

REMARKS OF SENATOR HUBERT H. HUMPHREY

ANNUAL CONVENTION

NATIONAL SAVINGS & LOAN LEAGUE

Las Vegas, Nevada

October 25, 1975

It is a pleasure to be here with my friends in the savings and loan league from across the country.

I am happy to say that I have known your outstanding organization and many of its members personally for many years.

Therefore, I am here with you today as an admirer, a friend, and one intimately familiar with the tremendous accomplishments, here and abroad, of our nation's savings and loan institutions.

During the last 25 years, your institutions have made it possible for 24 million Americans to own their own homes. As a result, you have given the average American citizen an opportunity to participate in our economic system. Yes, working Americans have found it possible to accumulate capital as they have met their shelter needs.

The millions of jobs created, the untold billions of income and production generated, and the happiness and dignity which you have added to family life, are cherished accomplishments in which you all can take great pride.

As the chairman of the Foreign Assistance Subcommittee of the Senate Foreign Relations Committee, I am also very familiar with your organization's fine work overseas. I know that many of you have gone to various developing countries, have worked effectively with the local governments, and have helped to establish national savings and loan systems. In many cases, these institutions are now providing the first real opportunity for these people to securely save and to have something to save for.

In recent years, the housing industry has been in serious trouble and all America has suffered as a result. The continuing depression in housing has been a major factor in producing the worst recession since "The Great Depression."

Just a glance at the statistics show what has happened in the past two years. This nation built more than two million homes a year in 1971, in 1972, and in 1973. But in 1974, we plunged to just over one million units, and that pitiful level is about where we are today.

A million housing starts a year is an inexcusably poor record; it doesn't begin to meet the growing needs of our people.

This situation cannot be allowed to continue. The time has long since passed when we should have ended this housing depression. We cannot afford to continue to take the great risks involved in allowing housing to be the nation's economic "shock absorber".

Our failure to produce adequate housing at reasonable prices for our citizens has turned the government's promise of "a decent home in a suitable living environment for every American" into an empty promise.

In fact, it is such empty promises that breed the cynicism that is rampant among our people today.

It is time that housing was returned to its priority role in the economy. We need action on the part of the Administration that recognizes rather than ignores the special needs of the housing market, and the special needs of financial institutions that serve that market.

In this regard, let me assure you that my commitment to a system of strong and effective home financing institutions will not waver. Legislation will soon come before the Senate that would substantially alter our nation's financial institution set-up. I assure you that this proposal will receive my most careful scrutiny. We must insure that the vital role played by our nation's savings and loan institutions in the past is encouraged in the future -- not undermined.

The Nixon-Ford Administrations have had no comprehensive National Housing Policy. Their moratoria on federal spending programs, their snail's paced implementation of the Section 8 housing program, their vetoes of programs to get more houses built, and their high interest rate economics, have turned the nation away from its important housing goals.

In 1950, two out of three families could afford to buy the average priced home being built in this county. But in 1975, according to a study done for me by the Joint Economic Committee, less than one family in five can afford to purchase a home.

In the last ten years, nationwide home construction costs have risen 71 per cent, home maintenance and repair costs have soared 92 per cent, mortgage rates climbed 57 per cent, property taxes have risen 64 per cent, and utility bills are up over 60 per cent. In effect, home ownership is now outside the reach of all but the most fortunate American families.

Frankly, our housing policies are very confused. When I was a young man, with a growing family, and needed a good roomy house, I couldn't afford it. Today, with my children all married and me with very little time to be at home, I have three beautiful places. Housing policy is upside down. We need programs and decisions by government that make it possible for the responsible young family to invest in good housing in decent neighborhoods -- that's when you need it -- not when your family has grown and gone.

Let's hope that the recent victory of the Congress in reopening the 235 Homeownership program is an indication that the Administration is beginning to understand the importance of housing to an economic recovery. After months of badgering to move this program we finally had to bring a lawsuit through the GAO. The recent announcement by Secretary Hills, that this program will be implemented, is the result. But I still wonder why it took 18 months? And why, I ask you, will it take until next spring to put the program into effect?

What we need are housing programs that start, and then keep on going. We cannot tolerate having programs begun by the Congress and arbitrarily turned off by the Administration.

It seems a cruel hoax on the public to raise their hopes through new legislation, only to see them dashed because the Administration won't carry out its responsibility.

There are several steps that must be taken to restore the health of housing and, thereby, our entire economy.

First, I believe that the Executive Branch can move much more aggressively to implement the housing programs that Congress has already enacted. The "foot dragging" at HUD must come to an end.

Second, the Chairman of the Federal Reserve Board, in consultation with the Administration and with Congress, should pursue a monetary policy that will bring us interest rates low enough to promote private sector housing construction.

The increases in automobile production and housing construction for the next year are barely enough to restore these sectors to mid-1974 levels. This is not satisfactory.

But even this level may be imperiled if money and credit are insufficient. For as interest rates rise on short term borrowing, because of an insufficiency of credit, depositors at your savings and loans will withdraw funds in order to invest in higher yielding market instruments. The demand for mortgage loans must then be dampened and this is done by higher rates on long term mortgages. If this occurs, we will be looking toward a 10 per cent mortgage rate by the end of this year.

We must have a more responsive monetary policy in order to achieve a sustained recovery.

Third, the federal government must get back into the business of encouraging housing production. Last spring we passed emergency housing legislation which provided a 6 per cent initial interest rate which rose to the market level after a period of three years. I voted for that bill because in my view we had to do something to get housing construction going again. Of course, that was another housing disaster that occurred in the Oval Office.

I believe that no family should have to pay more than 6 per cent over the life of the mortgage. Housing is a basic need of people; it is an essential sector of our economy. The government should do what is necessary to support it. Therefore, I will continue to urge passage of my Federal Housing Bank Bill, which provides for 6 per cent financing with a federal payment to cover the difference between federal borrowing rates and 6 per cent. It would operate cooperatively with your institutions.

Yes, it is a big idea and a bold one. But, the time has past for tinkering.

And let me add this thought. We are all very concerned -- and no one more than this Administration -- with capital scarcity. I think we all agree that our economy requires more saving and less consumption -- in the long run.

It seems to me an extreme contradiction, in this case, to pursue policies which put home ownership out of the reach of most Americans. I think all of us have seen that people will go to extraordinary efforts to save -- whether in Brooklyn, New York or Bogota, Columbia -- if the possibility of owning their own home is held out to them. There is no better way of increasing savings than through a National Housing Policy that makes it possible for the average worker to buy a home.

What I have outlined are some of the vital elements of a comprehensive National Housing Policy. They would provide stability to our housing industry, and at the same time, bring the possibility of home ownership back within the reach of millions of Americans who cannot own their own homes today.

Of course, the best housing policy that we can devise will be worthless if the inconsistent and sporadic, on-again off-again, economic policies and programs of the last several years continue.

Today, the economic situation is certainly looking up. The evidence of strong expansion in the Gross National Product and in industrial production during the third quarter of this year certainly is good news. This is important, and encouraging -- and it is about time.

However, we must also remember that 30 per cent of our Nation's industrial capacity is not being used and that 8.4 per cent of our Nation's labor force -- more than 8 million workers -- is out of work.

We need a National Economic Policy that will put these resources back into production quickly and without reigniting inflation. With the current slack in the economy, the chances of producing inflation because of too much pressure on capacity are quite remote.

I think we should all bear in mind that expansion and inflation do not necessarily go hand in hand. To the extent that expansion increases profits, provides "home grown" capital, and decreases unit costs of production, expansion can result in reducing the pressure on prices.

As Chairman of the Congressional Joint Economic Committee, I have taken a very close look at the nation's economy, its rate of recovery, and what government action seem appropriate at this time.

The economic recovery we are experiencing at present can be tied, in part, to two temporary factors -- tax rebates and the inventory swing. Once these factors have run their course, it is possible that the rate of economic growth will slow significantly.

It is my view that without rapid and sustained recovery, underutilized capacity will continue to result in lower productivity and higher prices. At the same time, it will mean higher unemployment, shorter working hours, and reduced income for our people. Together, this means a continuation of the serious problems that you have been facing for the last several years.

To prevent this from happening, I believe that we should take several steps. I will outline them briefly for you.

-- The tax reductions of 1975 -- excluding the rebates -- should be extended into 1976. Moreover, Congress should carefully consider and be prepared to quickly enact additional tax cuts if recovery lags.

-- An emergency jobs program, to put at least a million unemployed Americans back to work on projects of clear community value, is a must.

-- We need to enact the Federal Reserve System Modernization Act, which I have introduced. It is time that the FED became responsive to the Congress which created it and the people of this country.

-- Anti-recession assistance to state and local governments in areas with serious unemployment problems, and emergency public works programs passed by the Senate, must be sent to the President and signed into law on an urgent basis.

-- Finally, as I said before, we need more expansionary monetary policy to keep interest rates down, and a Federal Housing Bank.

These are critically important steps that need to be taken now if we are to achieve a strong and sustained economic recovery.

I reject the President's proposal of a massive tax cut on January 1st followed by a massive reduction in federal spending ten months later. Such a program would be reckless economics and destructive to public confidence in a stable economic recovery.

Certainly, the economy needs fiscal stimulus, but I am afraid President Ford has become a "true believer" in tax cuts after seeing the positive effects of the action taken by the Congress last winter.

In fact, his proposal may be seen as repentance for past sins. Unfortunately, and not uncommon among converts to any cause, his action is a bit overzealous.

In fact, it reminds me of the old Anglo-Saxon who upon being baptized as a Christian asked that he be submerged in water up to his right armpit. Of course, he wanted that arm free to continue hacking away with his sword as he had in the past, before he found Christianity.

The question today is what President Ford will hack away with his \$28 billion budget cut.

Certainly there is fat in the Federal budget that can be cut. But Congress is not going to buy his proposal without careful scrutiny. We must know exactly where the cuts are intended before we can act on this proposal. It would be irresponsible to do otherwise. Likewise, the timing of the tax and budget cuts needs to be carefully analyzed -- and I assure you it will be.

I believe that the new Congressional Budget process is of historic importance in checking federal spending. It has imposed a kind of fiscal discipline on the Congress that it has never known before. As importantly, it has restored the ability of Congress to look comprehensively at the Nation's priorities in a very careful and informed way. We must reject any proposal that would destroy this process.

I share the President's concern over the size of the Federal deficit. But, of course, the best way to cut the Federal budget deficit is to get our country back to work. If we could trim the unemployment rate by 2 percentage points, we could cut the federal budget deficit through reduced payments for unemployment compensation, welfare programs, and increased tax revenues by \$30 billion or more. As I see it, this is the best and most effective way of getting our nation's economic house in order. When the budgets of America's families are in balance the national budget will be as well.

Unfortunately, the logic of this argument has been disregarded by the present Administration.

As businessmen, you know that waste is your great enemy. You know how it can destroy an otherwise healthy company. Well, it is no different for our nation. This recession has cost us \$300 billion in the last two years and will cost \$1.5 trillion in lost income and production by 1980. It has also meant that 75 million Americans have had unemployment in their immediate family some time during 1975.

This just isn't good enough for America. Our people expect more and, frankly, they deserve more. It is time we began to utilize fully the resources with which this Nation has been so uniquely blessed.

If we put all of our resources back to work with consistent and compassionate economic policy, we will whip inflation, we will get our people on the job and off the dole, we will get interest rates down, we will begin to meet our nation's housing needs, and we will balance our nation's budget.

The most important job facing us today is the restoration of confidence in America.

Let us not forget that we meet today as citizens of a wounded nation -- an uncertain nation -- a nation that has had its self-confidence shaken.

Our nation has been torn by a decade of violence at home and tragic war abroad.

Our nation has suffered the traumatic experience of wholesale corruption in its national leadership.

And, our nation has gone through a economic crisis second only to the "Great Depression."

The voices of doubt, division and distrust have sung their dirge in America long enough.

It is time that a chorus of confidence, aware of our nation's unequalled strength, sing out across this great land.

And it is time that the helm of national leadership be placed firmly in the hands of those who have hope and optimism about America -- people who can restore our economy to health and show all of our people that this is their government and that it can be effective in meeting their needs.

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President of ABA - Rex Dewey - Duane

Hugh Humphrey
all over Somerset
Assoc
New Orleans

REMARKS OF SENATOR HUBERT H. HUMPHREY

ANNUAL CONVENTION

NATIONAL SAVINGS & LOAN LEAGUE

LAS VEGAS, NEVADA

OCTOBER 25, 1975

(X) John Spinkman
(Carl Coan)
Banking Comm

(X) Home Loan Bank Board
acting chair
Hartt Marston }
Grady Perry }

(X) Senators Cannon

(X) Presided Alexander

(X) Henry Carrington - Ex. V.P.

(X) Bob Georgine - Pres Bld trades

Pres Ed Alexander -1-

IT IS A PLEASURE TO BE HERE WITH MY FRIENDS IN THE
SAVINGS AND LOAN LEAGUE FROM ACROSS THE COUNTRY.

L I AM HAPPY TO SAY THAT I HAVE KNOWN YOUR OUTSTANDING
Hal Greenwood
ORGANIZATION AND MANY OF ITS MEMBERS PERSONALLY FOR MANY YEARS.

L THEREFORE, I AM HERE WITH YOU TODAY AS AN ADMIRER, A
FRIEND, AND ONE INTIMATELY FAMILIAR WITH THE TREMENDOUS
ACCOMPLISHMENTS, HERE AND ABROAD, OF OUR NATION'S SAVINGS AND

LOAN INSTITUTIONS.

L DURING THE LAST 25 YEARS, YOUR INSTITUTIONS HAVE MADE IT
POSSIBLE FOR 24 MILLION AMERICANS TO OWN THEIR OWN HOMES.

~~A RESULT,~~ YOU HAVE GIVEN THE AVERAGE AMERICAN CITIZEN AN
OPPORTUNITY TO PARTICIPATE IN OUR ECONOMIC SYSTEM. and share in Yes,

WORKING AMERICANS HAVE FOUND IT POSSIBLE TO ACCUMULATE

CAPITAL AS THEY HAVE MET THEIR ~~SUPPLEMENTARY~~ NEEDS. Raising needs,

L THE MILLIONS OF JOBS CREATED, THE UNTOLD BILLIONS OF
INCOME AND PRODUCTION GENERATED, AND THE HAPPINESS AND DIGNITY
WHICH YOU HAVE ADDED TO FAMILY LIFE, ARE CHERISHED ACCOMPLISHMENTS
IN WHICH YOU ALL CAN TAKE GREAT PRIDE,

L ~~AS THE CHAIRMAN OF THE FOREIGN ASSISTANCE SUBCOMMITTEE~~
Joint International Efforts
~~OF THE SENATE FOREIGN RELATIONS COMMITTEE~~ I AM ALSO VERY

FAMILIAR WITH YOUR ORGANIZATION'S FINE WORK OVERSEAS. I KNOW
THAT MANY OF YOU HAVE GONE TO VARIOUS DEVELOPING COUNTRIES,
HAVE WORKED EFFECTIVELY WITH THE LOCAL GOVERNMENTS, AND HAVE HELPED
TO ESTABLISH NATIONAL SAVINGS AND LOAN SYSTEMS. L IN MANY CASES,
THESE INSTITUTIONS ARE NOW PROVIDING THE FIRST REAL OPPORTUNITY
FOR THESE PEOPLE TO ~~SECURELY~~ SAVE AND TO HAVE SOMETHING TO SAVE FOR.

h IN RECENT YEARS, THE HOUSING INDUSTRY HAS BEEN IN SERIOUS
TROUBLE AND ALL AMERICA HAS SUFFERED AS A RESULT. L THE CONTINUING
DEPRESSION IN HOUSING HAS BEEN A MAJOR FACTOR IN PRODUCING THE
WORST RECESSION SINCE "THE GREAT DEPRESSION."

Housing Depression

JUST A GLANCE AT THE STATISTICS SHOW WHAT HAS HAPPENED IN
THE PAST TWO YEARS. THIS NATION BUILT MORE THAN TWO MILLION
HOMES A YEAR IN 1971, IN 1972, AND IN 1973. BUT IN 1974, WE
PLUNGED TO JUST OVER ONE MILLION UNITS, AND THAT PITIFUL LEVEL
IS ABOUT WHERE WE ARE TODAY.

A MILLION HOUSING STARTS A YEAR IS AN INEXCUSABLY POOR
RECORD; IT DOESN'T BEGIN TO MEET THE GROWING NEEDS OF OUR PEOPLE.

THIS SITUATION CANNOT BE ALLOWED TO CONTINUE. THE TIME HAS
LONG SINCE PASSED WHEN WE SHOULD HAVE ENDED THIS HOUSING DEPRESSION.

WE CANNOT AFFORD TO CONTINUE TO TAKE THE GREAT RISKS INVOLVED IN
ALLOWING HOUSING TO BE THE NATION'S ECONOMIC "SHOCK ABSORBER".

OUR FAILURE TO PRODUCE ADEQUATE HOUSING AT REASONABLE
PRICES FOR OUR CITIZENS HAS TURNED THE GOVERNMENT'S PROMISE OF
"A DECENT HOME IN A SUITABLE LIVING ENVIRONMENT FOR EVERY
AMERICAN" INTO AN EMPTY PROMISE.

IN FACT, IT IS SUCH EMPTY PROMISES THAT BREED THE CYNICISM
THAT IS RAMPANT AMONG OUR PEOPLE TODAY.

Govt & Private Sector Partnership needed if
America is to
have the homes it needs

⁴⁻
Housing must be
~~IT IS TIME THAT HOUSING HAS~~ RETURNED TO ITS PRIORITY ROLE

IN THE ECONOMY. (WE NEED ACTION ON THE PART OF THE ADMINISTRATION THAT

RECOGNIZES RATHER THAN IGNORES THE SPECIAL NEEDS OF THE HOUSING

MARKET, AND THE SPECIAL NEEDS OF FINANCIAL INSTITUTIONS THAT SERVE

THAT MARKET.

The Savings Loans & the Thrift Industry
were created to allocate credit to housing

~~IN THIS REGARD,~~ LET ME ASSURE YOU THAT MY COMMITMENT TO A

SYSTEM OF STRONG AND EFFECTIVE HOME FINANCING INSTITUTIONS WILL NOT

WAVER. (LEGISLATION WILL SOON COME BEFORE THE SENATE THAT WOULD

SUBSTANTIALLY ALTER OUR NATION'S FINANCIAL INSTITUTION SET-UP. (I

ASSURE YOU THAT THIS PROPOSAL WILL RECEIVE MY MOST CAREFUL SCRUTINY.

(WE MUST INSURE THAT THE VITAL ROLE PLAYED BY OUR NATION'S SAVINGS

AND LOAN ^{thrift} INSTITUTIONS IN THE PAST IS ENCOURAGED IN THE FUTURE --

NOT UNDERMINED.

(THE NIXON-FORD ADMINISTRATIONS HAVE HAD NO COMPREHENSIVE

NATIONAL HOUSING POLICY. (THEIR MORITORIA ON FEDERAL SPENDING

PROGRAMS, THEIR SNAIL'S PACED IMPLIMENTATION OF THE SECTION 8

HOUSING PROGRAM, THEIR VETOES OF PROGRAMS TO GET MORE HOUSES
BUILT, AND THEIR HIGH INTEREST RATE ECONOMICS, HAVE TURNED THE
NATION AWAY FROM ITS IMPORTANT HOUSING GOALS.

L ^{the} IN 1950 } TWO OUT OF THREE FAMILIES COULD AFFORD TO BUY
THE AVERAGE PRICED HOME BEING BUILT IN THIS COUNTY. BUT IN
1975, ACCORDING TO A STUDY DONE FOR THE BY THE JOINT ECONOMIC
COMMITTEE, LESS THAN ONE FAMILY IN FIVE CAN AFFORD TO PURCHASE
A HOME.

Here's the Sad Story

L IN THE LAST TEN YEARS, NATIONWIDE HOME CONSTRUCTION COSTS
HAVE RISEN 71 PER CENT, HOME MAINTENANCE AND REPAIR COSTS HAVE
SOARED 92 PER CENT, MORTGAGE RATES CLIMBED 57 PER CENT, PROPERTY
TAXES HAVE RISEN 64 PER CENT, AND UTILITY BILLS ARE UP OVER
60 PER CENT. IN EFFECT, HOME OWNERSHIP IS NOW OUTSIDE THE REACH
OF ALL BUT THE MOST FORTUNATE AMERICAN FAMILIES. — With these

conditions a fact of our economic life,
it is imperative that S & L S & other
thrift institutions be given the tools, the means

to provide credit - Mtg money ~~at risk~~
for housing

FRANKLY, OUR HOUSING POLICIES ARE VERY CONFUSED. WHEN I

WAS A YOUNG MAN, WITH A GROWING FAMILY, AND NEEDED A GOOD ROOMY

HOUSE, I COULDN'T AFFORD IT. TODAY, WITH MY CHILDREN ALL

MARRIED AND ME WITH VERY LITTLE TIME TO BE AT HOME, I HAVE

~~two~~ ^{two} BEAUTIFUL PLACES. HOUSING POLICY IS UPSIDE DOWN. WE NEED

PROGRAMS AND DECISIONS BY GOVERNMENT THAT MAKE IT POSSIBLE FOR

THE RESPONSIBLE YOUNG FAMILY TO INVEST IN GOOD HOUSING IN

DECENT NEIGHBORHOODS -- THAT'S WHEN YOU NEED IT -- NOT WHEN YOUR

FAMILY HAS GROWN AND GONE.

Action -

LET'S HOPE THAT THE RECENT VICTORY OF THE CONGRESS IN

REOPENING THE 235 HOMEOWNERSHIP PROGRAM IS AN INDICATION THAT THE

ADMINISTRATION IS BEGINNING TO UNDERSTAND THE IMPORTANCE OF HOUSING

TO AN ECONOMIC RECOVERY. AFTER MONTHS OF BADGERING TO MOVE THIS

PROGRAM WE FINALLY HAD TO BRING A LAWSUIT THROUGH THE GAO. THE

RECENT ANNOUNCEMENT BY SECRETARY HILLS, THAT THIS PROGRAM WILL BE

IMPLIMENTED, IS THE RESULT. BUT I STILL WONDER WHY IT TOOK 18 MONTHS?

AND WHY, I ASK YOU, WILL IT TAKE UNTIL NEXT SPRING TO PUT THE
PROGRAM INTO EFFECT?

WHAT WE NEED ARE HOUSING PROGRAMS THAT START, AND THEN KEEP ON
GOING. WE CANNOT TOLERATE HAVING PROGRAMS BEGUN BY THE CONGRESS
AND ARBITRARILY TURNED OFF BY THE ADMINISTRATION!

IT SEEMS A CRUEL HOAX ON THE PUBLIC TO RAISE THEIR HOPES
THROUGH NEW LEGISLATION, ONLY TO SEE THEM DASHED BECAUSE THE
ADMINISTRATION WON'T CARRY OUT ITS RESPONSIBILITY.

THERE ARE SEVERAL STEPS THAT MUST BE TAKEN TO RESTORE THE
HEALTH OF HOUSING AND, THEREBY, OUR ENTIRE ECONOMY.

① FIRST I BELIEVE THAT THE EXECUTIVE BRANCH CAN
MORE AGGRESSIVELY TO IMPLEMENT THE HOUSING PROGRAMS THAT CONGRESS

HAS ALREADY ENACTED. THE "FOOT DRAGGING" AT HUD MUST COME TO AN END.

② SECOND, THE CHAIRMAN OF THE FEDERAL RESERVE BOARD, IN
CONSULTATION WITH THE ADMINISTRATION AND WITH CONGRESS, SHOULD
PURSUE A MONETARY POLICY THAT WILL BRING US INTEREST RATES LOW
ENOUGH TO PROMOTE PRIVATE SECTOR HOUSING CONSTRUCTION.

and must move

~~HUD - OMB~~

7ED

Reg D -

(X)

You know, + I know, that S. & L.
"loan long" + borrow short -
Such a situation, needs stable
government policy that
recognizes the need of ~~and~~ a
rate differential between the
thrift industry and the
commercial banks and the
Government - This is
your regulation D - the
key to growth + stability in the
housing industry.

THE INCREASES IN AUTOMOBILE PRODUCTION AND HOUSING CONSTRUCTION
FOR THE NEXT YEAR ARE BARELY ENOUGH TO RESTORE THESE SECTORS TO
MID-1974 LEVELS. THIS IS NOT SATISFACTORY.

BUT EVEN THIS LEVEL MAY BE IMPERILED IF MONEY AND CREDIT ARE
INSUFFICIENT. FOR AS INTEREST RATES RISE ON SHORT TERM BORROWING,

~~BECAUSE OF AN INSUFFICIENCY OF CREDIT,~~ DEPOSITORS AT YOUR "SAVINGS

AND LOANS ~~WILL~~ WITHDRAW FUNDS IN ORDER TO INVEST IN HIGHER YIELDING

Govt Treasury notes, C.D.s and other

MARKET INSTRUMENTS. THE DEMAND FOR MORTGAGE LOANS MUST THEN BE

DAMPENED AND THIS IS DONE BY HIGHER RATES ON LONG TERM MORTGAGES.

IF THIS OCCURS, WE WILL BE LOOKING TOWARD A 10 PER CENT MORTGAGE

RATE BY THE END OF THIS YEAR.

And this is a disaster.

Therese Disinter mediation -

~~WE MUST HAVE A MORE RESPONSIVE MONETARY POLICY IN ORDER TO~~

what it means is - Gov't

~~ACHIEVE A SUSTAINED RECOVERY.~~

first, People & Housing last!
(Jim Rego)

What I'm saying is

-9-

3 THIRD, THE FEDERAL GOVERNMENT MUST GET BACK INTO THE BUSINESS

OF ENCOURAGING HOUSING PRODUCTION ^{-yes lead!} LAST SPRING WE PASSED EMERGENCY

HOUSING LEGISLATION WHICH PROVIDED A 6 PER CENT INITIAL INTEREST

RATE WHICH ROSE TO THE MARKET LEVEL AFTER A PERIOD OF THREE YEARS.

for a 7% mtg for the life of the mtg.

I VOTED FOR THAT BILL BECAUSE IN MY VIEW WE HAD TO DO SOMETHING

TO GET HOUSING CONSTRUCTION GOING AGAIN / OF COURSE, THAT WAS

ANOTHER HOUSING DISASTER THAT OCCURED IN THE OVAL OFFICE - Veto

~~I BELIEVE THAT NO FAMILY SHOULD HAVE TO PAY MORE THAN 6 PER CENT~~

~~OVER THE LIFE OF THE MORTGAGE.~~ HOUSING IS A BASIC NEED OF PEOPLE;

IT IS AN ESSENTIAL SECTOR OF OUR ECONOMY. THE GOVERNMENT SHOULD DO

WHAT IS NECESSARY TO SUPPORT IT. THEREFORE, I WILL CONTINUE TO URGE

PASSAGE OF MY FEDERAL HOUSING BANK BILL, WHICH PROVIDES FOR ^{interest} ~~6 PER CENT~~

subsidy to low & middle income housing. - Policy
FINANCING WITH A FEDERAL PAYMENT TO COVER THE DIFFERENCE BETWEEN

of 6 or 7% Interest for low income & moderate income housing
FEDERAL BORROWING RATES AND 6 PER CENT. IT WOULD OPERATE COOPERATIVELY

WITH YOUR INSTITUTIONS. - you doing the financing

↓ the Fed Govt making available the
interest subsidy. You make the loans -
no new Federal ⁻¹⁰⁻ Bureaucracy.

✓ ~~YES, IT IS A BIG IDEA AND A BOLD ONE. BUT, THE TIME HAS PAST~~

~~FOR TINKERING.~~

✓ AND LET ME ADD THIS THOUGHT. ✓ WE ARE ALL VERY CONCERNED -- ~~AND~~

~~NO ONE MORE THAN THIS ADMINISTRATION~~ -- WITH CAPITAL SCARCITY. ✓ I

THINK WE ALL AGREE THAT OUR ECONOMY REQUIRES MORE ~~SAVING AND LESS~~ *savings*.

~~CONSUMPTION -- IN THE LONG RUN.~~

✓ IT SEEMS TO ME AN EXTREME CONTRADICTION, IN THIS CASE, TO PURSUE
POLICIES WHICH PUT HOME OWNERSHIP OUT OF THE REACH OF MOST AMERICANS,

✓ ~~I THINK ALL OF US HAVE SEEN THAT~~ PEOPLE WILL GO TO EXTRAORDINARY

EFFORTS TO SAVE -- WHETHER IN BROOKLYN, NEW YORK OR BOGOTA,

COLUMBIA, -- IF THE POSSIBILITY OF OWNING THEIR OWN HOME IS HELD OUT

TO THEM. ✓ THERE IS NO BETTER WAY OF INCREASING SAVINGS THAN THROUGH

A NATIONAL HOUSING POLICY THAT MAKES IT POSSIBLE FOR THE AVERAGE

WORKER TO BUY A HOME. !

Give him an incentive

WHAT I HAVE OUTLINED ARE SOME OF THE VITAL ELEMENTS OF
A COMPREHENSIVE NATIONAL HOUSING POLICY. / THEY WOULD PROVIDE STABILITY
TO OUR HOUSING INDUSTRY, AND AT THE SAME TIME, BRING THE
POSSIBILITY OF HOME OWNERSHIP BACK WITHIN THE REACH OF MILLIONS
OF AMERICANS WHO CANNOT OWN THEIR OWN HOMES TODAY.

OF COURSE, THE BEST HOUSING POLICY THAT WE CAN DEVISE WILL
BE WORTHLESS IF THE INCONSISTENT AND SPORADIC, ON-AGAIN OFF-AGAIN,
ECONOMIC POLICIES AND PROGRAMS OF THE LAST SEVERAL YEARS CONTINUE.

h TODAY, THE ECONOMIC SITUATION IS CERTAINLY LOOKING UP.
THE EVIDENCE OF STRONG EXPANSION IN THE GROSS NATIONAL PRODUCT
AND IN INDUSTRIAL PRODUCTION DURING THE THIRD QUARTER OF THIS
YEAR CERTAINLY IS GOOD NEWS. THIS IS IMPORTANT, AND ENCOURAGING --
AND IT IS ABOUT TIME.

L HOWEVER, WE MUST ALSO REMEMBER THAT ³⁰ ~~■~~ PER CENT OF OUR
NATION'S INDUSTRIAL CAPACITY IS NOT BEING USED AND THAT
8.4 PER CENT OF OUR NATION'S LABOR FORCE -- MORE THAN 8 MILLION
WORKERS -- IS OUT OF WORK.

L WE NEED A NATIONAL ECONOMIC POLICY THAT WILL PUT THESE
RESOURCES BACK INTO PRODUCTION QUICKLY AND WITHOUT REIGNITING
INFLATION WITH THE CURRENT SLACK IN THE ECONOMY, THE CHANCES
OF PRODUCING INFLATION BECAUSE OF TOO MUCH PRESSURE ON CAPACITY
ARE QUITE REMOTE.

L ~~I THINK~~ **WE** SHOULD ALL BEAR IN MIND THAT EXPANSION AND
INFLATION DO NOT NECESSARILY GO HAND IN HAND. (TO THE EXTENT
THAT EXPANSION INCREASES PROFITS, PROVIDES "HOME GROWN" CAPITAL,
AND DECREASES UNIT COSTS OF PRODUCTION, EXPANSION CAN RESULT
IN REDUCING THE PRESSURE ON PRICES.

AS CHAIRMAN OF THE CONGRESSIONAL JOINT ECONOMIC COMMITTEE,

I HAVE TAKEN A VERY CLOSE LOOK AT THE NATION'S ECONOMY, ITS

RATE OF RECOVERY, AND WHAT GOVERNMENT ACTIONS SEEM APPROPRIATE

AT THIS TIME.

L THE ECONOMIC RECOVERY WE ARE EXPERIENCING AT PRESENT CAN

BE TIED, IN PART, TO TWO TEMPORARY FACTORS -- TAX REDUCTIONS & Rebates ~~TAX REDUCTIONS~~ AND

THE INVENTORY SWING. L ONCE THESE FACTORS HAVE RUN THEIR COURSE,

IT IS POSSIBLE THAT THE RATE OF ECONOMIC GROWTH WILL SLOW

SIGNIFICANTLY.

L IT IS MY VIEW THAT WITHOUT Strong ~~rapid~~ AND SUSTAINED RECOVERY,

UNDERUTILIZED CAPACITY WILL CONTINUE TO RESULT IN LOWER

PRODUCTIVITY AND HIGHER PRICES. AT THE SAME TIME, IT WILL MEAN

HIGHER UNEMPLOYMENT, SHORTER WORKING HOURS, AND REDUCED INCOME

FOR OUR PEOPLE. TOGETHER, THIS MEANS A CONTINUATION OF THE

SERIOUS PROBLEMS THAT YOU HAVE BEEN FACING FOR THE LAST SEVERAL YEARS.

Program

a Slowdown in Recovery -

-14-

TO PREVENT ~~THIS FROM HAPPENING~~, I BELIEVE THAT WE SHOULD

TAKE SEVERAL STEPS. I WILL OUTLINE THEM BRIEFLY FOR YOU.

-- THE TAX REDUCTIONS OF 1975 -- EXCLUDING THE REBATES --

SHOULD BE EXTENDED INTO 1976. MOREOVER, CONGRESS SHOULD

CAREFULLY CONSIDER AND BE PREPARED TO QUICKLY ENACT ADDITIONAL

TAX CUTS IF RECOVERY LAGS.

↳ AN EMERGENCY JOBS PROGRAM, TO PUT AT LEAST A MILLION

UNEMPLOYED AMERICANS BACK TO WORK ON PROJECTS OF CLEAR COMMUNITY

VALUE, IS A MUST.

↳ -- WE NEED TO ENACT THE FEDERAL RESERVE SYSTEM MODERNIZATION

ACT, WHICH I HAVE INTRODUCED. IT IS TIME THAT THE FED BECAME

RESPONSIVE TO THE CONGRESS WHICH CREATED IT AND THE PEOPLE OF

THIS COUNTRY.

L -- ANTI-RECESSION ASSISTANCE TO STATE AND LOCAL GOVERNMENTS

IN AREAS WITH SERIOUS UNEMPLOYMENT PROBLEMS, AND EMERGENCY PUBLIC

WORKS PROGRAMS PASSED BY THE SENATE, MUST BE SENT TO THE PRESIDENT

AND SIGNED INTO LAW ON AN URGENT BASIS.

L -- FINALLY, AS I SAID BEFORE, WE NEED MORE EXPANSIONARY

MONETARY POLICY TO KEEP INTEREST RATES DOWN, AND A FEDERAL HOUSING

BANK

*to subsidize interest rates on ~~low income~~
housing for low & middle income families*

L THESE ARE CRITICALLY IMPORTANT STEPS THAT NEED TO BE TAKEN

NOW IF WE ARE TO ACHIEVE A STRONG AND SUSTAINED ECONOMIC RECOVERY,

President's proposal
~~REJECT THE~~ PRESIDENT'S PROPOSAL OF A MASSIVE TAX CUT ON

JANUARY 1ST FOLLOWED BY A MASSIVE REDUCTION IN FEDERAL SPENDING

is more politics than good economics
TEN MONTHS LATER, SUCH A PROGRAM WOULD BE RECKLESS ECONOMICS AND

DESTRUCTIVE TO PUBLIC CONFIDENCE IN A STABLE ECONOMIC RECOVERY.

L CERTAINLY, THE ECONOMY NEEDS FISCAL STIMULUS, BUT I AM AFRAID

PRESIDENT FORD HAS BECOME A "TRUE BELIEVER" IN TAX CUTS AFTER SEEING

THE POSITIVE EFFECTS OF THE ACTION TAKEN BY THE CONGRESS LAST WINTER.

L IN FACT, HIS PROPOSAL MAY BE SEEN AS REPENTANCE FOR PAST SINS.

UNFORTUNATELY, AND NOT UNCOMMON AMONG CONVERTS TO ANY CAUSE, HIS ACTION IS A BIT OVERZEALOUS.

L IN FACT, IT REMINDS ME OF THE OLD ANGLO-SAXON WHO UPON BEING BAPTIZED AS A CHRISTIAN ASKED THAT HE BE SUBMERGED IN WATER UP TO HIS RIGHT ARMPIT. ~~OF COURSE~~ HE WANTED THAT ARM FREE TO CONTINUE HACKING AWAY WITH HIS SWORD AS HE HAD IN THE PAST, BEFORE HE FOUND CHRISTIANITY.

L THE QUESTION TODAY IS WHAT PRESIDENT FORD WILL HACK AWAY WITH HIS \$28 BILLION BUDGET CUT.

Budget cut

L CERTAINLY THERE IS FAT IN THE FEDERAL BUDGET THAT CAN BE CUT. BUT CONGRESS IS NOT GOING TO BUY HIS PROPOSAL WITHOUT CAREFUL SCRUTINY. WE MUST KNOW EXACTLY WHERE THE CUTS ARE INTENDED, ~~BEFORE~~ WE CAN ACT ON THIS PROPOSAL. IT WOULD BE IRRESPONSIBLE TO DO

~~OTHERWISE~~ L LIKewise, THE TIMING OF THE TAX AND BUDGET CUTS NEEDS TO BE CAREFULLY ANALYZED -- AND I ASSURE YOU IT WILL BE.

~~I BELIEVE THAT~~ THE NEW CONGRESSIONAL BUDGET PROCESS IS OF
HISTORIC IMPORTANCE IN CHECKING FEDERAL SPENDING. IT HAS IMPOSED
A KIND OF FISCAL DISCIPLINE ON THE CONGRESS THAT IT HAS NEVER KNOWN
BEFORE. AS IMPORTANTLY, IT HAS RESTORED THE ABILITY OF CONGRESS
TO LOOK COMPREHENSIVELY AT THE NATION'S PRIORITIES IN A VERY CAREFUL
AND INFORMED WAY. WE MUST REJECT ANY PROPOSAL THAT WOULD DESTROY
THIS PROCESS.

~~I~~ I SHARE THE PRESIDENT'S CONCERN OVER THE SIZE OF THE FEDERAL
DEFICIT. BUT, OF COURSE, THE BEST WAY TO CUT THE FEDERAL BUDGET
DEFICIT IS TO GET OUR COUNTRY BACK TO WORK. IF WE COULD TRIM
THE UNEMPLOYMENT RATE BY 2 PERCENTAGE POINTS, WE COULD CUT THE

FEDERAL BUDGET DEFICIT THROUGH REDUCED PAYMENTS FOR UNEMPLOYMENT
COMPENSATION, WELFARE PROGRAMS, AND INCREASED TAX REVENUES BY
\$30 BILLION OR MORE. ~~AS I SEE IT, THIS IS THE BEST AND MOST~~

EFFECTIVE WAY OF GETTING OUR NATION'S ECONOMIC HOUSE IN ORDER.

and,
WHEN THE BUDGETS OF AMERICA'S FAMILIES ARE IN BALANCE THE

NATIONAL BUDGET WILL BE AS WELL.

UNFORTUNATELY, THE LOGIC OF THIS ARGUMENT HAS BEEN
DISREGARDED BY THE PRESENT ADMINISTRATION.

AS BUSINESSMEN, YOU KNOW THAT WASTE IS YOUR GREAT ENEMY. YOU
KNOW HOW IT CAN DESTROY AN OTHERWISE HEALTHY COMPANY. WELL, IT

IS NO DIFFERENT FOR OUR NATION. THIS RECESSION HAS COST US \$300
BILLION IN THE LAST TWO YEARS AND WILL COST \$1.5 TRILLION IN LOST
INCOME AND PRODUCTION BY 1980. IT HAS ALSO MEANT THAT 75 MILLION

AMERICANS HAVE HAD UNEMPLOYMENT IN THEIR IMMEDIATE FAMILY SOME TIME
DURING 1974-75

THIS JUST ISN'T GOOD ENOUGH FOR AMERICA. OUR PEOPLE EXPECT
MORE AND, FRANKLY, THEY DESERVE MORE. IT IS TIME WE BEGAN TO
UTILIZE FULLY THE RESOURCES WITH WHICH THIS NATION HAS BEEN SO
UNIQUELY BLESSED.

IF WE PUT ALL OF OUR RESOURCES BACK TO WORK WITH CONSISTENT AND
COMPASSIONATE ECONOMIC POLICY, WE WILL WHIP INFLATION, WE WILL GET
OUR PEOPLE ON THE JOB AND OFF THE DOLE, WE WILL GET INTEREST RATES
DOWN, WE WILL BEGIN TO MEET OUR NATION'S HOUSING NEEDS, AND WE WILL
BALANCE OUR NATION'S BUDGET.

Confidence

THE MOST IMPORTANT JOB FACING US TODAY IS THE RESTORATION OF
CONFIDENCE IN AMERICA.

LET US NOT FORGET THAT WE MEET TODAY AS CITIZENS OF A WOUNDED
NATION -- AN UNCERTAIN NATION -- A NATION THAT HAS HAD ITS SELF-
CONFIDENCE SHAKEN.

OUR NATION HAS BEEN TORN BY A DECADE OF VIOLENCE AT HOME AND
TRAGIC WAR ABROAD.

OUR NATION HAS SUFFERED THE TRAUMATIC EXPERIENCE OF
WHOLESALE CORRUPTION IN ITS NATIONAL LEADERSHIP.

AND, OUR NATION HAS GONE THROUGH AS ECONOMIC CRISIS SECOND ONLY
TO THE "GREAT DEPRESSION."

L THE VOICES OF DOUBT, DIVISION AND DISTRUST HAVE SUNG THEIR
DIRGE IN AMERICA LONG ENOUGH,

L IT IS TIME THAT A CHORUS OF CONFIDENCE, AWARE OF OUR NATION'S
UNEQUALED STRENGTH, SING OUT ACROSS THIS GREAT LAND.

L AND IT IS TIME THAT THE HELM OF NATIONAL LEADERSHIP BE PLACED
FIRMLY IN THE HANDS OF THOSE WHO HAVE HOPE AND OPTIMISM ABOUT
AMERICA -- PEOPLE WHO CAN RESTORE OUR ECONOMY TO HEALTH AND SHOW
ALL OF OUR PEOPLE THAT THIS IS THEIR GOVERNMENT AND THAT IT CAN BE
EFFECTIVE IN MEETING THEIR NEEDS.

Enough of this NO America, NO
We need to hear Go America Go!



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