

OPENING STATEMENT OF SENATOR HUBERT H. HUMPHREY
AMERICAN ENTERPRISE INSTITUTE FORUM ON ECONOMIC PLANNING

Washington, D. C.

April 1, 1976

All of us share the hope that the recent recovery of the American economy will continue.

But, when we make an assessment on a long-term basis, we are forced to confront certain harsh realities.

The U.S. economy is in trouble.

Unemployment levels are creeping higher and higher as recessions get worse.

Chronic inflation is decreasing our vigor.

Investment has not been strong enough to assure us a healthy growth in the future.

Between 1970 and 1975, the growth rate of the U.S. economy averaged only one and one-half percent as compared to a historical average of about four percent. Productivity improvement has dropped to half its traditional rate. Between 1970 and 1975, the country has lost a half trillion dollars in production.

But that's not all.

Small business and medium sized business face great difficulty in obtaining capital. Each year hundreds of business people -- not great titans of industry, but the smaller companies that constitute the backbone of American enterprise -- complain to me about their inability to flourish.

I believe these and many other reasons indicate that our economic system is threatened with some fundamental long-term problems that seriously threaten its vitality.

Let's not deceive ourselves about relying on the "natural law" of the market. Herbert Hoover did that with disastrous results. History is full of examples of what happens to a society when it sits on its hands.

I think the time has come for the American people to take a hand in straightening out their economy. And the place to begin is the Federal Government.

Let's face it, the Federal Government plays a dominant role in our economy.

I strongly favor the improvement of our own capability for managing our economic policies, and I have introduced legislation to do that. Some critics have mislabeled it as an attempt to plan the entire economy. That is not true.

What the legislation is intended to do is to coordinate the public economy so that the Federal Government, in conducting economic policy, does not stumble over its own shoelaces.

The public sector has a tremendous effect on the private economy. Over 25 percent of our national income passes through Federal hands, coming in as taxes and going out as Federal expenditures.

Beyond that, however, the national government maintains a number of regulatory functions that affect, in a very fundamental way, important sections of the economy, such as transportation, communications, ocean shipping, financial markets, and a variety of others.

The Federal Government plays a role as investor, as in the case of the space industry, which was financed entirely from Federal funds.

The Federal Government builds facilities on a substantial scale. Our Federal investment in interstate highways alone, in the past 20 years, has exceeded \$100 billion.

The Federal Government exercises a decisive effect on credit markets. It is a large borrower. It lends directly for many purposes. It guarantees loans on an extensive basis, primarily to housing. It regulates the supply of money.

The sad truth is that nobody bothers about coordinating this vast array of public programs, in terms of national objectives. We have made a beginning through the "Congressional Budget and Impoundment Control Act," which requires the Congress to set spending levels and consider them in relation to Federal receipts, but we need to go beyond that.

We need to have targets for our huge and diverse economy. We need to set priorities. We need to know where to place our major emphasis. The Federal Government is involved in our economy up to its ears. But it is involved in a chaotic way much of the time. The right hand doesn't know what the left hand is doing. This is harmful to our economy.

Most businessmen I know would very much like to have some longer-range perspective of our own economic development. As Professor Loentiev has often pointed out, they don't enjoy working in the dark, so far as other factors are concerned. They would like a clearer picture of the possibilities for U.S. economic development and the government's role in it.

And let's get one thing straight! I am not talking about government control of the private sector. Ours is a private enterprise economy and I intend to keep it that way. Our productive facilities are privately owned. Only a tiny part belongs to the government. No one is proposing to change that. We just want to give everyone some idea about where we might all be going together and in that way, permit everyone to share in prosperity.

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AMERICAN ECONOMY WILL CONTINUE.

BUT, WHEN WE MAKE AN ASSESSMENT ON A LONG-TERM BASIS, WE
ARE FORCED TO CONFRONT CERTAIN HARSH REALITIES,

L THE U.S. ECONOMY IS IN TROUBLE.

L UNEMPLOYMENT LEVELS ARE CREEPING HIGHER AND HIGHER AS
RECESSIONS GET WORSE.

L CHRONIC INFLATION IS DECREASING OUR VIGOR.

L INVESTMENT HAS NOT BEEN STRONG ENOUGH TO ASSURE US A
HEALTHY GROWTH IN THE FUTURE.

L BETWEEN 1970 AND 1975, THE GROWTH RATE OF THE U.S. ECONOMY
AVERAGED ONLY ONE AND ONE-HALF PERCENT AS COMPARED TO A HISTORICAL
AVERAGE OF ABOUT FOUR PERCENT.

PRODUCTIVITY IMPROVEMENT HAS DROPPED TO HALF ITS TRADITIONAL RATE,

BETWEEN 1970 AND 1975, THE COUNTRY HAS LOST A HALF TRILLION DOLLARS IN PRODUCTION.

BUT THAT'S NOT ALL.

SMALL BUSINESS AND MEDIUM SIZED BUSINESS FACE GREAT DIFFICULTY

IN OBTAINING CAPITAL. EACH YEAR, HUNDREDS OF BUSINESSPEOPLE -- NOT

GREAT TITANS OF INDUSTRY, BUT THE SMALLER, ^{Independent Businessmen} COMPANIES THAT CONSTITUTE

THE BACKBONE OF AMERICAN ENTERPRISE -- COMPLAIN TO ME ABOUT THEIR

INABILITY TO FLOURISH ^{and grow.}

I BELIEVE THESE AND MANY OTHER REASONS INDICATE THAT OUR ECONOMIC SYSTEM IS THREATENED WITH SOME FUNDAMENTAL LONG-TERM PROBLEMS THAT SERIOUSLY THREATEN ITS VITALITY.

LET'S NOT DECEIVE OURSELVES ABOUT RELYING ON THE "NATURAL LAW" OF THE MARKET.

HERBERT HOOVER DID THAT WITH DISASTROUS RESULTS. HISTORY IS FULL OF EXAMPLES OF WHAT HAPPENS TO A SOCIETY WHEN IT SITS ON ITS HANDS.

I THINK THE TIME HAS COME FOR THE AMERICAN PEOPLE TO TAKE A HAND IN STRAIGHTENING OUT THEIR ECONOMY. AND THE PLACE TO BEGIN IS THE FEDERAL GOVERNMENT.

LET'S FACE IT, THE FEDERAL GOVERNMENT PLAYS A DOMINANT ROLE IN OUR ECONOMY.

I STRONGLY FAVOR THE IMPROVEMENT OF OUR OWN CAPABILITY FOR MANAGING OUR ECONOMIC POLICIES, AND I HAVE INTRODUCED LEGISLATION TO DO THAT. SOME CRITICS HAVE MISLABELED IT AS AN ATTEMPT TO PLAN THE ENTIRE ECONOMY. THAT IS NOT TRUE.

WHAT THE LEGISLATION IS INTENDED TO DO IS TO COORDINATE
THE PUBLIC ECONOMY SO THAT THE FEDERAL GOVERNMENT, IN CONDUCTING
ECONOMIC POLICY, DOES NOT STUMBLE OVER ITS OWN SHOELACES.

L THE PUBLIC SECTOR HAS A TREMENDOUS EFFECT ON THE PRIVATE
ECONOMY. L OVER 25 PERCENT OF OUR NATIONAL INCOME PASSES THROUGH
FEDERAL HANDS, COMING IN AS TAXES AND GOING OUT AS FEDERAL
EXPENDITURES.

L BEYOND THAT, HOWEVER, THE NATIONAL GOVERNMENT MAINTAINS A
NUMBER OF REGULATORY FUNCTIONS THAT AFFECT, IN A VERY FUNDAMENTAL
WAY, IMPORTANT SECTIONS OF THE ECONOMY, SUCH AS TRANSPORTATION,
COMMUNICATIONS, OCEAN SHIPPING, FINANCIAL MARKETS, AND A VARIETY
OF OTHERS.

L THE FEDERAL GOVERNMENT PLAYS A ROLE AS INVESTOR, AS IN THE
CASE OF THE SPACE INDUSTRY, WHICH WAS FINANCED ENTIRELY FROM
FEDERAL FUNDS.

L THE FEDERAL GOVERNMENT BUILDS FACILITIES ON A SUBSTANTIAL
SCALE. OUR FEDERAL INVESTMENT IN INTERSTATE HIGHWAYS ALONE, IN
THE PAST 20 YEARS, HAS EXCEEDED \$100 BILLION.

L THE FEDERAL GOVERNMENT EXERCISES A DECISIVE EFFECT ON CREDIT
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VAST ARRAY OF PUBLIC PROGRAMS, IN TERMS OF NATIONAL OBJECTIVES.

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BUT WE NEED TO GO BEYOND THAT.

↳ WE NEED TO HAVE TARGETS FOR OUR HUGE AND DIVERSE ECONOMY,

↳ WE NEED TO SET PRIORITIES, ↳ WE NEED TO KNOW WHERE TO PLACE OUR

MAJOR EMPHASIS ↳ THE FEDERAL GOVERNMENT IS INVOLVED IN OUR

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MUCH OF THE TIME, ↳ THE RIGHT HAND DOESN'T KNOW WHAT THE LEFT

HAND IS DOING. ↳ ~~THIS IS HARMFUL TO OUR ECONOMY.~~

↳ MOST BUSINESSMEN I KNOW WOULD VERY MUCH LIKE TO HAVE SOME
LONGER-RANGE PERSPECTIVE OF OUR OWN ECONOMIC DEVELOPMENT.

AS PROFESSOR LEONTIEV HAS OFTEN POINTED OUT, THEY DON'T ENJOY
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WANT TO GIVE EVERYONE SOME IDEA ABOUT WHERE WE MIGHT ALL BE GOING
TOGETHER AND IN THAT WAY, PERMIT EVERYONE TO SHARE IN PROSPERITY.

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