

The Administration's own projections, which assume that their program is adopted, are most distressing. They indicate the following:

- A 2.3% drop in real GNP in 1975;
- A rate of unemployment of over 6% until the end of the decade, and
- A real output level in 1976 that is lower than the 1973 level.

We are facing an economic crisis, and it demands our primary attention. 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.

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 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."

And I might add, neither will Congress. We will provide the stimulus the economy needs to recover.

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 reduction in personal income taxes, targeted primarily toward low and moderate income families. This will be for calendar years 1975 and 1976.
- (3) An increase in the investment tax credit.
- (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 immediately.

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

(7) A mortgage subsidy program to reduce interest rates to not more than 6% for low and middle-income families.

The effect of this economic program, excluding the housing subsidy, 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 recently provided to the JEC.

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.

The one "cost" involved with this set of proposals is that the budget deficit would rise by about \$20 billion.

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. During the three years 1974, 1975, and 1976, our country will lose the staggering sum of over \$600 billion in goods and services by not operating at even a 4 percent level of unemployment.

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 the cost of living. Moreover, I am not convinced that his program would meet the Administration's arbitrary goal.

What we need is a 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.

I have introduced, with Senator Jackson, the National Energy Conservation Act of 1975. It goes to the heart of this nation's energy problem -- energy waste.

This proposal establishes a series of tough mandatory conservation standards and imaginative incentives. It will save nearly 500,000 barrels of oil equivalent per day in its first year and about 10 million barrels per day by 1985.

Most importantly, this approach to dealing with the energy crisis would not add to inflation or cost American workers their jobs. In short, it would not accelerate the economic tailspin.

I firmly believe that 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.

The Administration officials were generally quite cautious, suggesting that a substantial increase in the money supply would rekindle inflationary fires. I can understand this position, but I do not buy it.

I am much more in tune with the many non-Administration witnesses, whose message came through loud and clear: "We need a more expansive monetary policy, more credit available, and lower interest rates."

Allow me to quote two of the witnesses to make it clear that this call is not just from liberal economists or Democrats.

Dr. Paul McCracken, when speaking of the need for money supply growth to support the economic recovery said, "That would seem to mean a rate of expansion certainly not less than eight percent for M1, probably closer to ten percent."

And Henry Ford told the JEC: "I do not understand how the Federal Reserve can permit a sharp contraction in the money supply at a time of sharply rising prices and sharply declining economic activity. This, it seems to me, is a sure formula for a longer and deeper recession."

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

Senator Proxmire and I introduced, and the Senate passed, a 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.

The resolution, basically, does three things:

First, it directs the Federal Reserve Board of Governors to take appropriate action in the first half of 1975 to increase the money supply at the rates necessary to promote economic recovery.

Second, it directs the Federal Reserve Board of Governors to maintain a steady, long-term monetary policy commensurate with the full potential of the economy, maximum employment and stable prices.

Finally, the Resolution requires the Federal Reserve to consult with Congress on money and credit policy at semi-annual hearings.

As you can see from these three provisions, 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 the 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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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 DO NOT SHARE EITHER THE LONG-TERM PESSIMISM OF THE PRESIDENT'S ANNUAL ECONOMIC REPORT OR THE NEW-FOUND OPTIMISM OF MR. SIMON THAT THE SKIES ARE CLEARING.

IT WILL BE A LONG, HARD STRUGGLE TO REVERSE THE DECLINE IN OUR ECONOMY. IT WON'T HAPPEN BY HOPING IT WILL. A RECOVERY IS GOING TO TAKE STRONG MEDICINE. BUT, IF WE ACT BOLDLY, WE CAN PRODUCE A MUCH MORE RAPID RESTORATION OF OUR ECONOMY THAN WE WILL EXPERIENCE IF CONGRESS FOLLOWS THE ADVICE OF THIS ADMINISTRATION.

THERE ARE SEVERAL SPECIFIC STEPS THAT I BELIEVE WE MUST TAKE NOW TO REVERSE THE CURRENT DECLINE, GENERATE INCREASED OUTPUT AND INCOME, AND GET MILLIONS OF AMERICANS BACK INTO PRODUCTIVE JOBS.

BUT FIRST, I WANT TO INDICATE BRIEFLY THE CURRENT ECONOMIC SITUATION AND WHERE THE EXPERTS SAY WE ARE HEADED IN THE NEAR FUTURE.

UNEMPLOYMENT IS CURRENTLY 8.2 PERCENT; THAT MEANS 7 1/2 MILLION WORKERS ARE JOBLESS. ALSO, THE INCREASE IN UNEMPLOYMENT IN THE LAST FOUR MONTHS IS THE LARGEST SINCE THE GREAT DEPRESSION.

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

THE SAD FACT IS THAT WORKER PRODUCTIVITY IN THE FOURTH QUARTER OF 1974 WAS 3.7 PERCENT BELOW THAT OF ONE YEAR EARLIER.

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

ONE POSITIVE DEVELOPMENT IS THE GROWING CONSENSUS AMONG FORECASTERS THAT THE RATE OF INFLATION WILL BE DOWN IN THE 4% - 6% RANGE BY THE END OF THIS YEAR. OF COURSE, WHEN WE LOOK AT THE PROJECTED 9% - 10% UNEMPLOYMENT AT YEAR'S END, THE TRAGIC COST OF BRINGING DOWN INFLATION IS CLEAR.

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 ALLOW FOR MUCH OPTIMISM.

AS WALTER HELLER TESTIFIED BEFORE THE JOINT ECONOMIC COMMITTEE LAST WEEK, "THE SAME FORCES OF PRUDENCE AND RESPONSIBILITY THAT GLIBLY DISMISSED THE SLIDE INTO RECESSION AS 'SIDEWAYS WAFFLING' NOW PROFESS TO SEE AN EARLY BOTTOMING OUT." EVEN IF THE UPTURN OCCURS IN THE NEXT SIX TO NINE MONTHS, IT WILL BE THE ECONOMIC NON-EVENT OF 1975. THE FORCES THAT WILL TURN US AROUND ARE NOT CLEARLY IN SIGHT."

FRANKLY, THE ONLY FORECASTS THAT ARE AT ALL OPTIMISTIC ARE THOSE THAT ASSUME THE ENACTMENT OF THE TYPE OF ECONOMIC PROGRAM THAT I AND OTHER CONGRESSIONAL DEMOCRATS HAVE BEEN URGING.

THE ADMINISTRATION'S OWN PROJECTIONS, WHICH ASSUME THAT THEIR PROGRAM IS ADOPTED, ARE MOST DISTRESSING. THEY INDICATE THE FOLLOWING:

-- A 2.3% DROP IN REAL GNP IN 1975;

-- A RATE OF EMPLOYMENT OF OVER 6% UNTIL THE END OF THE  
DECADE, AND

-- A REAL OUTPUT LEVEL IN 1976 THAT IS LOWER THAN THE  
1973 LEVEL.

WE ARE FACING AN ECONOMIC CRISIS, AND IT DEMANDS OUR  
PRIMARY ATTENTION. 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.

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 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."

AND I MIGHT ADD, NEITHER WILL CONGRESS. WE WILL PROVIDE THE STIMULUS THE ECONOMY NEEDS TO RECOVER.

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 REDUCTION IN PERSONAL INCOME TAXES, TARGETED PRIMARILY TOWARD LOW AND MODERATE INCOME FAMILIES.

THIS WILL BE FOR CALENDAR YEARS 1975 AND 1976.

(3) AN INCREASE IN THE INVESTMENT TAX CREDIT.

(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 IMMEDIATELY.

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

(7) A MORTGAGE SUBSIDY PROGRAM TO REDUCE INTEREST RATES  
TO NOT MORE THAN 6% FOR LOW AND MIDDLE-INCOME FAMILIES.

THE EFFECT OF THIS ECONOMIC PROGRAM, EXCLUDING THE HOUSING  
SUBSIDY, 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  
RECENTLY PROVIDED TO THE JEC.

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.

THE ONE "COST" INVOLVED WITH THIS SET OF PROPOSALS IS THAT THE BUDGET DEFICIT WOULD RISE BY ABOUT \$20 BILLION.

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. DURING THE THREE YEARS 1974, 1975, AND 1976, OUR COUNTRY WILL LOSE THE STAGGERING SUM OF OVER \$600 BILLION IN GOODS AND SERVICES BY NOT OPERATING AT EVEN A 4 PERCENT LEVEL OF UNEMPLOYMENT.

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 THE COST OF LIVING. MOREOVER, I AM NOT CONVINCED THAT HIS PROGRAM WOULD MEET THE ADMINISTRATION'S ARBITRARY GOAL.

WHAT WE NEED IS A 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.

I HAVE INTRODUCED, WITH SENATOR JACKSON, THE NATIONAL ENERGY CONSERVATION ACT OF 1975. IT GOES TO THE HEART OF THIS NATION'S ENERGY PROBLEM -- ENERGY WASTE.

THIS PROPOSAL ESTABLISHES A SERIES OF TOUGH MANDATORY CONSERVATION STANDARDS AND IMAGINATIVE INCENTIVES. IT WILL SAVE NEARLY 500,000 BARRELS OF OIL EQUIVALENT PER DAY IN ITS FIRST YEAR AND ABOUT 10 MILLION BARRELS PER DAY BY 1985.

MOST IMPORTANTLY, THIS APPROACH TO DEALING WITH THE ENERGY CRISIS WOULD NOT ADD TO INFLATION OR COST AMERICAN WORKERS THEIR JOBS. IN SHORT, IT WOULD NOT ACCELERATE THE ECONOMIC TAILSPIN.

I FIRMLY BELIEVE THAT 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.

THE ADMINISTRATION OFFICIALS WERE GENERALLY QUITE CAUTIOUS,  
SUGGESTING THAT A SUBSTANTIAL INCREASE IN THE MONEY SUPPLY  
WOULD REKINDLE INFLATIONARY FIRES. I CAN UNDERSTAND THIS  
POSITION, BUT I DO NOT BUY IT.

I AM MUCH MORE IN TUNE WITH THE MANY NON-ADMINISTRATION WITNESSES, WHOSE MESSAGE CAME THROUGH LOUD AND CLEAR: "WE NEED A MORE EXPANSIVE MONETARY POLICY, MORE CREDIT AVAILABLE, AND LOWER INTEREST RATES."

ALLOW ME TO QUOTE TWO OF THE WITNESSES TO MAKE IT CLEAR THAT THIS CALL IS NOT JUST FROM LIBERAL ECONOMISTS OR DEMOCRATS,

DR. PAUL McCracken, WHEN SPEAKING OF THE NEED FOR MONEY SUPPLY GROWTH TO SUPPORT THE ECONOMIC RECOVERY SAID, "THAT WOULD SEEM TO MEAN A RATE OF EXPANSION CERTAINLY NOT LESS THAN EIGHT PERCENT FOR M1, PROBABLY CLOSER TO TEN PERCENT."

AND HENRY FORD TOLD THE JEC: "I DO NOT UNDERSTAND HOW THE FEDERAL RESERVE CAN PERMIT A SHARP CONTRACTION IN THE MONEY SUPPLY AT A TIME OF SHARPLY RISING PRICES AND SHARPLY DECLINING ECONOMIC ACTIVITY. THIS, IT SEEMS TO ME, IS A SURE FORMULA FOR A LONGER AND DEEPER RECESSION."

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

SENATOR PROXMIRE AND I INTRODUCED, AND THE SENATE PASSED, A 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.

THE RESOLUTION, BASICALLY, DOES THREE THINGS:

FIRST, IT DIRECTS THE FEDERAL RESERVE BOARD OF GOVERNORS TO TAKE APPROPRIATE ACTION IN THE FIRST HALF OF 1975 TO INCREASE THE MONEY SUPPLY AT THE RATES NECESSARY TO PROMOTE ECONOMIC RECOVERY.

SECOND, IT DIRECTS THE FEDERAL RESERVE BOARD OF GOVERNORS TO MAINTAIN A STEADY, LONG-TERM MONETARY POLICY COMMENSURATE WITH THE FULL POTENTIAL OF THE ECONOMY, MAXIMUM EMPLOYMENT AND STABLE PRICES.

FINALLY, THE RESOLUTION REQUIRES THE FEDERAL RESERVE TO CONSULT WITH CONGRESS ON MONEY AND CREDIT POLICY AT SEMI-ANNUAL HEARINGS.

AS YOU CAN SEE FROM THESE THREE PROVISIONS, 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 THE 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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