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Nov. 1, 1961

Full Business

"THE INTERDEPENDENCE OF GOVERNMENT AND BUSINESS"

Address by Mark W. Cresap, Jr., President
Westinghouse Electric Corporation
Before Joint Meeting of George Washington University
and Harvard Business School Club
Washington, D. C., November 1, 1961

At the outset, gentlemen, let me express my great appreciation to Tom Carroll and Tom King for their invitation to meet with you tonight. The auspices of either George Washington University or the Harvard Business School Club would have been gratifying, but their joint sponsorship makes this occasion doubly pleasant for me.

Also at the outset, I want to make it clear that I speak here tonight for nobody but myself. Industry and government appear to be confronted with a grave problem, and I want to discuss this problem with you. But the views I express are my own, and any favorable or unfavorable reception they receive should be laid at my doorstep.

Appropriately for my topic tonight, I sense in this audience, with its representation of both government and business, a recognition of mutuality of interest, and perhaps of purpose. It is symbolic of my subject that on this very campus certain departments were combined to create the George Washington School of Government, Business and International Affairs.

I am troubled tonight by recurring reports that this mutuality of interest and purpose on the part of government and business is far from being as widely appreciated as it should. We read almost daily that a chasm is developing between government and business, that hostile

attitudes are spreading in both groups, that businessmen fear the Administration is "anti-business," while the Administration believes business is "anti-government."

In view of the times in which we are living, the mere prevalence of reports of growing hostility, true or not, heightens the need for a critical re-examination by both government and business of their attitudes toward each other.

Gentlemen, with the survival of freedom seriously challenged at this very time, with the renewed rumblings of nuclear explosions in our ears, with tremendous demands upon our economy to meet crucial needs at home and abroad, this is no time for either business or government to count up grievances, to fan lingering antagonisms, or to stimulate emotional distrusters, generated by real or fancied abuses of the past.

And quite apart from the tensions generated by the increasing pressure of Soviet words and acts, a posture of mutual suspicion between government and business is not healthy for American society. This is not to say that government and business should, or ever will, function completely free of friction. Some friction between business and government is as natural as friction between the President and Congress, between the States and the Federal government, and between employers and unions. As Justice Brandeis once said, the purpose of the separation of powers within the government "was not to avoid friction, but, by means of the inevitable friction incident to the distribution of the governmental powers among three departments, to save

the people from autocracy." These words apply just as much to the relationship of business and government as they do to relationships within the governmental structure. But, the natural frictions of our system of freedom should be contained within tolerable limits which are consistent with the overall good, and should not become hostilities and suspicions, poisoning the atmosphere of our public affairs.

Let me add that my concern over this problem, and the views which I express here on the climate of relations between government and business are in no sense those of an impartial or disinterested observer. I speak not as one who has viewed government-business relations from afar, with distant perspective or with the serenity of the academic hall, but as one who has been deeply engaged for the past two years in steering a major corporation through the tides of one of the most notable business-government episodes in modern American economic history. Also I speak from a background in small industry, in government service and now in a large business. This experience, past and recent, accords me some authority, I believe, to comment on the problem of government and business relations and the ability to at least partially appreciate its significance and challenge.

John J. McCloy recently suggested, in effect, to a business audience in California that in these dangerous days, business must become a partner of government, or there may be no business left. Attorney General Kennedy in a recent interview stated that business is the backbone of the American way of life, and that no American government could

long survive if it were hostile to business. I suggest that these statements comprise two sides of the same coin: more than ever before, government and business today are mutually dependent on each other for survival. And the sooner and more widely this stark truth is recognized by both business and government, the better for all of us.

It is not enough, of course, simply to express the need, however urgent, for greater understanding and cooperation in the light of the dangers before us all. We must try to understand the obstacles to a more effective collaboration between business and government, without regard for any sacred cows on either side. As a starter, we might try to comprehend where we stand today in a changing America and the nature of our dependence on each other.

The Jeffersonian concept of economic democracy was that business would be conducted by many relatively small owner-managers, each responsible primarily to himself. The regulator and controller would be competition among many small and individualistic units. The actions of any one unit would affect relatively few people and not society as a whole. This concept of the American economy as a market system of competing small enterprises may please the sentimentalists or adherents of a legendary folklore. It is no longer relevant.

The truth is that a substantial part of our economic activity is not conducted by such small, individualistic units. The growth of our population, the shift from a small-town, agricultural society to an urban, industrialized society, the complexities of advancing technology and the demands upon the economy have often required large aggregates of capital

labor and technology. Large nation-wide organizations have become essential in order to produce more and better goods, to institute more efficient systems of national and international distribution, to organize and conduct extensive research, to bring together skillful management of our resources. The emergence of the large, modern corporation thus has been not so much a result of economic planning or a particular philosophy, as a pragmatic answer that came about inevitably to satisfy the changing needs of our country. And few can contend that American business, copied and envied in almost every country in the world, including Communist countries, has not performed well its basic function of organizing and developing economic activity and distributing the fruits thereof.

With the enormous expansion of economic activity within single business firms, however, has come an inevitable corollary: the extension of responsibility and accountability of business to an enormously increased audience. Private enterprise certainly is no longer altogether private. Within the corporation, managers have a responsibility to hundreds of thousands of stockholders, tens or hundreds of thousand of employes, millions of consumers, hundreds of suppliers. This is a large "public" responsibility in itself.

Moreover, the decisions of large and medium-sized business firms today have an influence far beyond the confines of the firm itself. They both reflect and affect the economy, they can affect the social objectives of government, they are crucial to our national defense abilities, and they make their mark on our relations with other nations around the world.

In these circumstances, it has been inevitable that the people, through their government, would assume a larger influence over the economic units which so broadly affect them. Through a host of direct actions the government monitors, influences or regulates the conduct of business in myriads of ways - from fixing minimum wages to controlling the amount of money in circulation. More indirectly, the fiscal, monetary, defense, and foreign policies of the government pervade in one way or another almost every significant aspect of business life today.

Clearly then, we have arrived at a point where big business and big government are affected by and affect each other in almost all that either seeks to accomplish. There is little doubt that such interdependence will tend to become greater, that business and government will become still more intertwined. There is little gain for the country if either business or government pretends that their interests are not inter-related.

Some of our troubles, I suspect, stem from the failure to face the new world as it is today.

There are some in government who play upon emotions generated by business abuses of days long since past in an effort to stir up public distrust of business. I do not, of course, pretend that you cannot still find the occasional dramatic sorry episode or less-publicized examples of the rugged individualist who may not have an adequate sense of the public interest. I think, however, it cannot be denied that the business community generally has shown a growing concern with the health of the overall economy and with the preservation of freedom so that the

American people can derive the most benefits from the competitive quest for material progress. This has been attested to by Adolph A. Berle, Jr., one of the more energetic students of the corporation, who stated that: "After all, the Graduate School of Business Administration at Harvard...for thirty years has devoted itself to making businessmen into professionals instead of privateersmen, and toward making business the economic service-of-supply for American society instead of the simpler art of exploiting human need for private profit."

There is little doubt, on the other hand, that some businessmen manifest antagonism and disdain for almost everything governmental. They may prefer an era when government left business alone, but they cannot resurrect that era. And I would not resurrect it if I could. They certainly cannot cling to the viewpoint of a gentleman who many years ago said no one should "interfere with the divine right of stockholders." They have a lesson to learn from the pessimist who predicted that, with the advent of social security, private enterprise was doomed and we would quickly become a nation of faceless people, "all wearing dog tags." Like it or not, businessmen must accept the fact that government influence in our economy is not likely to decline and that the best interest of all concerned calls for business and government alike to try to work constructively within the new framework. Our "mixed economy" is not perfect, but it is the best man has yet devised - and it can be even better.

Both business and government need to understand that neither has a monopoly on virtue, wisdom, truth, efficiency, or concern for the welfare of the country and its people. I have seldom seen a generalization that is not part right and part wrong. Most businessmen are neither soulless, dripping with greed, nor unconcerned with human welfare. Most leaders of government are not petty tyrants, bungling bureaucrats, or power-hungry demagogues. But since man is incurably human, we should not be too surprised or shocked to find a few exceptions in both areas.

I think it is important to keep in mind the principle that those who praise the achievements of big business should not shrink from admitting its defects, or from working to correct them. And those who point to the defects of business should be candid enough to acknowledge its achievements, and careful not to obstruct or undo them.

In similar fashion, those who find fault with this or that action of government should view it in the context of the government's responsibilities as a whole. Before a businessman assumes that Washington is anti-business, he should reflect a moment. Is he thinking of the President, or of a cabinet member, a department, a minor bureau, or an individual? Is he thinking of Congress, or a Congressional committee, or an individual legislator? Is he thinking of the whole performance of government, or one incident which affected his firm or his industry? Has he considered whether the agency of government, even though troubling and irritating to him at the moment, was really

conscientiously trying to carry out a responsibility assigned by law?

There are few major problems of business or government which can be solved by either alone. The answers will not lie in leaving everything to government, or in leaving everything to business. Faster economic growth, curbs on inflation, new scientific and technological breakthroughs, development of more effective instruments of national defense to deter aggressors, a rise in the standards of living for underprivileged peoples around the world - all these are common problems and common objectives of industry and government. We must approach them with realism, with a minimum of harassment and suspicion and a maximum of mutual respect, so that both business and government can operate in a climate that permits each to make its own distinctive and most constructive contribution.

Henry Ford II said recently that America cannot "afford the ludicrous spectacle of old-fashioned guerilla warfare between business and government; certainly not in this moment of history. We need all the energy we can muster to fight Communist aggression without ceasing to uphold the things we in business believe are right. We have got to learn to live in decent dignity and mutual respect with our government."

The problems are in truth so crucial and complex we need to employ every resource of brain and effort, to search with an open mind for the most effective combinations of methods and means - private and public.

I do not suggest, of course, that government or business must be submissive to views which either believes do not represent the best

interest of the country. I do not suggest that cooperation will be a bed of roses for either government or business. I recognize that we have different emphases in purpose, in responsibility, in our constituencies, and we undoubtedly at times will have honest differences of opinions. But let these be honest differences among thoughtful and considerate men, not a reflection of blind self-interest, unrestrained ambition or emotional distrust. Let them be the healthy friction characterized by the statement of Justice Brandeis which I quoted a moment ago.

Neither business nor government will be wise enough to do all that we could or should for the betterment of our common welfare. But I believe these are precepts and directions toward which we should be moving, or else in these days our freedom to choose and move will be taken away from us.

I have spoken in generalities, to try briefly to set a scene and suggest some basic attitudes. Now I will risk a more dangerous course, and try to apply these principles in a quick commentary on some of the specific points of possible current friction.

First, the antitrust problem. I have noted that the electrical industry antitrust cases have been cited, in some reports, as one of the alleged current grievances of business against the government. Although it is somewhat painful for me to say so, I believe - and I am quite well-equipped to comment on this matter - that the government as a whole, and the government agencies in question, were carrying out in these cases the responsibilities assigned them by law. And I do not

believe that careful and responsible enforcement of the antitrust laws should subject the government to attack from business.

No one person agrees with all the decisions taken by the Courts and the administrative agencies in applying those laws, nor with all the proposals for their reform advanced in Congress. Certainly I do not. But I believe that an overwhelming American majority, to which I emphatically belong, supports the antitrust tradition as a powerful force in American economic and social life, helping to prevent monopoly from blighting the process of growth and effective competitive vigor, which are essential to innovation and every other form of progress.

I believe that the antitrust laws basically are good for business, that they are an essential feature of our system, and a declaration of the principle of competitive energy which should be the dominant working rule for every businessman worthy of his trust. My own conviction, I believe, is shared by other industrialists - such as Crawford H. Greenewalt, president of du Pont, who once stated regarding the antitrust laws, "We believe sincerely that such laws are good - that they are essential safeguards for our free, competitive economy."

I would add, of course, that it is a duty of political leaders to make certain that enforcement of the antitrust laws is in fact fair, responsible and constructive. In a period when the survival of freedom depends upon the most effective and cooperative performance of government and business, just as business executives have a deep responsibility for the highest ethical and legal standards, so do political leaders have a responsibility to resist temptations to indulge in hostile and fruitless

fishing expeditions, and in blanket and intemperate attacks on business primarily for political effect.

To those who are cynical, who believe that we regard the recent cases as a passing thundershower, let me transmit the assurance that this is not so. I cannot speak for other companies, of course, but I would suspect that the stunning impact of these cases would be similar to that in our own company. As a consequence of the Philadelphia cases, we have embarked on a series of measures, as meaningful as we can make them, to assure that nothing like this ever happens at Westinghouse in the future. We recognize, too, that strong policy directives, extensive educational programs, certificates and affidavits of compliance, and strict internal legal inspection, are not enough. It is essential, in plain words, that the head man impress on the organization his personal determination that he will tolerate no improper conduct.

I might add that in our program we are going beyond the strict instructions, careful administrative procedures and other somewhat negative but necessary features, in an effort to make the aftermath of our experience a constructive one for our company and for its people. We are undertaking a positive program of education and training with the intention of bringing home to all employes the realization that the vigorous kind of competitive initiative in business called for by the antitrust laws should greatly serve our company's long-run interests; that, properly understood, it should give them a renewed sense of purpose and achievement in their work, and make their work more challenging, more creative and more satisfying.

A great lesson has been learned. Corrective measures have been instituted. It seems to me at this point in time that the interests of the country will be served not by unending recrimination on either side, but rather by pushing progressively forward to realize the exciting achievements the electrical industry is capable of making. Furthermore, it is of the highest importance that we act quickly and cooperatively to achieve the great potential contributions of the electrical manufacturing industry to the defense and security of the free world.

Gentlemen, the electrical manufacturing industry today is at the threshold of remarkable and exciting new technological developments - advances which will contribute greatly, more so than we would have dreamed a few years ago, to our standards of living, to our national defense, and to the progress of underprivileged peoples throughout the world. It would be a grave loss to this country and to the world if the ability to realize these achievements were impaired by political harassment which only again rakes over the past and does not serve the vigorous enforcement of existing antitrust statutes. In these vital and critical times, there is nothing to gain but much to lose, by an undue preoccupation with the past either on the part of our government or on the part of our industry.

I hardly need recite to you, I think, the distinguished achievements of the electrical manufacturing industry.

As a nation we produce seven times the goods and services today that we did in 1900 but with less physical effort largely because of high quantities of cheap electric power.

Our health has been improved by X-ray diagnostic and therapy equipment that detects disease and prolongs life, and just recently by ever-vigilant cardiac pacers that watch over patients and stimulate faltering hearts.

It was the electrical industry...indeed, I am proud to say, my own company...that pioneered in the conversion of sea water to fresh water to meet a growing problem in our own and many foreign lands. Further, we have under development a fuel-free generator powered only by the sun. We hope it can free millions of people in underdeveloped, arid and high cost fuel areas from the drudgery of hand irrigation and from consequent poverty.

It is the electrical manufacturing industry which under the leadership of our Government and our Defense Department developed the jet engine in this country and the radar warning systems which encircle our nation. It was this industry which, working with far-sighted and brilliantly technical military and government people, developed the reactors for the Nautilus and other submarines and ships of our advanced nuclear Navy, and the guidance and communications systems for our missiles and space craft. Now, in a partnership of government and industry, it has embarked on the development of the nuclear powered vehicles that many scientists believe are the greatest hope for the ultimate conquest of space. And it is the electrical manufacturing industry that in its laboratories is developing the exotic new power sources that will sustain life in the months-long journeys to the planets.

But underlying these more spectacular contributions is an economic fact-of-life startling in its aloneness in our era of ever-higher costs of living. The electric power that does all these indispensable things is cheaper than it was in 1900. The average cost of a kilowatt-hour of electricity today is 1.69 cents compared to about 3 cents in 1900... even though the cost of living has increased 275 per cent in these years. What has made this remarkable achievement possible is the fundamental and continuing research and engineering programs which result in lower-cost electric power by improving the basic means by which electricity is generated and distributed.

With respect to antitrust problems more generally, I would like to make two quick points. The first is that government must recognize that there are forms of bigness in business which do not involve the dangers of monopoly. Bigness becomes a problem of public policy only when it approaches a monopoly position, or when its economic power is used unfairly against the rights and interests of others. Bigness can be a result of superior competitive performance in research, production, or marketing - not unfair or illegal practices. The country may have much to gain from such superior performance. And the government should maintain a rule of reason which permits such large units to survive and prosper and render still greater service to the people.

Second, it would be most helpful if the subject of identical prices could be brought into proper focus. Identical prices are not a new phenomenon, nor are they a passing circumstance. They have been a characteristic feature of our economy for many years and will continue

to be so in the future. The evidence of this is widespread, as any citizen can find when he patronizes the corner newsstand, his nearby filling station, the neighborhood supermarket or department store. Identical prices are everywhere about us, and are an inevitable result of free competition in meeting the lowest price found in the market place. They cannot be wiped from the American scene unless there is a drastic change in the basic competitive process which the antitrust laws themselves are designed to foster and protect.

No sensible person would argue that all identical prices are necessarily lawful or in the public interest any more than he could properly say the same thing with respect to non-identical prices. Likewise, no one can properly object to careful scrutiny, study and analysis of identical bids designed to discover and take appropriate corrective action with regard to those cases which may not be in compliance with the law. Given, however, the inevitability of identical prices and the fact that they do arise from free competition, a heavy responsibility rests upon all to insure that public statements do not automatically equate the presence of identical prices with wrong-doing.

In my opinion, relations between government and business will be helped if the channels of communication are kept open both ways; if business and government genuinely seek to understand the viewpoint of the other - particularly in areas which are or can be sensitive and susceptible to misunderstanding and antagonism.

It is my personal opinion that we in business, rather than assuming a posture of distant animosity towards those charged with governing the country, should cooperate with government officials by presenting the

business viewpoint in the process of the formulation of government policy as it affects business. Granted this may not always prove fruitful, in the long run the country will benefit, an objective to which none of us would assign anything but the highest priority.

For its part, government has an obligation, I believe, to expose itself to the business viewpoint - in fact, actively to seek it. In this connection, the following recent statement by Attorney General Kennedy is pertinent:

"We're always here and glad to consult with lawyers or with businessmen, as we have done continuously...We welcome suggestions, we welcome ideas - criticism of our methods, of our procedures, will be carefully studied, and I trust we shall improve."

I believe this statement was made with sincerity, and I believe businessmen should present their suggestions, their ideas and their criticisms. I make this observation even though we are involved in law suits brought by the Attorney General - law suits we necessarily intend to defend with utmost vigor.

In conclusion, gentlemen, as I look at some of the alleged grievances which are said to be hampering government-business relations today, I do not believe that hostility is justified on either side. And as I weigh the alleged sources of friction against the need and the opportunity for constructive and cooperative effort at a time of threatened emergency, the supposed irritations become pale indeed.

President Kennedy alerted the nation to the scope of the problem on October 12 when he told a University of North Carolina convocation:

"We are destined, all of us here today, to live out most, if not all, of our lives in uncertainty and challenge and peril."

This, then, is no time for animosity between government and business. Our country needs a strong, forward-looking, effective government to help guide the free world through these perilous times. It needs strong, financially-healthy, highly-productive business to support that government.

The United States is in a battle for survival. In this battle, businessmen must make their contribution toward the solution of the critical problems posed to us as a nation. Every American businessman is a citizen; and he has certain citizenship obligations. Among these is vision broad enough to encompass the problems of the government, of the nation, and of the world; to understand America's place in the free world and our relationship with the underprivileged countries of the world, and our relationship with those who threaten our way of life.

And the people in government, for their part, must widen their vision to understand business and its problems, to recognize American business as one of the nation's most powerful assets, and to provide the climate and environment which will permit business to flourish.

In today's period of peril and challenge, it would be imbecilic to engage in internecine warfare. Government is not the enemy of business; business is not the enemy of government. There is only one enemy, and we know who it is.

Thank you.

File [1968 Campaign]
Businessman

From: Murray L. Silberstein

To: Charles Bolte, Chairman, Writers for Kennedy

Subject: Remarks before a business group

You have heard me described as a captive of labor, as the prisoner of the left wing of the Democratic party, as the willing tool of the machine politicians, as the hapless envoy of the Catholic Church, and as a weak and obedient son. Even my brother Bobby is reputed to give me orders. Well. . . I am here to assure you that I am no one's flunkie. I have not been snared or captured by any group or any one. While I say all this with a smile, I am in deadly earnest. And I am in deadly earnest because I believe that if America is to survive, it will require the imaginative use of all our human resources; business and labor. . . liberal and conservative. . . Protestants, Catholics and Jews, on this continent as well as in Europe, Asia, Latin America and Africa. No man who is the prisoner of a single group can rally this support; no man who is blind to the needs of any group can expect to lead them effectively in the fight for survival.

I have come here today to discuss our mutual problems. I have come here to suggest some solutions, but in making these proposals, I do not pretend that I or my supporters have all the answers. I do not pretend that we possess the only wisdom. We welcome your help. We want your assistance.

I should like to begin by pointing out that the economic problems of the sixties are going to be much different than those of the fifties. Whereas inflation seemed to some to be the big threat in the fifties, almost no one from Per Jacobsen, Managing Director, International Monetary Fund, to William McChesney Martin is now disturbed by this possibility. Lower prices, not higher prices; unemployment, not full employment; surpluses, not scarcities; narrower profit margins, not wider, and recession, not excess prosperity are our current fears. To these, we may add rising competition from our allies in Europe and Asia, and intensified economic warfare with the Russians. New weapons must be found to enable us to meet the new challenges. The simple devices of manipulating the interest rates, and lowering the bank reserves will not suffice. The problems are tough, and the solutions will be tougher. Hackneyed and trite proposals will not do. To survive we must be alert and we must be imaginative.

A story may help to illustrate the point. As you know, in New England we like cod, and we like it fresh. Sea captains have always vied with one another in the effort to bring in the freshest fish. One skipper was more successful than all the others. No matter what they

tried, none of the others ever succeeded in bringing in cod as fresh as his. Some tried freezing; some tried salting; some tried other means of preserving the fish once they were caught. But all to no avail. Finally the skipper who had always bested the others was ready to retire. His rivals went to him and said, "Will you tell us your secret now? You are retiring. You have no sons, and it will make no difference to you." "Well," he answered, "I don't mind. You see all of you would stun and kill the cod as soon as they were caught. I didn't. I threw them live into a large tank. In that tank I kept a small shark, and while I would lose one or two cod to the shark, the rest would sure stay on their toes."

As I see it, the threats to our survival are complacency and a failure to use our resources effectively. If at the Olympics, for example, we had not used our Negro athletes, the defeat we suffered would have been resoundingly worse.

Many of the business men to whom I talk don't see the problem in this light. They blame our worsening world economic position on our high wage rates. They say we could afford these rates in the past. When the rest of the world was not as industrialized as the U. S., high wage rates were not so serious a problem. But now, when low wage rates are combined with high productivity elsewhere in the world, the challenge is too severe.

But think if you will of the coal industry. Its wage rates are the highest in the U. S., and yet it has competed successfully with producers in Europe in spite of its high rates. The reason: because of its high wage rates, it was forced to mechanize and automate, and this process raised its efficiency to the point where it could lay down coal in Europe at competitive prices.

It is my belief that American industry. . .perhaps in large part because of unimaginative tax laws and incentives. . .has been too slow to modernize its plant and equipment. While Europe and Japan now possess spanking new industrial complexes, a large part of U. S. industry is operating with equipment that is 25 - 30 years old. Just as no large American corporation can afford to use a photo-copy machine that is 4 - 5 years old because new developments have made it obsolete, so we cannot afford to use machine tools that are 20 years old and remain competitive.

In the effort to modernize our plant and equipment (and I am aware that our economic health may rest on this effort), my administration would help. It would help by providing a favorable investment climate. It would help by revising the depreciation laws. It would help by providing incentives to install the latest and most modern equipment.

I am keenly aware, as you must be, that many of our industries are operating far below capacity. Too high a percentage of our people are unemployed. This unused capacity, this drag on our resources means that our national income is not so high as it could be. To this extent, our

ability to aid our allies and the undeveloped nations is cut. Pious handwringing will not change the facts. But we need not accept this condition as unalterable. It is in this area that the partnership between business and government can be most effective. It is by imaginative cooperation that my administration hopes to achieve its goal of faster growth for America.

An example of what I mean is provided by the West German government. After the war, it was apparent that low cost housing and shipbuilding were two dire needs. The government therefore allowed all corporations to invest in these areas and deduct the investments from current income. All of the investment was returned tax free, after which the corporation continued to own an income producing asset on which it paid normal taxes. Once the need for ships was satisfied, the government withdrew the tax incentive for investments in this area.

Such flexible and imaginative use of tax incentives could also be used here to stimulate investments in desirable projects. Some of the cash rich oil companies might, by this device, be induced to invest their funds in projects that would stimulate the construction and steel industries.

In brief, we will not fear to use the power of the government. We will not wring our hands and say nothing can be done. The nip of friendly competition is growing more severe, the bite of economic warfare is intensifying. If we would remain alive, we must remain on our toes. Some of our people may fail or fall before the competition. . . for them we would push and support a depressed areas bill providing subsidies, similar to that vetoed by Eisenhower. . .but if we do not give way to complacency, if we understand the nature of the challenge, if we are imaginative, most of us will survive.

Joe Fowler

1. Look Article -
Unit - Partnership
2. Private investment
in Latin American
3. Role of direct
investment of Am
Companies -
4. Condensation of
big business not
implied in support
of small business -
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[1964?]

Longest sustained period of peacetime economic growth in U.S. history -

Profitable partnership between business and government -
Climate of trust & mutual understanding - We have sought a climate in which all Americans, regardless of income level, occupation, race or creed can prosper and move forward -

LBJ - sense of vision, wisdom, understanding to preserve the profitable partnership between government and business -

What is needed in this country is more people that talk about our country and less people that talk about our sections. We need people that understand that policies of our government are directed toward the total national welfare and national prosperity - But to make this vision of the great society a reality, we must have sound, practical common sense in political and economic policy - we must have a cooperative and creative partnership between government and business -

LBJ & Dem come before you with a record of faith in American private enterprise, a demonstrated knowledge of its dynamics & needs, and a mature understanding of the role of government participating constructively in a free, private economy.

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vigorous & expanding American economy -
coordinated, sophisticated and flexible use of all policy
instruments available to the Fed govt to eliminate
recession & promote economic growth - plus - the courage
wisdom and skill of Amer put enterprise in taking
full advantage of this favorable business climate -
Govt must constantly recognize - sharing of incentives -
available credit, tax incentives, exports, massive
investment regime -

When the power

remove internat'l
trade barriers / knowledge of
foreign markets

of large corporations is used to restrain the
competition of dynamic medium and small-sized
firms, govt must act - not to oppose monopoly nor
to punish bigness for its own sake, but to encourage
free, productive competition -

In this role of creative and constructive
partnership, govt must always recognize the
legitimacy of reasonable profits for businessmen.
Profits are rewards for successful risk-taking,
ingenuity, and hard work -

In carrying out a successful partnership, government
must make plans, just as any sensible businessman
plans for the future.

American society should not be a planned society, but it
ought to be a continuously planning society -

3-NHIT

planning & innovation by both government and business -

In a free society the need for consensus between business and government, between government and the community is critical -

But govt should not merely oppose monopoly it must concentrate on encouraging competition. We do not want to limit the growth of large firms that can offer better and cheaper products to consumers -

shattered the myth of hostility toward business by the D. party - drop this destructive mythology -

International - creative action of a progressive private sector -

In Latin America, an area of primary concern to me, I note that it is increasingly recognized that foreign private investment - as many previously skeptical Latin Americans have now learned after experimenting with swollen inefficient state business corporations - is absolutely essential both to increase the productivity of a country and to develop an efficient industrial and agricultural sector. With the strong encouragement of the U.S. govt - for example through investment guarantees and tax credits - Amer. business can continue to provide leadership in building a strong private sector - not only in Latin American countries - but in Asia & Africa as well -

4-HHH

If we are not to be eclipsed by our friends in Europe and overtaken by the hostile power of communism, we, too, must move hard and fast.

Help U.S. firms selling overseas — principally thru
cost guarantees of medium-term credit — an area
in which Europe has been outstripping us for
several years —

I would prefer to add a subtitle to the
antitrust division — "pro-competitive" —

The most successful method of preventing
monopoly has been and continues to be
growth of markets —

[1964]

ALTERNATE INTRODUCTION

I read just last week in one of your fine New York newspapers that a man named Humphrey stated: "Directly or indirectly, business provides the necessities of life...food, clothing health, and professional services. It also pays for education, for symphony orchestras, literature, paintings, and music. And it pays for the government".

The Humphrey thus quoted was one named George, and so far, I agree with him about the role business plays in our lives. So far... but no further, by George.

For I cannot agree with him that under a Goldwater Administration business will be able to do those things better than under a Johnson Administration. And I'll prove it.

I cannot agree that a Goldwater Administration will help business increase productivity, reduce unemployment, upgrade the unskilled worker, eliminate pockets of poverty, expand world markets, solve problems created by automation, stimulate capital spending, raise living standards, and widen profit margins. And I will prove that.

Finally, I disagree emphatically with any notions that Barry Goldwater has demonstrated, by word or deed, any capacity for instilling that magic ingredient, confidence, into the business sector, or the banking community, or the stock market.

Quite the contrary. I believe his economics are fuzzy; his public business record is barren; he frightens prudent business leaders; and his election would be a disaster to the economy, shaking not only the prosperity of this nation, but the political strength of the free world which rests, in large part, on the economic well-being of the United States.
And I will prove that.

— me

Sta
Fradel

QUESTION: In a recent, well-publicized speech at South Bend, Indiana, the Republican Vice-Presidential candidate criticized the Administration for its efforts to reduce tariffs in certain areas. What is the Administration's position on Tariffs?

ANSWER:

First, may I say that this Administration has not... and will not...agree to reduction of tariffs on incoming goods which will throw large numbers of American workers out of a job, as we've been charged.

Second, where tariffs have been cut on incoming products, the American consumer has been helped by lower prices; and at the same time, American industry has been aided because these reciprocal tariff cuts have opened up vast overseas markets for our manufactured goods.

Finally, I happen to agree with an editorial written after the Temporary Vice-Spokesman's tariff criticism. I'd like to read you the first few paragraphs of that editorial, and before the newspaper is condemned for "misrepresentation", and "sensation-seeking", and "not caring about the Republican Party", may I tell you that this editorial appeared in The Wall Street Journal:

Full SD
Business
man

REVIEW and OUTLOOK

Memories of McKinley

As a rising young Congressman, William McKinley often played on the fears of the factory workers among his constituents, warning them that tariff reductions could cost them their jobs.

The economics of this argument were open to question, but politically it certainly worked. In the process it also got the Republicans labeled the party of protectionism.

We thought times had changed, but maybe not. Anyway, the other day another young GOP Congressman was standing on the courthouse steps warning industrial South Bend, Ind., that lower tariffs would lead to rising unemployment. The protectionist in this case was William Miller, the Republicans' choice for Vice President.

Perhaps the high-tariff argument will once again prove to be good politics but its economics are, if anything, worse than they were in McKinley's day. In the present world, protection in the long run can damage almost everybody.

Consumers don't even have to wait for the long run; they get hurt right away. A tariff is nothing more than a hidden tax on their purchases, forcing them to pay higher prices whether they buy imported goods or domestic products.

*Sta
Frankel*

Question: Why is it that perhaps for the first time in this century, the business community is switching to the Democratic column and voting for LBJ and you?

Answer: First, of all, businessmen are reasonable people and they have every pragmatic reason in the world for looking favorably upon this Administration's business record. National output has climbed to another peak. Unemployment is down. Employment is up. Retail volume is bigger than ever before. Incomes are rising. Profits have been jumping from one new high to another. Labor is working longer hours and collecting more overtime pay. Wholesale prices are stable. Productivity is continuing to climb in the midst of higher wages and higher profits, and this means the ability to consume and to invest is rising much faster than living costs which have only been edging up. Living standards by any measurement are going up, and not measured by statistics but of extreme importance is the fact that the quality of our consumer goods continues to improve.

Second, and perhaps even more important than these pragmatic reasons, businessmen have come to trust President Johnson. He understands their problems, whether the business is big or small. He recognizes that economic well-being is the underpinning of our strength, our happiness, and even our freedom. He will continue to challenge the abuses which take place in all areas of our lives,

continued.....

including business, but he will not punish the many for the indiscretions of a very, very few. More than that, the present Administration is dedicated to providing the best possible economic climate for the growth and prosperity of American business. Corporation Tax cuts, depreciation allowances, encouragement in world markets, stability of the dollar...are all specific proof of this Administration's desire to help and not to harrass the business community.

[Oct 2, 1964]

File SD
Businessman

This is a political speech. In part, but I assure you only in part, it is a partisan political speech. In this autumn of 1964 we are engaged in a partisan political campaign in which I have the honor to be the candidate of the Democratic party for the Vice Presidency. I am proud of the record of the Democratic party and of this administration and I am naturally partisan with respect to that record. I make no apology for that position but I note it for the record.

In a broader sense, however, this speech is political because it deals with the American political economy. The American College Dictionary gives "political economy" as an exact synonym for "economics" which it defines as "the science treating of the production, distribution, and consumption of goods and services, or the material welfare of mankind". I prefer the term "political economy" because it seems to me to recognize that man is a political being and his economics is naturally influenced by his political beliefs and by policies shaped by both the public and private sectors of the country in which he lives.

My primary purpose in this speech, therefore, is to report on the state of the American political economy and to tell you of the attitude of the Democratic party - of this administration - toward this political economy. To accomplish this purpose I begin with some facts. These facts are not controversial although some of their implications may be.

In terms of almost every measure used by economists the American economy today is operating at the highest level ever attained and it is expected to go to even higher levels in the coming months.

1. The Gross National Product, our most comprehensive measure of the state of the economy, was running at an annual rate of \$619 billion in the second quarter of this year. The third quarter figure and the annual figure for 1964 will both be higher. The rate of gain over 1963 is

running better than 7 per cent. We have had some mild price rise in the past year, but adjusting for that, the real rate of gain has been a most impressive 5 per cent plus.

2. Industrial production is about 6 per cent larger than at this time last year and 11 per cent larger than two years ago. It is up 28 per cent from the recession low in early 1961.

3. Total employment in August was more than 72 million persons, 1.5 million more than in August, 1963. In actual numbers, employment in August was 7.5 million higher than in February, 1961, the low point of the last recession and also a seasonally low point. After allowance for that low seasonal, total employment in August was about 4 million larger than at the 1961 low.

4. In July, hourly earnings in manufacturing averaged \$2.53, 3.3 per cent higher than a year earlier and 6.3 per cent more than two years ago. Weekly earnings averaged more than \$102, up almost \$4 from July, 1963.

5. In the second quarter of 1964, the annual rate of corporate profits before taxes was \$6 billion higher than a year earlier, and after taxes the annual rate was \$5 billion higher. Common stock prices in September were 15.1 per cent ahead of a year ago and 44.5 per cent higher than two years ago.

6. Wholesale prices are actually lower than they were at the trough of the recession in early 1961, are lower than a year ago, and about even with two years ago. Consumer prices are up about 1 per cent from last year.

To these six points could be added many others, all showing an impressive record for the American economy - a high rate of growth, a high level of employment and great price stability. But impressive as this record

is, it should be better and we all must work to make it better. There are four black marks against the record.

1. Unemployment still is unconscionably high even though it has been reduced substantially. The latest figures show 3.6 million unemployed. The number is 500,000 smaller than a year ago and 2 million smaller than in February, 1961. This, coupled with the employment gains I noted earlier, is encouraging but it is not good enough and we have to do better.

2. Agriculture has not shared equitably in the great economic gains that have been registered. Farm productivity has risen very sharply and American farm production has been one of the wonders of the modern world. But the adjustment problem in agriculture has been severe; we have not solved the farm problem and we must do better with it also.

3. A large segment of our people outside of agriculture have not shared equitably in the prosperity of recent years. Appalachia, the iron ranges of my own State, southern Illinois, and other chronically depressed areas do not know directly that the American economy is operating at the highest level in history. We are making a start on this problem but we have a lot of work ahead of us on it also.

4. And finally, we still face a balance of payments problem. Here again we have made progress and we should be encouraged. But we have work to do here also.

As you can see, I have tried to give you a balanced picture of the state of the American economy today. The plusses are many and impressive; the minuses are few but highly important. We may take pride in our achievements but we must be humble about the things we have not done as well as we should have.

Let us now look a bit more closely at the American economic record over a longer period of time. Here my partisanship will be evident since I believe that certain types of Government policy and attitude are more conducive to a strong economy than others are.

I noted that the rate of increase in Gross National Product from second quarter 1963 to second quarter 1964 was 7 per cent. In dollar terms that works out to \$41 billion. Virtually all of that gain was the reflection of non-Federal Government expenditures. Private consumption rose \$24 billion, private investment (including construction) rose \$7 billion, and state and local government expenditures rose almost \$6 billion. Federal Government spending in this period grew only \$3 billion or only 1/14 of the total, and about two-thirds of this amount represented increased defense expenditures.

Over the ten years, 1954-1964, the Gross National Product will show a gain of about \$260 billion in current dollars - that is, with price changes counted in the total. Adjusting for price changes, that is, valuing each year's output in terms of 1963 prices, the gain shrinks to about \$180 billion in real terms.

In the six years, 1954-1960, the dollar gain was \$140 billion and the real gain \$90 billion. In the four years, 1960-1964, the dollar gain will be \$120 billion, the real gain a bit more than \$90 billion.

In other words, in the four years of this administration the same amount of real gain was achieved as was achieved in the six previous years. You might say that the American economy brought down to net about 50 per cent more on the average in the last four years than in the previous six.

Now let me note that I am aware that 1954 and 1960 were recession years as well as Republican years. But comparing 1960 with 1954 gives a more favorable picture of the six-year change than 1953-59 or 1955-61. Obviously,

with a boom going on now the 1964 figures are favorable with respect to the 1960 recession year. But this, I submit, is not an unfair comparison simply because we have no recession year to point to during this administration.

I turn now to another aspect of the longer term economic record. The latest figures show the population of the United States is almost 192 million people, almost 30 million more people than were here in 1954 and 11 million more than in 1960. The latest figures also show personal income running at an annual rate of \$491 billion - \$200 billion more than in 1954 and \$90 billion more than in 1960.

Each person in the United States today, on the average, has an annual income of \$2,555 - some \$770 larger than in 1954 and \$335 more than in 1960. Per capita personal taxes (these are all taxes, not merely income taxes) in 1954 were a bit more than \$200. That year, as noted, was a recession year; they were higher in 1953 and in 1955. In 1960 per capita personal taxes were \$285, higher than in 1959 and just a shade lower than in 1961. In 1963, per capita taxes were \$325 but currently are running below \$300.

Now note these points. Per capita taxes in 1960 were more than \$80 higher than in 1954. In 1963 they were \$40 higher than in 1960. But today they are running \$30 less than in 1963 and only \$11 more than in 1960. Here can be seen some real impact of the tax cut put through by this administration. And what is even more impressive is the fact that per capita income after taxes rose \$355 from 1954 to 1960, six years; and \$325 from 1960 to the present, four years.

If we adjust these figures for price changes - that is, treat them all as if they were 1963 purchasing power dollars - we find that per capita income after taxes in real terms rose \$200 from 1954 to 1960 and \$235 from 1960 to the present. This, I submit, is significant. It reflects the growth with stability characteristic of the past four years.

Honest men can, of course, differ as to the reasons for our excellent record of economic growth over the past four years. They also can differ as to whether that record was excellent in view of the four black marks I cited earlier. But while I recognize the shortfalls and wish the record had been even better, I believe we have achieved a great deal. In my opinion the principal reasons for that achievement are:

The great dynamic strength of the American free enterprise system.

The thoughtful and statesmanlike approach to costs, prices and wages on the part of management and labor.

Wise governmental policies and skillful execution of those policies in the fiscal and monetary fields.

I need say little about the first factor - the American system of free enterprise. I merely quote from the Democratic platform of 1964 to indicate what we think of this system.

"The American free enterprise system is one of the great achievements of the human mind and spirit. It has developed by a combination of the energetic efforts of workingmen and women, bold private initiative, the profit motive and wise public policy, until it is now the productive marvel of mankind."

.....

"It is the national purpose, and our commitment, to continue this expansion of the American economy toward its potential, without a recession, with continued stability, and with an extension of the benefits of this growth and prosperity to those who have not fully shared in them."

This administration takes pride in the record of the American economy, in its rapid growth with stable prices, in its high employment at good wages, in its growing profits which underpin its rising investment. This administration believes that wise public economic policy is to interfere as little as possible with the course of the private sector, that the goal of public economic policy is to spread the fruits of prosperity widely and that such will produce even greater material gains for all of us. We will work to help

the economy grow even faster and absorb in gainful employment all those who can and want to work. We believe that the new poverty program will be a benefit not only to those it affects directly but to the entire economy. We believe in fostering more education for this growing complexity of economic endeavor, that education is the surest and most profitable investment a nation can make. We have faith in the free enterprise system and we want to encourage it to bring even greater growth in the future.

Equally little comment is necessary on the second factor - the statesmanlike approach of management and labor to costs, prices and wages. Here the record speaks for itself. Productivity has risen and, in general, wage increases have been kept in line with productivity increases over the past four years. Prices have been stable - more stable than in any other country in the world. Unit costs have held even or have fallen and have made American industry strongly competitive in all markets of the world.

Again I quote from the 1964 Democratic platform:

"Our enviable record of price stability must be maintained - through sound fiscal and monetary policies and the encouragement of responsible private wage-and-price policies. Stability is essential to protect our citizens - particularly the retired and handicapped - from the ravages of inflation. It is also essential to maintain confidence in the American dollar; this confidence has been restored in the past four years through sound policies."

The third factor - wise governmental policies and their skillful execution in the fiscal and monetary fields - calls for more detailed comment. I begin with the balance of payments problem.

As is well known now, the United States has run a balance of payments deficit every year since 1950, with the single exception of 1957. The deficits were modest and not particularly serious in the early and mid-1950's, but beginning with 1958 they became large and serious. The average deficit for the three years, 1958-1960, was \$3.7 billion and for the three years,

1961-1963, was \$2.4 billion.

My time is too limited for a detailed analysis of our payments balance, and, in any event, much has been written or said about it. I want to make just three basic points concerning it.

First, the deficits have not been the result of unwise trade policy nor of inefficient production. Our balance on goods and services, our trade balance, has been consistently favorable. Currently that favorable balance is on the order of \$6 to \$6.5 billion, a very impressive figure. This reflects what I noted earlier, the strong competitive position of the American economy with its rising productivity and stable prices and costs.

The deficits have reflected mainly the outflows of long and short term capital and our overseas military and economic aid programs. We always could have balanced our accounts by sharply curtailing the military and aid programs and/or by putting direct restrictions on capital movements. These would hardly have been in keeping with other important objectives, however; our commitments to the defense of the free world and our own national interests, and our desire for growing multilateral world trade and our preeminent world position as banker and financier. Thus our deficits reflected more our position of free world leadership rather than our economic weakness.

Second, even though the deficits were primarily a reflection of our economic and financial strength, we were in the position of borrowing short and spending or lending long. While only a great financial power can do this successfully, even a power like the United States has to be prudent about its liquidity position and has to maintain confidence in its currency. Even the strongest bank can experience a run and good assets that are not liquid cannot be employed to meet demand obligations. Even the strongest financial power cannot run international deficits forever simply because its cash reserve position will eventually run short and its creditors will lose confidence.

Third, the state of the domestic economy in 1960 and 1961 called for an expansionary policy, our favorable trade balance did not require a contractionary policy on imports, and yet the capital outflow needed to be slowed down.

The policies we followed are well known. The President made crystal clear to the world that the dollar would not be devalued. The Treasury and the Federal Reserve System exercised great skill in financing the deficit, restoring and then maintaining confidence in the dollar, staunching the outflow of short term funds and improving the payments balance. Working together, the Treasury and the Federal Reserve kept short term interest rates competitive so as to attract short term funds or at least not repel them and at the same time the Federal Reserve maintained a free flow of money and credit for the domestic economy with very little increase in long term interest rates.

This administration pursued policies designed to moderate the deficit insofar as it reflected overseas military and economic aid programs by cutting the net drain on the military side and increasing the amount of tied aid. It also proposed the just enacted interest equalization tax to cut down the volume of long term foreign borrowings in our capital markets.

Taken altogether, these programs made substantial inroads on the payments deficit. The programs have been moderate and orderly and effective. These coupled with the steady growth of American exports have made the problem less severe today than it was even a year ago. But we have to keep working at it and I can promise you that this administration will keep working at it.

The Democratic platform notes that continued expansion of the American economy, with continued stability "will require continuation of flexible and innovative fiscal, monetary, and debt-management policies, recognizing the importance of low interest rates." This administration agrees with

Chairman Martin of the Federal Reserve System when he says he favors the lowest interest rates possible consonant with the health of the American economy. It recognizes that a flexible monetary policy is vital to the continued health of the economy, that flexibility may lead to changes in interest rates and that we cannot pursue an isolationist monetary policy any more than we can pursue an isolationist foreign policy.

The other facet of our fiscal program has been tax policy. In 1962, a tax credit of 7 per cent on new investment in machinery and equipment was included in the Revenue Act of that year. Also in that year the Treasury revised its depreciation guidelines for tax purposes. These programs helped stimulate investment, a key element in economic growth.

This year has witnessed the passage of an \$11.5 billion tax cut for individuals and corporations, another great stimulative program for the economy. That proposal, made some time ago by the administration was prudently debated at length by the Congress before it was passed. Currently it is providing additional strength for the economic expansion now in its 42nd month.

The 1964 Democratic platform states:

"We will seek further tax reduction - and in the process we need to remove inequities in our present tax laws. In particular we should carefully review all our excise taxes and eliminate those that are obsolete. Consideration should be given to the development of fiscal policies which would provide revenue sources to hard-pressed State and local governments to assist them with their responsibilities."

The key to sound fiscal policy is moderation and responsibility. Secretary Dillon said in a recent speech, "In the conduct of economic policy, moderation is no vice - it is an absolute and virtuous necessity". The Democratic platform states we will seek further tax reduction; it does not promise automatic decreases irrespective of events. It believes that responsible fiscal policy cannot possibly promise tax reductions of stated amounts

each year for a long period of years in the future. But this administration did propose the tax reduction just enacted when that course seemed both desirable and prudent. It will seek further tax reductions as conditions warrant them and as prudence indicates they can be enacted with benefit to the economy.

I close by noting that as 1964 draws to a close we can look with pride, tempered by humility, on the economic record of the past four years. We have followed practical and flexible and prudent policies and have seen this great American economy powered by its freedom and enterprise surpass all previous records. We have faith in its future and our programs attest to that faith.

John Stewart

October 17, 1964

To: Senator Hubert H. Humphrey

From: Patrick J. O'Connor

cc: Bill Connell, John Stewart, John Hoving

Background Memorandum on Associated Industries of Massachusetts (A.I.M.)
Annual Banquet, Boston, October 22

This association was formed in 1915. It presently has a membership of 2300 firms, employing 85 per cent of all persons connected with the manufacturing industry in Massachusetts. This amounts to 34 per cent (over 500,000) of total employment in Massachusetts. This organization, when formed, was an ultra-conservative group. Today it would be classified as a moderate business group that has cooperated with the Democratic administration in Massachusetts. It will be a friendly group.

The present president of A.I.M. is C. Robert Yeager, president of the L. G. Balfour Company (largest manufacturer of college and high school class rings in the United States). Yeager, age 56, is politically astute, a native of Kentucky raised in North Carolina and educated at the University of Kentucky.

The paid executive director of the Association for a number of years has been Robert A. Chadbourne. This is the dominant active business organization in New England and their membership has been growing steadily. This is the largest business meeting held annually in New England. Their association magazine has a circulation of 10,000.

The Senator is going to be presented with the "Paul Revere Award". This is a plaque signed by the governor of the state given to the recipient because

of his national public service. The wording on the plaque is well drafted. This is a recent award originated by the Association in 1961. Seven awards have been given to date. The first award went to Governor Peabody and other awards have gone to Senator Goldwater, President Johnson (he received his at last year's annual dinner) and Terry Sanford of North Carolina. In the past years the governor of the state has always presented the award on behalf of the Association. It is contemplated this time that Mrs. Ted Kennedy will present the award to you.

TV, Radio and Press Coverage Relating to the Speech at the Banquet
Before the Association

The Association has a public relations paid staff man named John Gould. I have spent some time with him and believe that he is quite competent. He handled the public relations for last year's annual banquet when Vice-President Lyndon Johnson was the honored guest. Mr. Gould, working together with Jerry Soderberg, John Hoving, and the rest of us, has the following work in progress:

1. Over three hundred representatives of newspapers in Massachusetts, Rhode Island and Maine have been invited to attend the function. Hospitality and press quarters have been provided for these people. Press kits have also been provided.
2. The managers of all TV stations have been contacted and their reporters will be present.

3. The press conference will be scheduled at 5:30 p.m., will be taped and re-run on the stations. Note: Press conference must be terminated by 5:50 p.m. at the latest in order for media to meet their deadlines.
4. The bureau heads of AP and UPI have been contacted and their representatives will be present. Gould says that this assures ample coverage in the New England states.
5. The Association has assurance from the New York Times, Business Week and Wall Street Journal that their representatives will attend the banquet.
6. The leading radio station (WNAC) has an all-news round-up daily from 6:15 to 7:00 p.m. This has a wide range of listeners. The radio is willing to devote their ten minutes of political news (6:45 - 6:55) to you. This, however, would require a taping during the first part of your rest period. Soderberg should be advised if you are willing to do this.
7. The Association's trade journal will carry a big story on the banquet complete with pictures. Hoving and Gould will work this out.
8. Hoving and Gould will also follow through on getting editorials placed in various newspapers in New England concerning the speech.

Attached to this memorandum is factual data about the activities of the A.I.M. and their efforts to cooperate with government which you may wish to comment on, or compliment A.I.M. on, in the course of your speech. This material is being sent to John Stewart and John Hoving with that thought in mind.

I am also attaching to this memorandum some comments of chief advance man, Jerry Soderberg, which you will probably want to read prior

to your visit to Boston on the 22nd.

Also attached is a tentative schedule of your Boston appearances which were prepared as of midnight, Friday, October 16, and a copy of a letter put out by Citizens for Johnson-Humphrey relating to the airport rally.

Factual Data About Activities of A.I.M. that Senator may wish to
Comment on, or Compliment A.I.M. on, in
the Course of his Speech

This organization, when formed in 1915, was an ultra-conservative group. The association stayed that way for many years, in fact, into the early 1950's. The organization is now a moderate group. It has changed as the political situation has shifted toward the Democrats in Massachusetts.

In recent years they have been involved in some very progressive legislation which has brought about some very beneficial results in the state.

I would like to comment on two phases of their legislative activity:

1. Unemployment Compensation Fund. In 1962 the Unemployment Compensation Fund was at a financially dangerously low point. This situation left the employers with two alternatives: (a) the fund would have to be taken over by the federal government, or (b) the employers would have to come up with the necessary money to make the Fund financially sound. The A.I.M. chose the latter course and proposed legislation increasing the Unemployment Compensation payments. This legislation was passed and the fund is now on a solid financial basis.
2. Repeal of the Corporate Excess Tax. For many years Massachusetts had the Corporate Excess Tax law which acted as a deterrent to new business located in the state. A.I.M. proposed the repeal of the Corporate Excess Tax and further proposed an increase in the tangible property tax on tools and equipment. In this way the state would recoup the revenue loss caused by the repeal of the Excess Tax. Working with members of the state legislature, these proposals were enacted into law. This legislation has been a leading factor in bringing new industry into the state. According to the Federal Reserve Bank of Boston,

within a year of the passage of the Act new investment and replacement of tools and equipment in the state was in excess of \$289,000,000 where prior to that time new investment and replacement figures were less than \$225,000,000 annually.

If any of this material can be used in the speech and more substantiating data is required the following people should be contacted:

1. Walter P. Muther, Legislative counsel, Associated Industries of Massachusetts, 2206 John Hancock Building, Boston, Massachusetts. Telephone: HA 6-0033.
2. John Gould, same address and telephone as above.

Thursday, October 22

4:30 p.m. Arrive airport
4:45 p.m. Leave airport - motorcade
5:20 p.m. Arrive Hotel Statler
5:30 p.m. Press conference Statler (Mezzanine Floor)
5:45 p.m. To room (rest and dress for A.I.M. banquet)
6:50 p.m. A.I.M. Reception (Head table leaves at 7:00)
7:00 p.m. Citizens for J & H Reception (Pres. Club Reception)
8:00 p.m. Associated Industries of Mass. Banquet
8:30 p.m. Speech (introduction - one minute - Mrs. Kennedy)
9:00 p.m. Speech over - leave
9:15 p.m. Leave hotel
9:30 p.m. Arrive Boston Arena
10:00 p.m. Speech
10:30 p.m. Leave Arena
11:00 p.m. Arrive G & G
11:30 p.m. Leave G & G
12:00 p.m. Arrive Statler Hotel

Friday, October 23

9:00 a.m. Cushing
10:00 a.m. Kennedy - 30 minutes

Citizens for JOHNSON-HUMPHREY

120 Tremont Street • Boston • Massachusetts

Telephone HUBbard 2-4690

October 16, 1964

Dear Friend:

As you undoubtedly know, Senator Hubert H. Humphrey, the Democratic candidate for Vice President of the United States, will make his only official visit to the Greater Boston Area on Thursday, October 22, at 4 p.m.

The Senator will be greeted at the airport by leading supporters throughout Massachusetts. These ceremonies will be held at the Maintenance Hangar of American Airlines, located in the north-eastern section of the airport.

We extend a most cordial invitation to you to be a special guest at this reception. The enclosed badge, when displayed on your coat, will entitle you to enter a special reserved section at the reception.

We strongly urge your support and participation in these ceremonies which will honor a great American and a leader of the Democratic party.

Sincerely,

THE HUMPHREY RECEPTION COMMITTEE

Hon. John W. McCormack, Speaker
U.S. House of Representatives

Hon. Edward M. Kennedy
U.S. Senate

Hon. Endicott Peabody
Governor

Hon. Francis X. Bellotti
Lieut. Governor

Hon. Thomas P. O'Neil, Jr.
U.S. House of Representatives

Hon. John F. Collins, Mayor
City of Boston

Thomas D. Cabot, Chairman
Citizens for Johnson-Humphrey

BACKGROUND DATA

There are two economic issues that are very important in the Boston area. They are (1) the Boston Navy Yard and (2) the NASA Lab site.

The Navy Yard is in Congressman Thomas P. O'Neill's District and represents a sizeable voting block both to him personally and to Senator Ted Kennedy because his late brother always made it an issue and always kept it from being closed. Needless to say, the Administration is making no decision on this until after the election but it is feared that when the decision comes it will be to phase it out.

The NASA Lab site is supposed to be put in a 42-acre industrial area in Kendall Square in Cambridge. The Government plans to close the Army's Watertown arsenal by 1967. Many people feel that the NASA site should be in Watertown which is only ten minutes away.

This research center has always stirred controversy and NASA had to restudy and justify its need in early '63. This lab is one of the projects that Senator Ted Kennedy promised would be kept.

The Kendall Square section is presently an industrial complex representing 94 companies and they have formed into what is called the Committee for the Preservation of Cambridge Industries. They are seeking a court injunction to block the city's application for Federal planning funds. One of the movers behind this organization is John J. Brennan, Jr., Vice President of Electronics Corporation of America. Mr. Brennan who is also a member of Associated Industries of Massachusetts has made a very good case on why this should not go into the Kendall Square area. The NASA people still feel that Kendall Square is better than the Watertown Arsenal site because of its closeness to M.I.T. and Harvard. M.I.T. has officially kept its hands off but has been very anxious to get the center in the Kendall Square area. There is however a lot of business support in Massachusetts about keeping it out.

[Oct 22? 1964]

(1)

Boston Businessmen

The businessmen of Massachusetts should know better than anyone else that this Administration is ~~friendly to the business~~^s working for a prosperity in which business can grow and thrive .

~~Industry~~

Only this year, ~~in the last session~~ the Congress, sparked by the drive of President Johnson, passed legi^slation which will help your cotton textile industries, *and the communities which depend on these industries.* ~~This cotton legislation is designed to help the cotton~~

As you know, this cotton legislation was part of President Kennedy's program to help the textile industry, and President Johnson gave it his vigorous support.

Let me assure you, here and now, that we are hard at work on programs to help the wool textile industry also, and we ^{hope to} ~~are talking to other wool-textile~~ ~~producing countries as a step toward~~ stabilizing^e wool imports at reasonable levels.

Let me give you another example of what we have accomplished. We ~~have~~ gave

~~give~~ a big boost to the fishing industry by passing the new Commercial Fisheries Research and Development program, a program that ~~will~~ is helping build modern fishing boats, opening up more job opportunities in our shipyards and enabling American fishermen to use the ~~latest~~ most up-to-date equipment in their competition with other countries.

~~And your Massachusetts industries are going to get a tremendous lift from the space center to be built here. You already have~~

You already have a tremendous reservoir of scientific and technical know-how here in this area. The new space center to be built here will add a vast new dimension to the economy of this area as you participate in America's progress in space.

These examples I have given you indicate that this Administration is deeply interested and concerned about ^{business} ~~the~~ prosperity and business welfare here in Massachusetts and in New England.

~~But I want to make it crystal clear that this Administration has a sincere understanding and appreciation for the problems and welfare of business.~~

Judging from the tremendous support that President Johnson has received from the business world ^{all over this country,} it is clear that the old ~~suspicion~~ and distrust that have characterized the relations between business and government are being dissipated.

~~the~~ ^{to the nation} President Johnson has proved that he understands the problems of business, that he is friendly to business, and that his Administration is good for business.

And I think it's fair to say that the business community respects ~~this~~ ~~the~~ ~~business community~~ this Administration, that the business community appreciates the high purpose and practical accomplishments of President Johnson.

I am happy to see this mutual respect between business and government, and I hope it will grow even stronger.

All of us need to remember that ~~this~~ private enterprise is the life force in our economy — that all of us suffer when the American economy lags and sags below its full potential. [¶] Only with a dynamic, ~~growing~~ growing economy can we fulfill our role as world leader, as a bulwark of the free world. Only with a dynamic, growing economy can we ~~much~~ fully meet the ~~needs of our people~~ demands of our fellow citizens for a rising standard of living in a "great society" which provides essential public services as well as opportunities for private affluence.

That was a major reason for the 11½ billion dollar tax cut which President Johnson ~~pushed through Congress~~ ^{supported and} _{< passed} earlier this year. This tax cut is already giving the needed shot in the arm to our economy. ~~And, as in the case of the 1964 tax cut, it is a major reason for the success of the Kennedy-Johnson Administration.~~

~~businessmen and consumers, it is a major reason for the success of the Kennedy-Johnson Administration.~~

And mind you, this tax cut in 1964 was in addition to our trail-blazing action in 1962 to liberalize business depreciation and to allow an investment tax credit.

Let me remind you also that President Johnson has insisted on a thoroughly business-like administration of government programs and government funds. ~~Now~~

Now people may make their little jokes about turning out the lights in the White House. But, believe me, this is a symbol of cost-consciousness. It is a symbol of war on waste in the federal government. President Johnson is determined that the American taxpayer is going to get a full dollar's worth of government services for every tax dollar spent.

So what? you may ask. What are the results of the Kennedy-Johnson Administration? How has business fared during the last four years?

For 44 straight months of the Kennedy-Johnson Administration, business has been expanding steadily ... employment has been rising steadily ... and incomes have been growing steadily.

In the past 100 years, there have been only two ~~peacetime business expansion~~ periods of peacetime business expansion that lasted more than three years. The average business expansion lasted ~~hardly~~ just over two years. And yet, soon ~~now~~ we will be in our fourth year of this present economic expansion.

Yes, incredible as it may seem to you, the Kennedy-Johnson Administration ~~of~~ will be the first peacetime Administration in the history of the United States without a recession or depress. By contrast, in the previous eight years, there were three recessions — in 1953-5⁴8, in 1957-58, and in 1960.

But it is not simply the four-year duration of prosperity that is unparalleled in our history. It is also the extent of our economic gains. During the four-years of the Kennedy - Johnson Administration, the rise in real output of ~~goods~~ goods and services — screening out all price changes -- is more than the entire rise in real output of the preceding eight years.

average annual

And if you look at the growth rate, you find that it rose to 4.1 percent ^{four} in the Kennedy-Johnson years -- way up from the ~~average~~ growth rate of 2.7 ~~and~~ percent during the previous eight years.

These percentages gains mean bigger profits for business and better living for our people. During last last $3\frac{1}{2}$ years the annual after-tax income per capita for every man, woman, and child in the United States has gone up by \$320. That makes a gain of more than \$1,200 a year in added purchasing power for a family of four.

~~And~~ In these same $3\frac{1}{2}$ years American business has received the biggest profits in history and America's mighty private enterprise system responded by creating five million additional non-farm jobs. ~~and paying an additional~~
~~60 billion dollars in wages and salaries~~

This is not "paper prosperity". It is not ^{a phony, feverish} prosperity based on inflation.

~~Business prices are no higher today than they were~~

The average level of whole sale prices is no higher today than it was when President Kennedy took office almost four years ago. And the average level of consumer prices has gone up only 1 percent a year -- a better record of price stability than that of any other leading industrial nation.

These achievements — prosperity and price stability — did not come about solely as a result of government action, of course. For these achievements we are ~~also~~ indebted to the initiative, the enterprise, the genius of American businessmen and to the skill and energy of American workers.

~~Furthermore~~

~~And also, for our prosperity, for our expanding economy, we are indebted to the imagination and ability of our scientists and engineers, to the vision of the bankers and investors who finance economic growth~~

But the policies of the federal government have ~~may~~ played a ^{vital}~~crucial~~ important role .

For the first time in history, federal fiscal policy — the impact of taxes and government spending — ^{has}~~have~~ been joined to an effective cost-cutting program to multiply the value of the federal dollar. / And We have had a steady, stable expansion of the money supply.

Yes, the Kennedy-Johnson Administration has ^{wisely}~~used~~ fiscal policy and monetary policy to guide our economic progress, to help the ~~the~~ business community achieve health, well-balanced, non-inflationary growth.

Yes, this Democratic leadership, the Democratic Party, ^{too} often wrongly billed

as the enemy of business — has proved itself to be the true friend of business
by giving this nation the best and soundest ~~most~~ prosperity every achieved in
history.

[Oct 22/1964]

MATERIAL FOR SENATOR HUMPHREY'S BOSTON SPEECH

Introduction

(to be inserted on "The Happy Warrior.")

Government-Business Relations

No one who studies the record carefully can deny that the Johnson Administration understands business, that it has been friendly to business, and that it has been good for business. And judging by the public and private outpouring of business support throughout the land for President Johnson in this campaign, I think it's fair to say that business increasingly understands the Administration, is friendly to it, and is good for it.

What heartens me -- and surely would hearten you -- about this growing mutual respect between business and government is that it is built on a foundation of solid rock, not running sand. This is no passing phase or fancy -- no superficial "Be-kind-to-business" or "Be-kind-to-the-President" month -- but is solidly rooted

- first, in deep convictions about the proper roles of Government and free enterprise in our economy;
- second, in hard economic reasoning applied to the changing demands of our great and growing American economy.

Both of these points are so important that they deserve a further word.

Preserving and strengthening the free market has been and will continue to be a cardinal objective of this Administration's economic policies. For only by relying on the freedom and dynamism of private enterprise -- the unshackling and strengthening of the private sector of the economy by this year's great tax reduction is a prime example -- can America attain rising standards of well-being for its citizens and build the sinews of world leadership.

So the pursuit of policies for expansion that have created such a favorable environment for business are anchored in deep philosophy. But they are also anchored in a frank recognition of the economic facts of life.

In the second half of the fifties, we suffered an intolerable slowdown in the rate of growth of our economy, alarming balance-of-payments deficits, and a gold hemorrhage. To restore our growth rate (and I might note the annual growth rate during these 4 years doubled that of the previous 8 years) and to restore our international competitive position and confidence in the dollar (and I might note that we have cut our payments deficit in half and reversed the outflow of gold) we had to have higher levels of investment, of innovation, and of technological advance. We had

to restore the incentives, invigorate the creative spirit, promote the more efficient flow of investable funds, and bolster the product markets that combine to create a healthy environment for business expansion and modernization.

And the record shows, unmistakably, that we did -- that we successfully translated words into action through

- our trail-blazing actions in 1962 to liberalize depreciation and provide a tax credits for investment;
- The revenue Act of 1964, which completes a 1/5 cut in corporate income tax liabilities side by side with a 1/5 cut in individual liabilities -- and at last makes government a junior, rather than a senior partner in your businesses;
- our continuing efforts to maintain the ready availability of long-term credit at stable interest rates;
- our successful efforts to maintain stable prices;
- our new programs to assist in the development of export markets and restore world confidence in the dollar.

There is another factor which, I am sure, has played an important role in the renewed confidence of business in government. For business likes a business-like administration of government programs and funds. And that's precisely what we have had.

People like to have their little jokes about turning out lights in the White House. But, believe me, this is a symbol of a new spirit of cost-consciousness, of a war on waste in the Federal Government. I say to American citizens: never have so many received so much for so few dollars invested in Federal programs.

I am not talking about a government which pinches pennies where human needs are concerned. But I am talking about a government that recognizes that saved pennies mount into saved dollars, and a President who demands a dollar's value for a dollar spent.

(If you want to put in more on frugality and the shrinking ratios of expenditures and debt to GNP, it is contained in the attached Item 11 "Federal Spending" of our Economic Issues series.)

The record of prosperity

I have said that our policies for business prosperity converted talk into action. But the final test, after all, is results. And we are passing this test with flying colors.

For 44 straight months of the Kennedy-Johnson Administration business has been steadily expanding, employment has been steadily rising, incomes have been steadily growing.

In the last century there have been only 2 peacetime expansions of business that lasted more than 3 years. The average expansion lasted barely over 2 years. Yet, soon we'll be in our 4th year of this expansion.

The Kennedy-Johnson Administration of 1960-64 will be the first peacetime Administration in history unmarred by recession or depression. By contrast, the last Administration watched recessions develop in 1953-54, 1957-58, and 1960.

And it is not only the duration of prosperity that is unparalleled, it is also the extent of our gains. During the 4 years of this Administration the rise in real output (screening out all price changes) will exceed the entire rise in real output of the preceding 8 years!

Even when put on a percentage basis, the corresponding annual percentage gains are 2.7% for 1952 to 1960 and 4.1% for 1960 to 1964. And in the past 4 quarters, we have stepped up the pace to 4.6% -- for a \$40 billion advance in GNP in a single year.

These gains translate into better living for almost every citizen:

- During the first 3-1/2 years of the present Administration, average weekly earnings in manufacturing have advanced \$14, or by 15-1/2%.
- Over the same period the annual after-tax income per capita for every man, woman, and child in the United States has advanced by \$320.
- For a family of 4, this is an average gain of nearly \$1,300 in less than 4 years -- or nearly \$1,000 in current purchasing power after correcting for price changes.

These gains in the economic welfare of individuals have come side-by-side with history's greatest gains in the profits of business. Recognizing that profits are an engine of progress, this Administration has contributed to the spectacular increase in corporate profits after taxes -- \$13 billion, or 67%, in just 3-1/2 years.

And America's mighty private enterprise system has responded by creating new jobs and boosting take-home pay. We have gained 5 million additional nonfarm jobs since the beginning of this Administration. The unemployment rate -- which was 6.8% of the labor force in the first quarter of 1961 -- fell to 5.1% in the quarter just ended. And wages and salaries, after taxes, grew by nearly \$60 billion.

But Senator Goldwater says that our prosperity is false and artificial. It is hard to know what he means.

Surely ours is not a prosperity based on inflation.

- The average level of wholesale prices is no higher today than it was when President Kennedy took office almost 4 years ago.
- The average level of consumer prices -- mainly reflecting the higher cost of services -- has risen at the rate of about 1% a year, a better record of stability than that of any leading industrial nation.

Nor is our prosperity based on a speculative buildup of unsold stocks. Moderation has been the watchword of business policy as of government policy. The ratio of inventories to sales has been steadily falling.

Nor is there an unsound expansion of credit. Our money supply has been rising less rapidly than our production of goods and services. The ratio of total public and private debt to our gross national product last year was exactly the same as in 1940.

Surely, the only unsound thing about our prosperity is Senator Goldwater's attack on it.

We should take a moment to consider the sources of this unparalleled prosperity. It is not the work of an all-wise government. It has rested, as always, on the genius of the American business manager and the skill

and energy of the American worker -- both of them prodded by opportunities for superior gains from superior performance. Our prosperity has engaged the imagination of our scientists and engineers, the vision of our bankers and investors, the willingness of communities to provide and expand the public services essential to a modern, complex society and economy.

More specifically, business and labor have contributed to the health of the current expansion by restraint and moderation in wage and price policies. Business has been more than ever cautious to cut costs and to avoid excesses in inventories and in plant and equipment, yet responsive to opportunities for sound and profitable investment.

But Federal policy, too, has played a crucial role. For the first time in history, Federal fiscal policy has combined a rigorous economy and efficiency in the administration of public services with due attention to the impact of the budget and taxation on the private economy. A deliberate but steady and controlled expansionary influence has been exercised not only through fiscal but through monetary policy. There has been no repetition of the sharp budget turnarounds and the sudden shifts to tight money that cut off previous expansions. Nor will there be so long as business expansion remains healthy, well-balanced, and noninflationary.

A major contribution has come from the tax policies of the past 4 years which have played a key part in providing the climate and the expansionary fuel for a sustained prosperity.

The Democratic Party -- billed as the enemy of business -- has given this Nation and its business community our best and soundest peacetime prosperity.

New England's share in our prosperity

And New England shared fully in these gains.

- . Personal income per person was \$301 higher last year than in 1960. This is a rise of 2.9% a year -- or 3-1/2 times the rise experienced in the preceding 4 years, and a bigger rise than in the Nation as a whole.
- . Employment outside of agriculture is up by over 100,000 jobs from 1960 to 1963, over twice the increase than in the preceding 4 years, and unemployment is very much improved -- though still not as low as it should be.
- . And New England industry has participated in the excellent profit gains of the economy, which have lifted profits by 64% since the beginning of 1961.

This improvement in New England's prosperity is the result of the combined efforts of private industry and wise Government policy.

The 1964 tax cut is adding mightily to New England purchasing power. When it is fully effective, it will

- . generate an increase in total incomes of \$1.9 billion,
- . cut New England's tax withholding payments by \$528 million,
- . cut the typical family's withholding by \$130.

In addition, this Administration has worked hard to help New England's industries. The Democratic Party has been devoted to strengthening the position of the American textile industry, and we cite with pride in our Platform that our leadership created a parity program which provides American cotton to American factories at the same price at which this vital commodity is exported to foreign processors.

As you know, this was a key point in President Kennedy's seven-point program to help the textile industry, vigorously carried forward by President Johnson. We are now hard at work to help restore the wool textiles industry to good health and have been talking to other wool-textile producing countries to stabilize imports at reasonable levels.

We are also looking forward to improved condition in your fishing industry through the Commercial Fisheries Research and Development Act, enacted by this Congress, which is a major aid to the construction of modern fishing vessels in our shipyards, providing our fishermen with the latest equipment to compete with other countries.

And we are very pleased that our space program will be able to draw on your area's immense concentration of scientific and technical know-how through the space center to be built here.

Ours is a dynamic economy, with rapid technical progress and changing skill needs. This Administration's Retraining Program gave

11,000 New England workers new skills last year.

And as we look ahead hopefully to the possibility of some easing of the arms race, you can be sure that this Administration will act effectively to ease the adjustments for defense-dependent industries, for both labor and capital. We shall do our utmost to preserve the general prosperity that will permit the labor and capital released from military uses to be used in constructive civilian purposes. And we shall devise additional means to keep the human costs of the change-over just as low as possible.

But we shall never spend one cent for armaments that is not required for our national security.

Conclusion

(Again, to be supplied on "The Happy Warrior.")

File - Businessmen

1681 Stone Canyon Road
Los Angeles 24, California
21 September 1964

Honorable Hubert H. Humphrey
United States Senate
Washington, D. C.



My dear Senator:

I welcome the chance to submit ideas for your campaign to you and John G. Stewart. While it is impractical to try to write speeches from across the continent without knowing your strategy and objectives, I think I can suggest a few approaches which might be useful to you, at least as far as appealing to the business community is concerned.

business

One of the grave hazards which a liberal encounters in dealing with businessmen (and I speak from personal experience) is the inference of overthrowing empirical experience and principles derived from experience. The liberal is a man who sees society changing and wishes to accommodate to that change. The conservative is one who sees the need for stability and order, as it has been experienced. In this sense, the businessman is primarily a conservative. But in another sense, the businessman is paid to deal with changing conditions in markets, production, and society generally. The psychology of the business community is, therefore, an ambivalent one. It seeks adjustment in the midst of order.

This rather abstract statement of the problem is much more profound than appears casually, because it tells you that a liberal can appeal to the businessman to make specific adjustments to change, as long as he does not advocate change in principle. The genius of President Johnson is that he intuitively understands this approach, for he appears to sustain the principles of a free enterprise system while making specific adjustments to it, like eliminating "islands of poverty." The difficulty of President Kennedy with the business community was that he appeared, as in the steel price issue which shook the stock market, to be changing the rules of the game; that is, attacking the principle of free market price which management believes to be part of the American system.

Honorable Hubert H. Humphrey

21 September 1964

The reason businessmen will respond sympathetically to specific changes, while abhorring changes in principle, stems from the complexity of the management process. In my field of marketing alone, we have identified 400 explicit or implicit marketing decisions which must be made with each marketing action, such as selling a product. The total structure of management decisions which must be implemented each day numbers several thousand. Most of these decisions are made in the framework of boundary conditions, stated as policy, practice, and procedure, based upon experience. They are the "rules of the game." They enable management to delegate decisions and run the show with predictable results.

Therefore, businessmen rely heavily on the "rules of the game" to run their enterprises, and they deal with change through management by exception. That is, other things being equal by reason of experience and the rules of the game, they can make a modest adjustment to change in price, wages, or public policy with empirically knowable results.

With this somewhat pedantic but necessary introduction, let me now present the key issue of this campaign as I see it. Goldwater's appeal is primarily to a subconscious, irrational expression of principles, fundamentals, and traditional "rules of the game." Thus, though he is running behind in the polls today, a major crisis or a major threat to the old principles could conceivably create a rapid emotional shift in his support. His support today is from the more nostalgic and irrational segment of those who rely on traditional principles. The more thinking and sophisticated business executive realizes that this Republican campaign is too static, negative, and over-simplified to be in touch with the real world. Yet most businessmen probably also have subconsciously a nostalgia for the kind of world which Goldwater describes. This is what makes me believe that any threat to the "rules of the game" at this point could convert many subconscious nostalgias to votes for Goldwater. Therefore, I see the key issue of the campaign as convincing the electorate which party can best maintain order in the midst of change.

You are already addressing yourself to this theme by reiterating the need for "responsibility" in the Executive, largely in the military sphere. But there is more that could be done positively in addressing the business community (which I take to be the small businessmen, the farmers, and the large body of corporate managers). I think you can prove that this Administration has done more for business and economic progress than any other administration, including Republican, in the past thirty years. You can show that this has been done without disturbing the "rules of the game" and with great benefit to consumers and labor alike. The accomplishments include:

Honorable Hubert H. Humphrey

21 September 1964

1. Sustaining a long business cycle upturn without inflation or without credit restraint. (The Republican administration restrained credit and cut off a boom.)
2. A corporate income tax cut, the first in thirty years.
3. Relaxation of depreciation schedules which has stimulated investment and modernization.
4. Operating a counter-cyclical and responsible fiscal policy.
5. Moderating the balance of payments difficulties which emerged in the Republican administration.
6. Nurturing one of the longest construction cycles in the history of the country.
7. Encouraging an equitable distribution of productivity gains between labor, consumer and management.
8. Upholding the free enterprise system as our principal instrument of economic progress, by dealing with specific problems like unemployment and poverty by educational efforts to make the labor force more skilled and productive.

I believe that points like these, which I have not yet heard in the campaign, are to be strongly pronounced in a great Movement of the Center, for they benefit business, consumer and labor alike.

Similarly, the great danger of this campaign is that someone may make a faux pas which staggers the business community by implying a "liberal" change in basic principles. Some of the main precepts which the business community holds dear are:

1. A sound fiscal policy and balanced budget.
2. The gold standard and balanced international payments.
3. Free market prices.
4. Integrity of private property rights.
5. A prudent and sound monetary system, which is orderly and does not necessarily mean low interest rates.
6. Thrift and the encouragement of savings.

Honorable Hubert H. Humphrey

21 September 1964

7. Capital investment as the means of productivity and progress.
8. Rewards for enterprise and risk-taking.

As long as principles like these are not threatened, businessmen will go along with specific adjustments to change. There have been notable examples of faux pas in the past which have appeared to threaten these "rules of the game." President Kennedy's steel price crisis was one. Another was the statement by Heller, when business reacted against a tax cut while there was a federal deficit, that thrift and a balanced budget were antiquated "Puritanism." That gratuitous statement appeared to mean that a change in principles about savings and fiscal policy was contemplated. A third faux pas was the depreciation tax credit, which implied that the rules of the game on depreciation (business' largest single source of capital) would be arbitrarily changed by government. Longer ago, in the early fifties, the unbegging of the government bond market without adequate warning and explanation caused chaotic reactions on Wall Street because established "rules of the game" were whimsically wiped away.

In summary, I think that extreme care must be exercised in the campaign to avoid any implication that business principles or "rules of the game" are threatened. If this should happen, a wide swing to Goldwater is possible. On the positive side, I think a great deal can be said to prove that this Administration has helped the economy, business and labor alike, more than any other in thirty years.

If I can do anything further to clarify these points, or help develop them for the campaign, please feel free to call on me. I would be glad to help you again in a personal way, as I did some years ago in Minneapolis.

Sincerely yours,



Stahrl W. Edmunds

Speech Files
Businessmen
COPY

October 5, 1964

Mr. Leon S. Theil
Chairman, Public Relations
Republicans and Independents
for Johnson, Inc.
8 West 40th Street
New York, N. Y. 10018

Dear Mr. Theil:

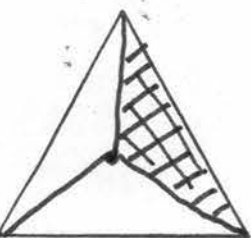
Many thanks for bringing to my attention Senator Humphrey's remarks delivered to the Republicans and Independents for Johnson, Inc.

We are glad to have this material for our records. However, I would leave to your discretion whether any further distribution of this material would be necessary. We are quite hard pressed at present to keep the Senator in speech material. I am sure you can understand why.

Best wishes.

Sincerely,

John G. Stewart
Research Director



"All that is necessary for the forces of evil to triumph in this world is for enough good men to do nothing."
EDMUND BURKE

NATIONAL COMMITTEE REPUBLICANS and INDEPENDENTS for JOHNSON, Inc.

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LaGrange
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Chicago

RECEIVED
SEP 29 1964

September 25, 1964

Mr. John Stewart
c/o Sen. Hubert H. Humphrey
Room 1313
New Senate Office Building
Washington, D. C.

Dear Mr. Stewart:

When I spoke to Ejler Ravenholt at the Americana Thursday night, before Senator Humphrey addressed this organization at breakfast this morning, he told me that you were heading up the speech-writing group.

I thought that you might care to have a copy of our transcript of the Senator's remarks for record and for future reference, since he spoke without prepared text before him.

Please let us know if you want additional copies. We have circulated this to local newspapers, wire services, news magazines, and to our own groups across the country.

In addition, may I submit to you, also enclosed, some thoughts that might possibly fit into the hopper for some of the future speeches of Senator Humphrey?

Sincerely yours,

Leon S. Theil
Leon S. Theil

Chairman,
Public Relations,
R.I.J.

LST:hs

Encl.

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New York City
JOHN FIELDING ELIOT
New York City

Continued on other side

EXCERPTS:

REMARKS BY SEN. HUBERT H. HUMPHREY

TO: REPUBLICANS AND INDEPENDENTS FOR JOHNSON

AT: ROYAL BOX, HOTEL AMERICANA, BREAKFAST 9-25-64

TRANSCRIBED BY: REPUBLICANS AND INDEPENDENTS FOR JOHNSON

8 WEST 40 STREET Wisconsin-7-4600 (Leon S. Theil)

I want to thank you all for coming here at this early hour in the morning, and I want to thank Walter S. Mack as chairman of the group for making this get-together possible. Normally I am a "night person," but Walter Mack and I had a very instructive visit at an hour today which made me a "day person" and I feel fine.

I wish to express my appreciation to this group for arousing these fine citizens to the point of making a very important contribution to this campaign. Mr. Mack asked me to include in my remarks a report on the feelings I had found among other Republicans around the country. Well, I was in Indiana the other day, and we found there a large number of Republicans who feel that they have not left their party but that the leadership of the party had left them. They are doing what they think right--they are supporting Lyndon Johnson for the presidency.

Some of the finest people I have ever known are those "Humphrey Republicans" in Minnesota. In Minnesota you do not get elected on Democratic votes alone, you need Republican votes as well. This is not an ordinary election of Democrats against Republicans and we need every Republican vote to put to rest for all time a trend that is dangerous for our country and for both of our parties.

There are forces in America that are always with us but which have never before had the respectability of an established party platform as an endorsement. This time, they have a candidate, as well. I do not say that he represents these forces but he has an unequalled facility for attracting them to his banner.

These are the forces of division and intolerance--the Ku Klux Klans, the Gerald L. K. Smiths, the John Birchers--who are speaking openly and brazenly of what they are planning to do.

It is important from the viewpoint of our national security that for 25 years this country has had a bi-partisan foreign policy. We have all been able to agree on this policy, and it will be remembered that the architects were the great Republican Senator Arthur H. Vandenberg and the great Republican leader, Wendell L. Willkie.

For the first time since the end of World War II we find a candidate of a major political party who challenges the tenets of a bi-partisan foreign policy. Now, I have served on the Senate's Foreign Relations Committee, and as chairman of several of the sub-committees, in the years since 1952 and I have never violated support of a bi-partisan foreign policy, not under President Truman nor under President Eisenhower nor President Kennedy nor President Johnson. This well-built structure into which the lives of all of these great men have been poured is now threatened. These threatening forces are a menace to us, and to the whole free world.

What distinguishes the United States from other countries?

We have developed an amazing political, social and economic system which defies any textbook of national politics. No other people have proved so skilled at developing local self government; or at constantly rewriting in terms of current times the basic law of the land. Remember, our Constitution is written in the present tense; it reads, "We, the people....do ordain..." And every generation, as we in our generation, are "the Founding Fathers." The one-ness of "we, the people" is current and contemporary, the living factor in this precious heritage. Second-class citizenship defies the Constitution and our heritage.

We are not the biggest or the richest nation in natural resources. Russia has greater land area and a larger population. At the University of Moscow, on the seventh floor, I saw a display of a geological survey which shows that Russia has a great potential for much more natural riches of mineral wealth, yet Russia today in its development is a very poor second.

What we have is: Free government; separation of powers, yet not so conflicting as to be inoperative. The Constitution does not provide for total separation of powers, nor for total separation of partisanship.

The heart of our system is individual initiative and the partnership of people and government. Abraham Lincoln expressed it all, in a subtle way that sometimes is not fully understood, when he spoke of "government of the people, by the people, for the people!" He described popular sovereignty and he described a rule of law and he described a government whose role was to encourage not to discourage initiative. Our system is one of coordinated efforts of government and of people; of capital and labor, rich and poor, city and rural resident, Democrat and Republican.

I have sometimes been asked by liberal friends why I do not take a more forceful stand than I have deemed appropriate, on this issue or that issue. I tell them that I would rather have one hour inside the White House with the President than three months outside with a picket sign. I believe in working together with people, and I will uphold the policy and program of the President of the United States. People wonder what I will support as Vice President; I believe a vice president has the moral and political obligation to support the policy decisions of the President in full. You express a viewpoint at the time a decision is being made, but you support a decision when it is made.

I want to say this: there isn't a business man in the United States who doesn't feel comfortable in the presidency of Lyndon Johnson. They know they are welcome to the White House, and they know that their welcome is open and public. President Johnson does not welcome the business man, and shunt him into a separate room as he welcomes labor's leaders from the A.F.of L.-C.I.O. He invites the business man and invites George Meany and he brings them together and he asks, "What can we accomplish together?" President Johnson develops a consensus better than any other man I know.

He does not believe there is or should be a class struggle and I do not believe in a class struggle. He does not believe in a role of government as policeman. He believes government should encourage free enterprise. So does Hubert Humphrey. We believe that government should be devoted to the expansion of American business and the American economy. We believe the leaders of finance and industry are better able to lead and to direct the economy than the government.

We seek to encourage, not supplant, in the leadership of the economy, and it has worked and we have flourished as never before. Formerly we talked of two per cent of annual growth; now we talk five per cent. Our government is revitalized, and it is in outlook a young government, and its new vitality has helped the economy.

Some students asked the other day whether they should study ancient history and I told them it is good to study ancient history but don't vote it! Our achievements today are a solid base to explore the success of tomorrow. We should develop our markets, local and foreign. The doors of the White House and Capital Hill are open to men and women of good purpose. When you walk through you are not met with a frown and a scowl, not with doubt and suspicion, but with the hand of good fellowship.

I believe that in the great contest between communism and our democratic system of free government, we will win by precept and by example. We want the world to know that we have a system of human dignity and the motivation of individual initiative which work for the benefit of all of the people of our country.

We believe in the profit system; we believe it is good for all of our people.

We believe in investments; we believe they are good for all of our people.

We want to see it grow; we want it to set an example for the peace of the world and for the realization of human freedom everywhere.

You may be misquoted by all of the reporters some of the time; and you may be misquoted by some of the reporters all of the time; but you cannot be misquoted by all of the reporters all of the time.

* * *

There has been talk of "backlash" and there has been talk of "frontlash," but this campaign introduces the problem of "backslide." By "backslide" I refer to that magnetic and emotional pull of lifelong party voting habits, which impels voters to revert on election day to their own party despite a reasoned decision made earlier to vote against their party's candidate.

* * *

Never before did a presidential campaign start with so large a percentage of one party's members appalled by their candidate. With this many temporary allies joining us against the party's temporary spokesman, we are more concerned with the campaign over the teacups and the bridge table than with the speeches of our opponents.

* * *

"Irresponsible" is not the best word to characterize Senator Goldwater; "non-responsible" is closer to the fact. Americans feel that the federal government must take responsibility to assure facilities to educate the exploding enrollment of our schools where local communities are overwhelmed; Senator Goldwater says the federal government is non-responsible. In dealing with poverty, he says "non-responsible"; in agriculture, in the business sector of the economy--"non-responsible" is his attitude.

* * *

The American voter wants a choice for his future,
not an echo of his past.

* * *

I ask Americans to make this choice:

"Which of the two candidates for the White House
would you select as chief executive of the company in which
you work, or in which you have invested your life's savings?"

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Speech Files
Business
COPY

October 6, 1964

Mr. Stahrl W. Edmunds
1681 Stone Canyon Road
Los Angeles 24, California

Dear Mr. Edmunds:

I have received your letter to Senator Humphrey outlining some general points to be pushed in the Senator's remarks to businessmen and about business.

I found these suggestions to be most helpful and they generally are the ones we have been more or less intuitively following to date. Your letter will be brought to the Senator's attention as soon as he gets back to Washington. The approach you outline will certainly be followed in whatever subsequent speeches may be prepared in the realm of business.

Many thanks.

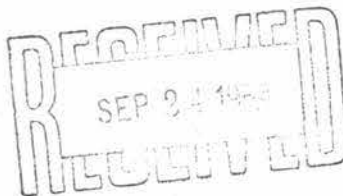
Sincerely,

John G. Stewart
Research Director

STAHL W. EDMUNDS

1681 Stone Canyon Road
Los Angeles 24, California
21 September 1964

Honorable Hubert H. Humphrey
United States Senate
Washington, D. C.



My dear Senator:

I welcome the chance to submit ideas for your campaign to you and John G. Stewart. While it is impractical to try to write speeches from across the continent without knowing your strategy and objectives, I think I can suggest a few approaches which might be useful to you, at least as far as appealing to the business community is concerned.

business

One of the grave hazards which a liberal encounters in dealing with businessmen (and I speak from personal experience) is the inference of overthrowing empirical experience and principles derived from experience. The liberal is a man who sees society changing and wishes to accommodate to that change. The conservative is one who sees the need for stability and order, as it has been experienced. In this sense, the businessman is primarily a conservative. But in another sense, the businessman is paid to deal with changing conditions in markets, production, and society generally. The psychology of the business community is, therefore, an ambivalent one. It seeks adjustment in the midst of order.

This rather abstract statement of the problem is much more profound than appears casually, because it tells you that a liberal can appeal to the businessman to make specific adjustments to change, as long as he does not advocate change in principle. The genius of President Johnson is that he intuitively understands this approach, for he appears to sustain the principles of a free enterprise system while making specific adjustments to it, like eliminating "islands of poverty." The difficulty of President Kennedy with the business community was that he appeared, as in the steel price issue which shook the stock market, to be changing the rules of the game; that is, attacking the principle of free market price which management believes to be part of the American system.

The Brookings Institution

TO: John Stewart

SUBJECT:

Joe - Businessman
FROM: Joe Pechman

DATE: October 8, 1964

Please make the following revisions in the draft of the speech on international economics I sent to you yesterday:

Page 4, paragraph 1, last word: Substitute "imports" for "exports."

Substitute the following for the first full sentence on page 16: "Is there a better way to encourage the infant export industries of less developed countries while they establish a foothold in the international market than the preferential tariff treatment they are now hoping to obtain from the already-industrialized countries?"

Speech on International Economic Policy

File
Speech drafts
Joe Peckman
Brookings Inst.

I want to talk to you tonight about international economics. That sounds like a pretty terrifying subject. It is also one that may not be the daily concern of many of you. But it has an important bearing on conditions in the domestic economy and therefore affects the lives of all of us.

As businessmen, you are increasingly aware of the changing realities of the world environment in which business is conducted. If you are already engaged in international business, you know the effects of the great technological changes of recent years -- in transport of your executives, salesmen and other people, in the transport of goods, and in communications. You also know of the great institutional changes -- the many new countries, with their own laws and regulations, changed means of financing and new institutions to provide it. If you are not already engaged in such business, the cheapening of transport and communications may be inducing you to consider it, or on the other hand to consider how to react to the increasing competition from abroad.

And whatever business you are in, you are indirectly affected by international economic developments, because they affect business conditions at home. Perhaps it is the effect of foreign competition in restraining increases in prices of your raw materials or in restraining money wages in pattern-setting industries which indirectly affect the wages you pay, or the effects of developments abroad and in our international payments on interest rates charged for bank loans, mortgage money, or on other aspects

of credit conditions. We have certainly been reminded often enough in recent years of how international conditions may affect both our credit conditions and our tax policies.

Apart from your concern with these matters as businessmen, you and all of us are concerned with international economic problems as citizens. For these problems -- and our government's policies in dealing with them -- are closely related to our foreign policies and our national security.

I want to talk to you about three of these problems -- our balance of payments, foreign trade, and foreign aid.

The International Payments Problem

This country had just completed three years of large and steadily rising deficits in its international payments when President Kennedy took office. In 1960, we ran a deficit of 3.9 billion dollars. That means that private citizens and the Government paid that much more than they received for goods and services, for aid to other countries, and for capital investment. These deficits were financed by reducing our gold reserves and increasing our short-term debts to foreign countries.

We clearly could not go on doing this indefinitely. Everybody recognized that fact. The problem was, how to end these large deficits without sacrificing other important national objectives?

It would probably have been easy to cut these deficits if we had ignored our other national goals. We could have cut down defense expenditures abroad without regard to the effects on our alliances and our national security. We could have cut down that part of our foreign economic aid that does not result in corresponding exports to the less developed countries, and ignored the effects that this would have in making the less developed countries look elsewhere to satisfy their aspirations. We could have imposed new obstacles to imports, although in the long run this would have slowed up the growth of world trade, made some important raw materials more expensive, and reduced the competition that helps keep American business so productive. Or we could have followed the standard prescription of tightening money at home, which would have increased unemployment and unused plant capacity.

It would have been simple enough to use any of these prescriptions, but the consequences might well have been more damaging to us as a nation than the problem they were expected to solve.

Nevertheless, the international payments situation that we faced in 1961 called for more vigorous action, if it was not to cause an international financial crisis sooner or later. But that action had to be chosen with due regard to the problems of national security and the domestic economy. Our economy had been growing too slowly. Unemployment had been rising through most of 1960 and was well over 6 percent of the labor force by the end of that year and we needed easy money, not hard money. The Administration had to reduce the balance-of-payments deficit while at the same time expanding demand in the domestic economy, which normally increases exports.

The Administration responded to this challenge by action on a number of fronts.

First, it took steps to increase our sales of goods and services. It launched a drive to increase our exports by making our businessmen better acquainted with the opportunities for doing business profitably in foreign markets. It broadened the terms on which the Export-Import Bank grants export credits and insurance coverage. It acted to insure that an increasing percentage of our foreign aid expenditures would be spent on U.S. goods. It worked at home and abroad to attract foreign tourists to the United States. Secretary McNamara made arrangements with some of our NATO allies to increase their purchases of military goods in this country. And the Trade Expansion Act was enacted in order to strengthen the position of our negotiators in bargaining for lower tariffs with Europe.

At the same time, we took strong action to reduce our own defense expenditures abroad, despite the fact that prices were rising in some of the countries where we have defense establishments. We also took measures to cut down imports in the places where it would hurt least, by reducing the generous

allowance of duty-free goods for our tourists.

To reduce the excessive outflow of capital and the incentive to leave the earnings abroad instead of bringing them home, we provided special tax incentives for domestic investment through the investment credit and more liberal depreciation allowances. In addition, a temporary tax was enacted to reduce the incentives for the other industrial countries to obtain long-term capital in our markets for purposes other than direct investment.

We have also been pressing these countries vigorously to increase their share of the load of helping the underdeveloped countries and their share of the common defense burden.

All of these measures have helped reduce the deficit. At the same time, we have taken measures to protect our gold reserves while our deficit is being eliminated. We have removed the ceiling on interest rates that U.S. banks can pay to foreigners so that they will be more inclined to leave their money on deposit here instead of taking gold. We have taken the lead in making arrangements with other advanced countries to prevent balance-of-payments deficits from causing financial crises by developing, in cooperation with these countries, a whole battery of bilateral arrangements under which the central banks or Treasuries extend credit to each other to meet temporary difficulties, and by multilateral arrangements to strengthen the International Monetary Fund.

The measures we have taken to strengthen our balance of payments position have been backed up by extraordinary success in maintaining price stability over a period of some six years, including almost four years of expansion in the domestic economy, while prices were rising in other industrial countries. As a result of our efforts, the deficit has fallen from 3.9 billion dollars in 1960 to an annual rate of 1.6 billion dollars in the first half of 1964.

Our surplus of exports of goods and services has grown from a figure exactly equal to the deficit in 1960, i.e., \$3.9 billion, to \$7.1 billion in the fiscal year 1964. Our problems with the balance of payments are not yet solved, but they are greatly reduced and I think it is clear that they are on the way to solution.

Besides reducing our own deficit, we made great progress in identifying a more general problem of international payments, and in the past year we have taken the lead in the search for a solution. We have come to recognize that in the modern world, countries can have deficits without inflation. The methods of getting rid of deficits have to be consistent with domestic objectives of maintaining full employment and reasonable price stability. In these circumstances, deficits may be curable only slowly. We have recognized that this fact requires strengthening the international monetary system. At present, when the United States or Britain, whose currencies are used by other countries as international monetary reserve, run deficits, the other countries are likely to demand gold in payment. This can threaten the stability of the whole international monetary system. We have strengthened the system against such crises of confidence, but we have to strengthen it more.

We also have to find a way to increase international reserves and other forms of international liquidity as the need for them increases, which it will do because of the growth of world trade and other factors.

Our Government has now taken the lead in recognizing that the world needs a monetary system which leaves the incentive to correct deficits and surpluses but still permits them to be eliminated without endangering other important objectives. Without such a strengthening of the international monetary system, problems of international payments are likely to recur --

for others, if not for us. We took the lead in encouraging the cooperative study of these problems by governments.

The recent meetings of the Board of Governors of the International Monetary Fund in Tokyo show that some progress was made, but it is not all that we want and need. We are continuing to look ahead. We know that world trade will continue to expand and that we have to exert every effort to improve the international financial system so that it will not be subject to crises, so that payments deficits and surpluses can be adjusted without choking off domestic growth in the deficit countries or causing unreasonable price inflation in the surplus countries.

All of these are difficult problems. We are continuing to study them. They can't be solved by pounding a table or acting on slogans. They require intellectual leadership -- brains, the capacity to think -- and they require the capacity to work in cooperation with other countries.

Commercial Policy

In finding solutions to the balance of payments problem, we cannot and dare not forget that the economic size of the United States sets us apart from other nations. Our gross national product is the largest in the world and our exports and imports are greater than those of any other nation. What the United States does in the area of commercial policy is of vital interest to all other countries of the Free World. With size comes power and power demands responsibility. History teaches us a lesson. When a leading country acts responsibly, international commerce prospers to the gain of all nations. But we have seen periods of history when irresponsibility has marked the conduct of nations, reducing international commerce and spreading economic depression. Can anyone really want to return to those days?

We can all feel justifiably proud of the record of the United States in the area of international trade policy. Since the dark days of the great depression, through Democratic and Republican administrations alike, the United States has led the Free World toward increasingly liberalized trade and away from the barriers, both private and public, that have hindered trade in the past. In the last thirty years, the United States has made much of its abilities and opportunities to lead in the interest of all friendly countries, including our own. In the last three years, our exports have grown even faster than our domestic economy -- a very commendable 20 percent. This success has come from the hard work of American businessmen, American workers, and American farmers, but it has also been helped, not hindered, by the government policies I have already mentioned. These policies

have had as a primary aim the maintenance of price stability and the improvement of our competitive position in world markets. The increase in our exports and the reduction in our balance of payments deficit testify to the success of these policies.

But the world does not stay still, nor can our policy. The Europe of 1964 is much different from that of even ten years ago. The last few years have seen the growth of two new trading groups in Europe: the European Common Market and the European Free Trade Association. The climate of business activity throughout the entire world has been affected. No longer is Europe divided into small markets not suitable for modern industrial society. This development, which promises increased prosperity in Europe, also holds out the promise of benefits for other countries. Together we can move forward and add substance to the hope for an Atlantic Community. However, there is nothing automatic in this process. European integration will not necessarily bring the hoped for benefits to nonmember countries. Serious problems have already arisen over the trading policies of the Common Market. Today, Europe is split into two groups. If a sharp cleavage between them leads to separate markets surrounded by high tariff walls, a painful adjustment will be forced on many countries. This problem is of vital interest to us because failure to find a solution can only penalize international commerce, especially our own.

While the European problem is absorbing, it is not our only problem. Our major trading partners are not found in Europe at all, but are in North America and in Asia. Canada and Japan are the two largest purchasers of U.S. goods. These countries have problems of their own which are reflected in their commercial policies and offer further challenges to the United States.

We need to find areas of agreement which can be mutually beneficial. The world is complicated and no simple solution exists. The United States must have a commercial policy that not only meets our obligations in the North Atlantic but also meets the challenges of Asia, Latin America, and other less developed areas.

The Kennedy-Johnson Administration has faced these problems squarely. The Administration proposed and the Congress passed in 1962 the most forward-looking commercial policy ever enacted in the United States. The Trade Expansion Act not only reasserts United States leadership in international commerce, but it promises help to those industries in the United States that might be temporarily undermined by increases in international trade. The Trade Expansion Act is good for business, it is good for labor, it is good for the consumers, but apparently it is not good enough for Senator Goldwater. He was among a small minority of even his own party in rejecting this forward-looking legislation. Senator Goldwater would have us turn back the clock thirty years and take away from the President the authority to enter into binding negotiations with other friendly countries to reduce barriers to trade. Is this a program for world leadership? Of course not. For this country, in this generation, we need a policy that recognizes the needs of business to sell their products all over the world and recognizes our desire to buy goods from our trading partners.

Some would argue that the United States needs no new initiatives now. Our exports and imports are rising and business is good; but no policy is also a policy and often a very bad one. We know that when conscious efforts are not being made to improve the state of commerce between nations, protectionist sentiment rises and we begin to slip backwards. Once retaliation becomes the

mark of policy, it feeds on itself. It can poison the atmosphere for commercial trade and also for international diplomacy and international relations in general. We cannot allow this to undermine our relationships with our friends and allies abroad. A revival of protectionism at home can no more bring prosperity here than the "fortress America" concept can bring us military security.

Before us are the challenges and the imperatives of a modern society. We need to continue to increase our exports from our factories and from our farms. We want to continue to buy goods abroad, to benefit American consumers. And we want to give a legitimate outlet for the products of underdeveloped countries so that they may have some promise of enjoying the fruits of the twentieth century. We have started, but our task is only half done. We have passed the Trade Expansion Act but we have not yet completed the negotiations that are authorized under the Act. These are the most important economic negotiations yet undertaken since the War. They will not be easy, but with determination we can reach agreement which will be beneficial to all countries. We now have as our Special Representative for Trade Negotiations Governor Christian Herter, who is immensely qualified by his skill and his diplomatic experience to represent the legitimate interests of the United States. I am confident, and you can feel confident, that our interests are well represented. In this modern world, when economic advancement abroad rivals that of the United States, we cannot accept anything but a fair compromise and, indeed, we want nothing more. In this spirit we are going to Geneva. We will do our utmost to get the kind of agreement that will mean progress for developed countries and also have promise for the less developed countries.

Relations with the Developing Countries

I turn now to the third problem in our international economic policies -- aid to the less developed countries. I know of no other area of government policy which holds such great promise and presents so many grave dangers for the future of the entire Free World.

In the 1880's Emma Lazarus, an American poet who died before reaching her fortieth birthday, penned an inscription for the Statue of Liberty. In it, she referred poignantly to the tired, the poor, the homeless, the "huddled masses yearning to be free." Her message -- our message -- was addressed primarily to those who dwelt in the ghettos and slums and the back-breaking, low-yielding, rural areas of Europe. The Statue of Liberty, as we all know, looks eastward over the Atlantic Ocean and faces Europe. Only since World War II have the problems of the two billion people living in the 80-odd less developed countries in Asia, Africa, and Latin America burst with explosive force on the world scene.

Wholesale migration to a promised land is no longer a way out. The challenge today is to realize the full potential of the homeland, to make a promised land of one's place of birth or residence, wherever that may be. The short-hand title for this long-term job is "development." The wish to develop has been wafted effortlessly across the face of the earth, borne by every passing wind. But the will to develop requires indigenous roots. The people themselves must find and install forward-looking leadership. They must mobilize the resources necessary for development. Out of the meager sums available for both consumption and investment, they must deny themselves enough current consumption to permit the ever-higher levels of investment needed for future growth. They must transform traditional agriculture. They

must launch new industries. They must initiate massive education programs. They must promote -- in the words of the Charter of the United Nations -- "social progress and better standards of life in larger freedom." They can be helped, but the job can't be done for them.

Until recently, the United States was unchallenged as leader and innovator in international economic and political policy. It was the United States, under both Democratic and Republican leadership, that played such a dominant role in building and strengthening the network of international institutions for keeping the peace and promoting the general welfare: the United Nations, the Children's Fund, the UN Special Fund; the World Bank and its affiliates, the International Development Association and the International Finance Corporation; the Food and Agriculture Organization, the World Health Organization, the International Monetary Fund, and the General Agreement on Tariffs and Trade.

It was President Truman who electrified the world fifteen years ago with his proposal for a bold, new program of technical assistance. It was the United States that followed up with capital assistance on a comparatively massive scale. It was the United States that consecrated vast agricultural surpluses to the promotion of foreign economic development and evolved the program now known as Food for Peace.

It was President Kennedy who re-focused the spotlight on our Good Neighbors to the south and proposed the Alliance for Progress. For another of the great foreign policy innovations of this Administration, the Peace Corps, Senator Humphrey can take a modest amount of credit. He helped shape the concept and he introduced the legislation; Senator Goldwater contributed only a resounding vote to reduce its appropriation.

To the development services already available to the low-income countries, President Johnson has added something that should be of particular interest to this audience of businessmen. I refer to the International Executive Service Corps. While pioneering in new directions, the President has at the same time tirelessly applied his formidable talents to the dual task of preserving the successful elements in previously-established programs and pruning out the superfluous and unsuccessful.

Travelling an uncharted course, the United States admittedly has made mistakes. On balance, however, we can be more than proud of the record of the postwar period. For the underdeveloped world as a whole, the economic progress made since 1950 is impressive and in cases such as Greece, Israel, and Taiwan it has been spectacular. The output of the less developed countries as a group has risen at a substantially more rapid rate than that of the industrialized countries. Because their population has also increased at a more rapid rate, however, the improvement in income per person, in percentage terms, has been more nearly equal. And because of the enormous difference in starting points -- a 2 1/2% increase adds only \$2.50 to an income of \$100 -- the difference in per capita incomes has widened ominously in dollar terms. At the same time, the burden of foreign debt borne by the less developed countries has mounted more rapidly than their capacity to service it.

We are no longer the sole significant source of aid. The miraculous economic recovery of Western Europe and Japan, with U.S. aid, has enabled them to become major suppliers of assistance, and the efforts of the high-income countries of the Free World are being increasingly coordinated through the Development Assistance Committee of the Organization for Economic Cooperation and Development, as well as through other mechanisms. The Russians have paid the West the compliment of imitation, the sincerest form of flattery. Communism

as a form of government, however, has won very few converts in the less developed world. Political upheavals, on the other hand, have been all too frequent. Encouraging examples of the growth of democracy at the grass roots can be cited, but the struggle for the minds of men has not yet been won.

Part of the price of the progress we have made in these turbulent years is that the less developed world is no longer a voiceless and faceless throng, trying to follow the leadership of the more developed world, willing to play the game -- the game of life and death -- according to groundrules established by others. For I think it is fair to say that the principles of international economic behavior embodied in the charters and the constitutions and the authorizing legislation of today's national and international trade and aid agencies represent the ideas of the developed world, and particularly the United States of America, as to what is good for the world as a whole.

Those who are expected to live by rules which they had little voice in drafting are now rising to ask some embarrassing questions, to challenge the conventional wisdom before it has even become conventional, to present ideas of their own regarding the course the world should henceforth follow. The real significance, it seems to me, of the mammoth Trade and Development Conference held in Geneva last spring under UN auspices, is the warning signal it gave of the dissatisfaction with the present groundrules and the need for fresh soul-searching on our part.

Does it make sense for trade and aid policy to be as sharply separated as they have hitherto been? By appropriate action on the trade front, can we reduce the long-term aid burden -- without leaping to the easy and mistaken

conclusion that each additional million dollars that the less developed countries earn through exports is equivalent, in development potential, to a million dollars in foreign aid? Is there a way to encourage the infant export industries of less developed countries while they establish a foothold in the international market without erecting high tariff walls to protect them? Is it unreasonable for the less developed countries whose export earnings come almost entirely from coffee, cocoa, tin and other primary products to ask for international commodity arrangements and compensatory financing systems intended to avoid erratic fluctuations in the very limited amount of foreign exchange available to them? Given the mounting burden of foreign debt carried by the less developed countries, is it wise to increase steadily the proportion of foreign financial aid made available in the form of interest-bearing loans and to hike up the interest rates? Is it the business of government merely to be businesslike, or also to exhibit statesmanship?

I don't know the answers to all the foregoing questions. I think, however, that I see the direction in which we will have to move. The direction is forward, not backward. It does not lie in import restrictions, reduced foreign aid, or withdrawal from the real world.

If the low-income countries are to be integrated into the community of nations, it must be on the basis of mutual respect and mutual accommodation. The United States will need to consult closely with its European friends and with Japan to make sure that the principal high-income countries are in step with each other. Even more important, however, is a whole-hearted effort on the part of the so-called developed world to employ constructively the international agencies in which the less developed countries are full-fledged partners and in whose operations they can share the pride of ownership.

This applies to the trade and development machinery growing out of the recent Geneva Conference. It applies to the multilateral technical assistance and pre-investment programs. And it applies most emphatically to sources of investment capital such as the International Development Association and the Inter-American Development Bank.

I would like to be able to tell you that enlightened American participation in multilateral programs will reduce drastically the need for our bilateral foreign aid program. Honesty compels me to remind you that, for the next few years at least, the United States will have security interests, political objectives, and other special reasons for providing assistance over and above what will be available from elsewhere.

In the final analysis, the U.S. interest in helping to fulfill the legitimate economic aspirations of the less developed countries is political. We feel that our action will contribute to the building of a world of self-respecting, self-supporting, interdependent nations, prepared to live in peace with each other and to pursue nontotalitarian paths to development. As President Kennedy put it, we want to "make the world safe for diversity."

The pay-off on development assistance is long-term and uncertain, as is the pay-off on R and D expenditures in your own industries. To expect 100% success is utterly unrealistic. But to conclude that our great nation, which gave birth to so many of the ideas that are now liberating mankind and which has for nearly 200 years held such an honored and eminent place in history, will prove incapable of meeting the most exciting challenge of the 20th Century is to sell America woefully short. The shot that was fired at Lexington in 1775 has reached the most isolated capitals of the world and reverberates yet with undiminished intensity.

DRAFT

Juli Bumsma

IS THE DEMOCRATIC PARTY THE PARTY OF BUSINESS?

Let me propound a question: Is the Democratic Party, the party of business? The answer is no. Rather, the Democratic Party is the party of all the people -- not the party of any particular economic, sectional, cultural, religious, racial or other special interest group. In seeking to serve the welfare of all Americans the Democratic Party serves the interests of business, but not to the detriment or exclusion of any other group of citizens.

There is another reason why the Democratic Party is not the party of business. Though it is difficult to comprehend, the harsh fact is that there are a few misguided businessmen who in the past have failed to vote Democratic. It is this perplexing phenomenon I propose to explore with you, tonight.

We can, perhaps share confusion, for Time magazine has recently reported that the only vote the Democrats can count on in November is the business vote.

Historically, baffled Democrats have sought business support simply by citing the record of Democratic achievement in preserving and fostering economic growth, stability, prosperity and free enterprise in the United States. I would not want to depart from this sensible tradition.

Under the Kennedy-Johnson Administration, our economy has enjoyed unbroken growth and unparalleled peacetime prosperity. Unemployment has been meaningfully reduced for the first time in more than a decade with a concomitant rise in buying power.

During the first three and one half years of the Kennedy-Johnson Administration, corporation profits after taxes rose \$12 million or more

than 60%. Gross national product increased \$117 billion and will, by the end of the present quarter, have increased 20% in constant dollars.

Production is up 28%. The annual rate of economic growth during this Administration has been almost double what it was under the last administration. The increase in real output during the four Democratic years will exceed the increase during the entire Eisenhower tenure.

Dow-Jones is up 33%. [I am reminded of that wonderful cartoon in the New Yorker, a few years ago, which showed two dowagers of advanced age and proportions looking fondly at a portrait over the mantle and saying: "I wish Henry could have lived to see American Telephone and Telegraph hit 200." We have come quite a way since then.]

Most important, the strength of the entire economy during the past four years has been characterized by moderation, stability and freedom from inflation.

In sum, by far the most substantial, solid and sustained peacetime prosperity this country has ever enjoyed has been brought about under Democratic leadership. Contrast these compelling facts with the record of Republican economic leadership in the 20th Century.

20th Century Republicanism gott off to an inauspicious start under Theodore Roosevelt with the great depression of 1907-08.

One might have supposed that all this would have swung large numbers of disenchanted Republican businessmen into the Democratic Party. If it did, the swing was imperceptible. Rather, the ultimate result was that President Roosevelt was cast out of the Republican party.

Ten years later, the Nation turned to the somewhat less commanding figure of Warren G. Harding. President Harding none-to-firmly grasped the reins of economic leadership in 1921 and began the nine-year march to the most paper-thin prosperity this country had ever known.

Harding's expressly pro-business economics were continued by Calvin Coolidge who, with characteristic directness, proclaimed: "This is a business country . . . and it wants a business government."

The hands-off policies of President Coolidge were reaffirmed by Herbert Hoover who after noting that the United States had "reached a higher degree of comfort and security than ever existed before in the history of the world" said in his inaugural address: "In no nation are the fruits of accomplishment more secure. * * * I have no fears for the future of our country."

President Hoover's protestations of bright confidence lasted right through the first three years of depression. In fairness to him, it must be said that he may have done^{no}/more to get us into the Great Depression than he did to get us out. Yet irrespective of the causes of the crash of 1929 -- and they were many and complex -- the horror of it all was that nothing -- absolutely nothing -- was done by the Republicans. As a result the Nation -- business no less than any other group -- suffered horribly and seemingly interminably.

When Franklin Delano Roosevelt took office in 1933, he said: "This Nation asks for action. . . . There is no unsolvable problem if we face it wisely and courageously." The country -- again not the least business -- responded to his personal, political and economic courage.

Much of what he did in those dark days was wise -- some perhaps was not. But he had the courage to go forward and, under his leadership, our Nation made the difficult journey back to stability, strength and prosperity.

By far the single greatest economic event in the United States in the 20th Century was our victorious return from the despair of depression -- which was led by Democrats.

Again, we hoped that the contrast between the Hoover and Roosevelt Administrations would -- if nothing before it had -- make confirmed Democrats out of every businessman in America. The Hoover Administration, like those of Harding and Coolidge, claimed to be pro-business, but were not. The Roosevelt Administration did not claim to be pro-business, but was.

Apparently, however, we were again unsuccessful for in 1952 we elected into office an administration which reaffirmed the do-nothing economic philosophy of Harding, Coolidge and Hoover. This administration, to be sure, gave its own stamp to 20th Century Republican economic philosophy. It developed the mystical theory that all that a Nation needs to achieve economic prosperity is "confidence" in the dollar.

"You auto buy now" replaced sound monetary and fiscal policy.

The result was three substantial recessions, the lowest rate of growth of any major industrial nation in the world, sagging profits, rising unemployment, inflation, depleted domestic Federal reserves and a gushing international drain of the U. S. gold reserves -- among other things.

These have been the fruits of the tree of 20th Century Republic economic philosophy.

The brief record of Democratic economic achievement and Republican economic failure I have outlined is fact. Unfounded myths persist, however, perpetrated by those who would ignore the facts. As a result, though many responsible businessmen have enlisted in the crusade toward the Great Society, some have not. Let me attempt candidly to explore with you a few of the reasons why some businessmen still are not Democrats.

First, there is the accident of birth. "My father was a Republican and his father before him" may have been a reasonable explanation of party affiliation 65 years ago. It is not today. We cannot afford the luxury of inherited politics which graced our more gentle past. The enticing richly remembered, glow of the 19th Century warms the heart with nostalgia. But, contrary to what Barry Goldwater would have us believe, history can only be lived once. The past is prologue, not paradise. The bright sun of economic growth and prosperity will rise tomorrow, not yesterday.

No, my friends, the issues which divide the Democrats and modern Republicans on the one hand, and the Goldwater splinter on the other are too fundamental, too certain to determine the destiny of the human race for us to trifle without thinking.

There is another reason why politics by parenthood is unacceptable in the 20th Century. The often irrational reactions and contradictions of the present Republican presidential candidate bear precious little relationship to the philosophy which motivated our forefathers to endorse the deep and profound humanism of Abraham Lincoln. Indeed, though I believe his economic philosophy is shot through with fundamental misunderstandings, General Eisenhower throughout his life manifested an abiding love of man, a

personal courage free from vindictiveness, an abhorrence of undue concentration of power of any kind in any hands, and, perhaps most important, an unwavering love of peace. The present Republican candidate is not blessed with these homely graces. He pays lip service to them, but he does not understand them.

Second, some businessmen suffer from the gnawing suspicion that Democratic policies are inflationary. This is simply not correct. Indeed, the increase in consumer spending and general economic prosperity which has been brought about by the Democratic income tax reduction has been accomplished without inflation -- a monumental achievement.

As Business Week put it last June:

" Previously, it was believed the U. S. couldn't expect to combine economic growth with price stability for more than a short period of time. The current upswing already is the longest on record for normal peacetime years and shows absolutely no signs of topping out. But in over 40 months of business advance, industrial prices barely have budged from a horizontal line. "

The wholesale price index for all commodities, stated in constant dollars, increased by more than 19% from 1953 through 1960. Between 1960 and 1963, it fell 0.4%.

These are facts.

Third, it is said that antitrust enforcement under the Democrats is harsh and unreasonable. Democratic antitrust policy is vigorous, but I reject the suggestion that it is unreasonable. In my view, antitrust also reflects the profoundly and uniquely American unwillingness to abide undue concentration of power -- political or economic.

Paradoxically, the need for enforcement of the merger provisions of the Clayton Act is spurred by prosperity and dampened by depression. It is only when profits are good that businesses enjoy the funds to invest in acquiring competitors.

I will make no apologies for vigorous antitrust enforcement. I believe in it. I believe that by insuring the opportunity to compete, we insure the economic health of our Nation and guarantee the highest possible level of production and the best possible quality of output. In short, we insure the highest standard of living for all men which our native ingenuity and natural resources are capable of sustaining. More important, we insure the opportunity to express those qualities of individual initiative and innovation which spawn not only economic progress, but personal freedom as well.

In addition, it is the Democrats who have fostered the most viable, active program of self-regulation. It is the Democrats who have placed greater reliance on voluntary antitrust compliance and cooperation rather than punishment. I join with Federal Trade Commission Commissioner Philip Elman -- the "Great Dissenter" of the Federal Trade Commission and a Republican reappointed by this Administration for a seven-year term -- in observing that the capacity of antitrust "for positive service in the attainment of the nation's basic social and economic goals has scarcely been tested. This year, which marks the fiftieth anniversary of the great antitrust statutes of 1914 is, therefore, a time for reexamination and renovation, not complacency or indifference, in antitrust enforcement."

Fourth, some say the Democrats are unwisely international in their perspective and that their free trade policies are destructive of American industries.

I, for one, take great pride in having participated in the passage of the Trade Expansion Act of 1962. It is, in my view, the major advance in U. S. international economic policy in this century. Instead of simply dropping reciprocity when a particular industry is threatened, the escape clauses of the 1962 Act are adapted to provide such industries with the time needed to adjust, but not a limitless cocoon of protection from free and open competition. The 1962 Act frankly acknowledges that limited hurts may be incurred by isolated industries, but it is based on the profound and positive belief that United States industry is the strongest in the world and, therefore, free trade will strengthen rather than weaken our economy.

I believe that the history of the United States proves that free trade and free competition are the firmest base on which personal freedom and national security can be based. I shudder at the possibility that those Americans who, in the 18th Century urged protectionist tariffs and duties between the several States of our country might have prevailed. I shudder at the possibility that a similar philosophy today with respect to the several states of the world trading community might also prevail.

I reject the lip service paid free market competition by the Republican candidate for president on the one hand, and his unreasoned and unwise insistence on voting for protectionist policies on the other.

You cannot have it both ways. You cannot sell American goods in foreign markets, and expect foreign industry in return docilely to refrain from exporting to this country.

I for one have too much faith in the strength of American industry to agree even for a moment with the possibility that in free world free market

competition, the United States would be defeated. I say to those who would raise high the tariff barriers to peaceful trade and commerce: Do not sell America short.

Parenthetically, it is the industries which pay the highest wages that are in general the strongest, the most vital, the most rapidly growing, the most innovative, and the most successful sellers in foreign trade. In this regard, I call to you attention such industries as automobiles, petrochemicals, electronics, and computers, all of which are vigorous world traders and all of whose employees enjoy a decent living. Finally, I direct your attention to the hard fact that the cost of living in Europe today, as well as wages, differ far less from those in this country than ever before and that the gap is narrowing rapidly.

Fifth, the claim of fiscal irresponsibility has been a Democratic bugaboo. Like the charge of inflation, this unwarranted allegation is rooted in decades-old mythology without supporting fact. The Democrats have never been afraid to invest in our Nation's future when the needs of the people demanded. Today, for example, we will not shirk our responsibility to the more than 30 million impoverished Americans.

But Democrats have always had profound respect for fiscal responsibility, not as a shibboleth but as a positive principle of economic integrity and progressive government. Between 1961 and 1965, all non-defense and space expenditures will increase by \$2.1 billion less than during the preceeding 4 years. Federal spending will account for a smaller percentage of our national output this fiscal year than in any year since the

beginning of the Korean War. Massive economies have been realized in expenditures throughout the government, including \$2.5 billion of bona fide savings in defense spending last year alone.

This Administration will never lose sight of the fact that there are not one but two ways to balance the budget -- reduce expenditures and increase gross national income. It has and will continue to employ both methods.

In this connection, I want to say a word about tax reform under the present Administration; in particular the 1963 tax reduction/^{and} investment credits. These two pieces of legislation have been the most successful tax reforms in my _____ years in Congress. If there is a single item which proves beyond question that this Administration is acting in the optimum manner to get our economy moving and keep it moving, these two bills are it.

Now I realize that there were some nay-sayers on Wall Street and elsewhere who said that these plans would not work, that consumers would not spend the additional income at their disposal, that industry would not invest in new plant and equipment and that cutting taxes would set off a spiral of inflation.

Well they were wrong and I believe it is incumbent on them to admit it. I will say this for Barry Goldwater -- he has admitted it.

I am a politician and, therefore, irresistably attracted by any opportunity to say a few words about my opponent. Tonight, however, I wanted to limit myself to positive considerations and so I resisted this temptation.

I can no longer resist.

The Republican candidate for president is not an evil man or dishonest. Rather, in his economic philosophy he suffers the crushing disability of being deeply, intractably, irreversibly wrong. He has committed himself to a philosophy which is at once

- confused and over-simplified,
- contradictory and consistently outmoded,
- reactionary and progressively regressive,
- extreme and do-nothing.

Would you buy a used car from a man who changes his mind about whether or not to sell it to you as often as Barry Goldwater changes his mind about whether or not he wants to reduce taxes?

Unhappily for modern Republicanism, the Republican candidate has surrounded himself with a little band of willful 19th Century economic philosophers who are still debating whether the United States Armed Forces should be supported by private or public funds. He is counseled by men whose definition of economic freedom is anarchy. And he must bear the cross of support of men whose economic philosophy springs from a bed-rock belief in social injustice, not from a love of peace and a desire to insure the well-being of all men.

I began my speech with a question: Is the Democratic Party the party of business?

Let me end my speech by repudiating my own question.

The issue which confronts this Nation today is not one of labels. Cliches like "the business party" or "the labor party" becloud reality.

The present Republican presidential candidate says the Democratic party is the socialistic party. If Mr. Goldwater means by this that Democrats are not oblivious to the problems of old age, not blind to the pain of poverty, not unwilling to meet the problems of sickness and education, then he is right. But if he means by his cavalier use of the term socialism that the Democrats favor abrogation of private free enterprise, then I would say to him: "Look around, Mr. Goldwater, and see what free enterprise has accomplished in the past four years. Look at automobile production, ask your wife about the supermarkets, see the blazing furnaces in Pittsburgh, observe unemployed Americans streaming back to work. Stop explaining and clarifying long enough, Mr. Goldwater, to see what America has accomplished since the recession of 1958. American is on the move, Mr. Goldwater, and you had better step quickly if you want to keep up!"

When I hear the cliché oratory of some of our less distinguished opponents I am reminded of the following statement made many years ago by one of the greatest men Western civilization has ever known:

"It is assumed that labor is available only in connection with capital, that nobody labors unless somebody else, owning capital, somehow by the use of it, induces him to labor. . . . Labor is prior to and independent of capital. Capital is only the fruit of labor and could never exist if labor had not first existed; labor is the superior of capital and deserves much the higher consideration."

The man who made that statement in 1859 was Abraham Lincoln.

What label would Mr. Miller give to it, I wonder.

The real issue upon which all Americans must decide in this election is whether we will continue toward, or turn our backs upon peace.

Like salt, economic growth and prosperity may not be indispensable. But they are darned desirable.

A rational economic philosophy for the 20th Century is not something one knows in one's heart -- unless one is bent on keeping one's mouth shut.

Today, the price of peace is the courage to move forward without fear -- not to fear to move forward. The United States cannot afford the retreat Barry Goldwater offers. We must continue and we shall continue.

This country's economy has never been more vibrantly alive, more busily growing or more technologically innovative. You know it and I know it. You know it as businessmen. Your wives know it as consumers.

The goals of government and business are the same -- a strong, prosperous and free America. The amount of freedom business enjoys expands only when economic opportunity expands. It is our job to see that the economic opportunities of all Americans continue to grow. It is your job to see that they are used and used well.

To you leaders of American trade, commerce and industry I say simply this: Industry and government are engaged in a great joint -- venture/or rather joint adventure. Join with us and let us continue the fine partnership of the past four years.

DEMOCRATIC NATIONAL COMMITTEE

Inter - Office Memorandum

To. John Stewart

Date. Oct. 8

[1964?]

From. David Hunter

Subject:

Businessmen

The attached speech is intended for a businessmen's group which includes some who are deeply interested in continuing US trade and business development overseas.

I think the ideal place for the speech would be Chicago. Joe Fowler's Businessmen for LBJ have some people who would like to hear this type of message and I think it would be better coming from HHH than LBJ.

If the idea appeals, I think I could be helpful in getting some of the right people in the audience.

TRADE AND U. S. BUSINESS

I have come to Chicago --and to this group-- to talk about two of the most important challenges for all Americans, but particularly for the business community. Both are matters which require us to look beyond our shores and beyond today. Both will contribute to the affluence of this nation and to the development of a prosperous free world.

One is the challenge of international trade.

The other is our encouragement of American business abroad.

Together they add up to keeping America competitive. This is the fiercest international contest we have ever known. It involves more than products. America must be competitive in services, in finances and most important of all in ideas.

Make no mistake, we are caught up in more than a Cold War with Communism. We are engaged in an epic struggle that tests our free enterprise system, our free government and our free people.

Before we discuss these matters I must tell you that hot on my trail is the so-called Republican truth squad. I have been honored by their assignment to follow me around the country. As Democrats we've always thought that truth squads were a good idea, and I must confess to you that we had planned to form one of our own in this campaign.

That was before the Republican Convention.

After the Convention, it became clear that one squad would not be enough. What good would it do us to set the record straight on what Senator Goldwater said, when at the same time in New York Dick Nixon would be clarifying what the Senator meant, and also at the same moment in Washington the Senator's running mate would be proclaiming that the Senator never said it at all.

So when Senator Goldwater says that Dick Nixon advised him to call the Administration soft on Communism, we leave it to Dick to deny that he so advised the Senator.

And when Goldwater makes ridiculous charges about our nuclear strength, we leave it to General Eisenhower to announce that this is not a proper issue in the campaign.

And when Senator Goldwater advocates on seven different occasions that Social Security should be voluntary, we leave it to his running mate to flatly state that the Senator never said it.

A truth squad can have no higher purpose in this campaign than to restate what this Administration has done, is doing, and plans to do about the crucial challenges our Nation faces. As businessmen you know that the problems faced by American business today are considerably different than those we faced twenty years ago. Twenty years ago many in this audience would have scoffed at the idea of polls showing that the majority of businessmen were supporting the Democratic ticket. Campaigns always contain a few surprises, and certainly one of the most fascinating is the one I read recently that accused the Democratic Party candidates of being the captives of big business.

I recently read the charge by Senator Goldwater's group that the bankers are supporting President Johnson. Well, we welcome them. I have never thought of the bankers of America as being wide-eyed, free spenders. Frankly, we welcome the support of all businessmen in this campaign.

We believe in business.

We believe in profits.

We believe that this country is beholden to business --big and small.

I am in strong agreement with much of the testimony which the president of the National Chamber of Commerce asked to present before the Democratic National Convention. He said: "I thoroughly disagree with those who would characterize business and government as natural adversaries arrayed against each other. . . Both government and business seek a common basic objective -- a free capitalistic society. They have never differed on the free market's requirements, which may be summed up as individual freedom, competitive enterprise, limited government and steady economic progress."

If America's ideas and ideals are going to prevail in the world, it will be in part because of our unique free enterprise system.

And that system depends on free international economic development.

Throughout most of the world, international economic cooperation and private enterprise, as we know them, are goals which are as yet unknown, unattainable, or an anathema.

I believe that the systems of freedom, as we know them in this country, cannot be proselytized by military, economic or moral might. We cannot bomb, buy, boycott or bully our way of doing things into acceptance in the tiniest of the newly emerging countries in Africa any easier than we can shoot, sell or shame Soviet Russia into submission tomorrow.

We are in the Revolution of Rising Expectations. It is a world-wide revolution, and it's going to take more than bombers to make other peoples respect us -- let alone follow our example.

Having alluded to military strength I must add this, and let's get it straight once and for all: we know America faces a military threat --not just one but many-- from Berlin to Saigon, from Seoul to Stanleyville, from jungle guerrilla warfare to nuclear devastation.

We cannot afford not to have the mightiest effective force for peace on Earth.

We have that force.

We are maintaining it.

We will improve it as research provides the keys to keep it modern to meet any threat we face.

But the real answer to world anxieties does not rest alone with force. Nor does the government have all the answers. There isn't a responsible international economic official in this Administration from Dean Rusk to Dave Bell or Chris Herter or Luther Hodges who thinks there could be a government big enough to win our objectives in a world of free, independent, healthy nations.

What, then, and who, can answer the challenge? I believe our Democratic society can prevail. But a large part of the responsibility rests with those Americans who do business with other countries. The American international businessman can be one of the most persuasive and winsome diplomats ever commissioned by a President.

U.S. business abroad is not without its problems and frustrations. In all honesty, we cannot say that every citizen who ever took his business overseas was a credit to his country. But perfection is neither a possible nor a necessary attribute.

What is necessary is for the United States business community to prove that our individual rights and responsibilities, our sense of economic soundness, our political democracy and social conscience, underpin the healthiest, the wealthiest economy, the freest society, and the most modern, workable government on earth.

This is what the Administration's trade, aid and other foreign economic policies are all about. We are saying to you that this government must continue to serve as you expand American business at home and abroad.

The U.S. stands out as the world's foremost trading nation. We are the world's largest exporter and the world's largest importer. Last year when world trade reached the unprecedented total of \$311 billion, our own total trade came to nearly \$40 billion. That was nearly 60% higher than our nearest competitor.

Last year we furnished over two-thirds of Canada's total imports and bought over half of her exports.

For Mexico our exports were again over two-thirds of what we bought, and America was easily her best consumer.

Our goods are known on every continent and in every clime. The wants and needs of our people are supplied in part from products brought from every point of the compass.

During the last four years we have sought to expand the markets for American products. We passed the Trade Expansion Act of 1962 which has been called the most important international piece of legislation since the Marshall Plan. As other nations have agreed to lower their tariffs and their non-incentive barriers, we Americans have benefited. Our industry, our agriculture and our mining have all been helped.

During these past four years and with the advantages of the Trade Expansion Act our world trade has increased by more than 20 percent. That is vital to our balance of payments.

Our trade policies mean jobs as well as sales. Nearly 4-1/2 million Americans are provided with jobs which involve our exports.

Now I do hope that Senator Goldwater's truth squad is prepared to tell us all why the Senator voted against the Trade Expansion Act. The selection of the men to serve on that truth squad is not easy since there are only five Republican Senators in office who shared Senator Goldwater's vote on that important measure.

Let me ask some questions of the Republican candidate. Was Sen. Dirksen so wrong when he voted for the Trade Expansion Act? Were Senators Hickenlooper and Miller from Iowa so wrong to vote with the vast majority of senators in passing the bill? What's wrong with these votes for more trade -- or what's wrong with Sen. Goldwater?

I believe this government has an obligation to continue to help promote your sales abroad through government-sponsored trade fairs, missions and centers.

I believe this government has an obligation to negotiate fair and equitable commercial and international tax treaties which will profit your business --and the other fellow's.

We will continue to negotiate trade agreements which will remove the unnecessary and often submerged barriers to our exports and imports.

As men interested in trade and your government's negotiations, I can assure you that we will continue with the Kennedy Round to eliminate the so-called non-tariff barriers, the "value-added taxes" and the "turnover taxes."

It is also true that America's own best interests of jobs and business cannot continue to be frustrated by disagreements between ourselves and our allies or what we mean by "strategic materials" in trade with communist nations.

Again quoting from the president of the Chamber of Commerce, we must "end the Free World's deadlock and point the way toward a uniform East-West trade policy." Indeed, "why not let the Soviet bloc make a cash contribution to our economic growth and create jobs in this country, while at the same time, we reap the benefits of exposing Communism's weakness as a system in providing a better life for its people?"

If that spokesman for business -- the Chamber of Commerce -- ~~can find~~ ^{seeks such a} ~~policy~~ ^{agreement} does it mean that the Chamber is soft on Communism? Does it mean

that American businessmen are at heart socialists? Or does it mean that the charges are sounded by a man ^{who is} ~~on the fringe of understanding~~ at best, on the fringe of comprehending the problems which you in business and we in government must cope with every day?

But beyond all this, beyond the fact that we are a trading nation, I believe this government must continue to help you establish private enterprises in developing countries. To do this we must continue to help you find new business ventures through our surveys of investment opportunities.

We must continue promoting local and foreign private sector developments through local development banks. These can reach and help promote the small businesses in the developing countries.

We must continue to encourage regional market development --open to United States business participation.

Above all we will continue to press for ever greater international exchange of goods of services, of money and of men in the free market-private enterprise tradition. This exchange strengthens this country and our free world industrial partners. It exposes the developing nations, and even the Communist countries, to the most powerful force we have working for us -- our concept of real freedom.

American overseas investments now total more than \$66 billion. I know that every American businessman shares deep interest in the picture that we convey abroad. I wish to assure you that government, too, shares in the deep responsibility these investments represent.

I am proud of the exchanges which have continued through this Administration between government and business leaders in foreign economic affairs. Neither government nor business can make decisions for the other --nor can such decision-making be a joint responsibility. Our partnership relies on each of us --government and business-- fulfilling the roles which are required of us.

We can be proud when we reach working relationships which allow us as individuals and as free world partners to move ahead. For we are truly -- all of us-- involved in a national foreign policy.

I see no reason why businessmen should have different goals in their operations abroad than they have at home. These are the very qualities that enable a firm to operate at a profit and to protect the interests of its shareholders and employees.

You bring to your foreign ventures the knowledge, the flexibility and the imagination which make you successful here. With firmness in judgment and determination toward fairness American business abroad is healthy and helpful. It is a decided plus on the scales which the world uses to measure the worth of our system, our institutions and our ideals.

[Oct 14, 1964]

File

SUGGESTED DRAFT OF MATERIAL ABOUT HIS SERVICE ON THE BOARD OF THE INLAND
WATERWAYS CORPORATION FOR POSSIBLE USE BY SENATOR HUMPHREY IN A SPEECH

Businessman

In this country we believe in a working partnership between government and business to satisfy the needs of the people. What people can do for themselves through free enterprise they do. But whenever there is a job that needs to be done that is too big or too risky for private enterprise, the people call on the government for help, often just to get things started.

It has been my good fortune to have had personal experience in such an operation, typical of the teamwork between government and free enterprise in this country. Let me tell you about it.

Over a century ago the inland waterways in this great Mississippi Valley played a leading role in the settlement of the Middle West. Hundreds of packet boats carried the settlers and their supplies into the wilderness and brought out their produce to the markets of the world. Then the development of the railroads during the half century after the Civil War replaced the romantic old packet boats with the more dependable Iron Horse. By the end of the First World War the packet boats were gone, and the rivers were almost deserted.

The wartime congestion of the railroads in 1918 alerted the people of the Valley to a great undeveloped resource lying idle: the greatest river system in the world, the Mississippi and its tributaries. The potential for cheap movement of freight in fleets of barges was unlimited, but private capital was reluctant to invest in such a risky business where progress on the undependable natural river channels was so uncertain.

So the government stepped in to do an essential job that private enterprise couldn't handle. Channels were dredged, locks and dams were built, and in one generation 6,000 miles of dependable waterways were developed, connecting most of the principal cities in the Middle West from the Great Lakes to the Gulf and from the Alleghenies to the Great Plains.

The government also took the lead in pioneering and developing the new and risky business of barge transportation. An experimental operation undertaken on the Mississippi by the Railroad Administration in 1918 was so promising that in 1924 the Congress created the Inland Waterways Corporation to continue the government's pioneering and developmental work in the infant barge industry until it could stand alone.

It was my privilege to serve on the Advisory Board of this government-owned Inland Waterways Corporation from 1946 to 1948 and to participate in the working out of the myriad problems of the adolescent barge industry. I can appreciate the virtues of the unique American genius for partnership between government and business.

And so it was with deep interest that I heard that this government developmental effort was completed, and the barge line was sold in 1953 to private enterprise. During the life of this government corporation dependable channels had been provided throughout the Mississippi Valley, hundreds of freight terminals had been built, and hundreds of private enterprise ventures had gone into the barge business.

Water transportation, almost defunct in the Mississippi Valley 50 years ago, now moves about 10% of the freight load of the nation.

And it was with even greater appreciation that I have just heard that the final step in this partnership project has now been completed. The full purchase price to the government was paid off on October 21. The government's development job is finished; private enterprise has taken over, is prospering, and has paid its debts in full.

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FEDERAL BARGE LINES, INC.

October 1, 1964

Mr. Donald C. Leavens
Special Assistant to the Under Secretary
of Transportation
Department of Commerce
Washington 25, D. C.

Dear Don:

Confirming our telephone conversation, we will plan to be at the Secretary's office by 11:00 A.M., October 21, for the final signing of the agreement canceling the Contract of Sale with Inland Waterways Corporation and making the final payment for the unpaid balance, plus interest accrued through October 20, 1964.

Mr. Pott, Mr. Ingersoll, Mr. Lucas, and myself will be there for the ceremony.

I suggest that we try to have all other documents for releasing the mortgages signed prior to this date and held by you until after the closing on October 21. On occasion, your public relations people have prepared press releases in regard to our annual payments and this may be a source of information for the release to be prepared in connection with this final payment. For your information, I am listing below some facts that probably will be helpful to your public relations people:

1. Sale of the Government's bargeline made as of July, 1953, for \$9,000,000.
2. Original contract called for annual payments to June 30, 1964, with a final payment of \$4,956,000 due on June 30, 1964.
3. Payment schedule was revised in 1958 to permit the Company to make long-term loans with insurance company investors. This revision extended payments on the basis of \$625,000 per year to June 30, 1969, and increased the interest rate to 5%.

4. After the final payment on October 21, Federal Barge Lines will have paid the Government \$9,000,000 in principal and \$2,857,085 in interest for a total of \$11,857,085. This amount is approximately equal to the deficit the Government had incurred in operations of the Inland Waterways Corporation from 1924 until 1953.
5. In addition to direct payments to the Department of Commerce, Federal Barge Lines has made payments of income taxes amounting to approximately \$700,000.
6. During the 11 years, to September 30, the private operators have invested \$19,400,000 in new equipment through the use of borrowed capital and retained earnings. No dividends out of earnings were paid during this 11 year period to the parent company, St. Louis Shipbuilding-Federal Barge, Inc., which owns the company 100%.
7. In addition to the substantial funds invested in new equipment, the company was able to acquire Gulf-Canal Lines, Inc., a carrier operating on the Intracoastal Waterway from Brownsville, Texas, to Fort Myers, Florida, and make payments for such purchase out of earnings.
8. During the entire 11 year period of operations under the terms of the Contract of Sale, the private operators have not requested any extension in the annual payments and has received no complaints from the shipping public as to the manner it has carried out the operations as the successors to the federal government operation.
9. The Federal Barge Lines operates the two most powerful towboats in the world, the UNITED STATES and AMERICA which replaced 5 obsolete steamboats and one smaller diesel boat that had been operated by the Government on the lower Mississippi River. In addition, it has added three modern diesel powered towboats to its fleet. During this period, the private operators have also added 150 new barges to the fleet and contemplate building over the next 4 years, an additional 100 barges.

In addition to the foregoing information, I enclose a copy of Captain Ingersoll's testimony before the Senate Committee on the Inland Waterways Bill in 1963. This may have some information that may be helpful.

I am leaving October 2 for the next two weeks, but will plan to call you at your office on Wednesday morning, October 7, to see if it will be necessary for me to make a visit to Washington prior to October 21. Since I would have to be in New York for a closing with the bank on October 20, I could plan to be in Washington part of that day or on the 19th if you think that would allow time enough relative to the press release.

Mr. Donald C. Leavens

Page 3
October 1, 1964

I would like to be advised if there is any objection to our informing the local financial editors of these plans, particularly the St. Louis Post-Dispatch who maintain a news bureau in Washington. If for any reason you need to get in touch with me before Wednesday, please contact my secretary, Mrs. Irvin, and she will know where to reach me.

Sincerely yours,

FEDERAL BARGE LINES, INC.

Noble C. Parsonage

NCP:el

Enclosure

cc: Mr. H. T. Pott

Mr. A. C. Ingersoll, Jr.

cc: Mr. Norman Sherman Mr. S Frankel
 Mr. John Stewart
 Mr. William Connell
October 22, 1964

Senator Hubert H. Humphrey
New Senate Office Building
Washington, D. C.

*File
Businessmen*

Dear Hubert:

I am enclosing a reprint of the October 20th issue of LOOK Magazine and am sending duplicates to some of the staff. I am grateful to Stan Frankel for bringing this to my attention and for his co-operation.

We have ordered 10,000 reprints and shortly will have put all of them in the hands of important businessmen throughout the country.

All of these will have been distributed by some businessman with a personal letter explaining that the importance of the article lies not only in its substance but in the fact, as noted by LOOK, that your views on business are unchanged since the original article appeared more than two years ago. This is a good answer to the charge made by some people that you changed your business views with your changing political situation.

Keep punching.

Regards.

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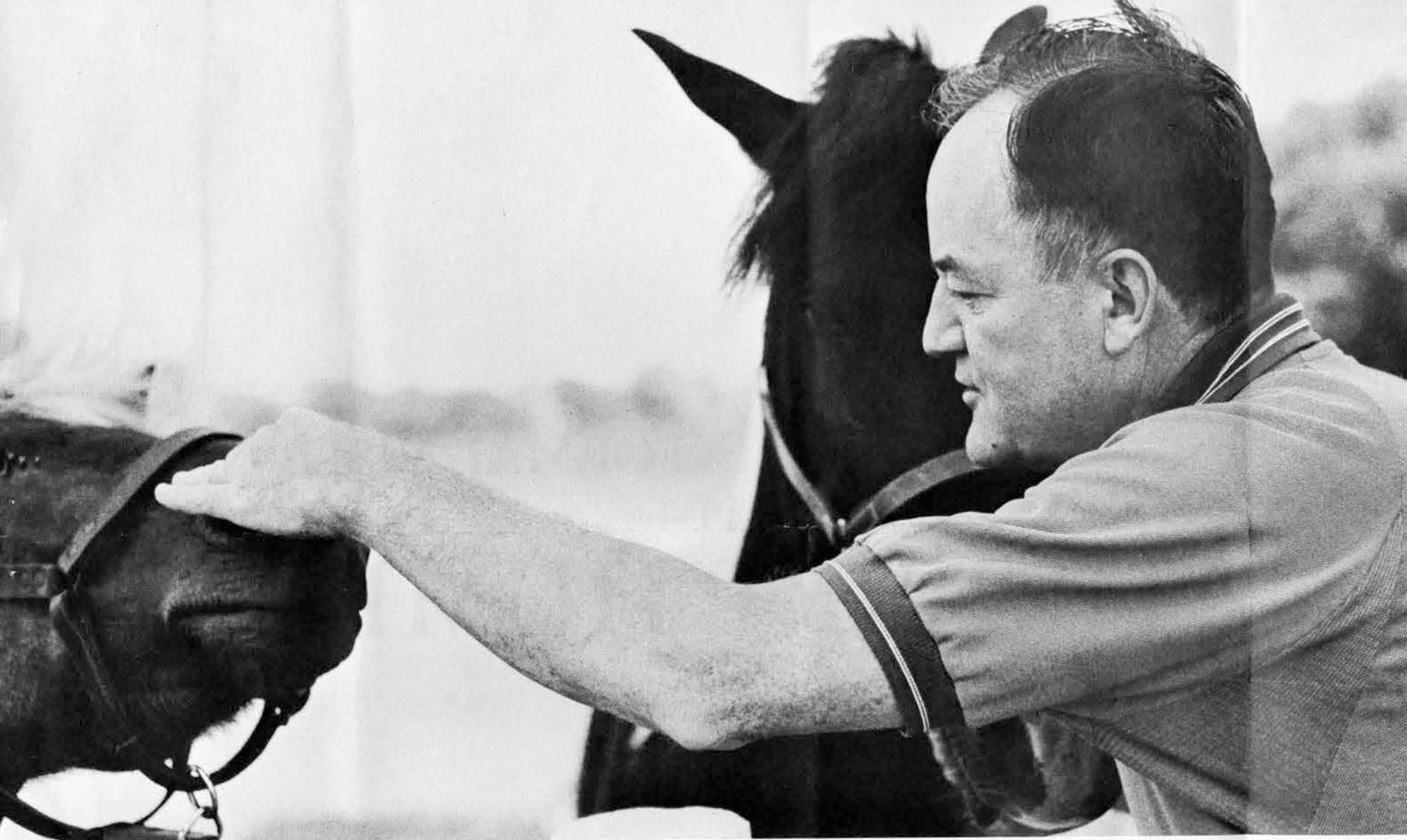
Sincerely,

Marvin Rosenberg

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AN INFORMAL VISIT
WITH
HUBERT HUMPHREY

AN INFORMAL VISIT WITH HUBERT HUMPHREY



Senator Humphrey pats Indy, a pony he keeps in a corral on the four acres of his Waverly, Minn., home.

He enjoys driving his Model A Ford. His passengers: aide David Gartner, front, and Douglas Humphrey, 17, rear.



HUBERT HORATIO HUMPHREY, the Democratic nominee for the Vice-Presidency, has been a debater, a pharmacist, a Phi Beta Kappa, a teacher and a politician. He remains all these in a buoyant, boyish way. One sunny morning recently, he paid a call on Joseph Akin, a farmer who is a neighbor in Waverly, Minn. (pop. 579). Senator Humphrey wore a straw hat pasted squarely on his head, a green-knit sport shirt, khaki trousers and beige moccasins. With his light-footed tread, he went to the Akins' back door. He knocked, said hello, and within minutes, he was in the kitchen pressing a package of vitamins on Mr. Akin, who had been feeling poorly. Akin demurred. The Senator poured it on. "A few of these," he exhorted, "and you'll jump smack-bang through the barn door. Don't worry about the cost. I get 'em wholesale. My brother's a druggist in South Dakota." Then he toured the farm, patted a colt, mounted a tractor and gunned it. Over the engine's bellow, he gave a quick, accurate discourse on the relationship between commodity prices and farm costs. He jumped off the tractor and waved good-bye. The Akins were smiling. "That Hubert..." Mr. Akin said.

This was the 53-year-old senior Senator from Minnesota and Senate majority whip, at home. The Congress was in recess because of the Republican convention, and he was in Waverly on his first vacation in 12 years. He hates vacations: "They are no way to cheat the undertaker."

In Waverly, Humphrey likes to drive around in an antique Model A Ford. (In Washington, he gets to the office in a chauffeured limousine.) His 20-year-old son, Bob, uses the gleaming relic most of the time. Douglas, his youngest son, teased that the Ford was something of an extravagance. It cost about \$2,000, and Mrs. Humphrey, in retaliation, had bought an old Kimball player piano. Maybe, Douglas told his father, the piano was the better buy.

"Son," Humphrey announced, "your brother says that car is the best girlcatcher around. Now, make a value judgment. Could you get more dates with that piano or my Ford?"

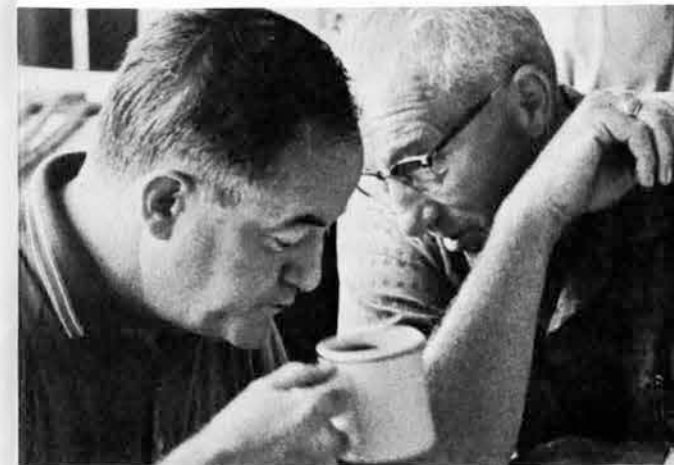
"The Ford," Douglas replied.

"Ah, you get an A for that answer!" the Senator chirped.

Delight in discourse is a Humphrey strength and weakness. He once talked to Nikita Khrushchev for eight and a half hours and came away untraced by fatigue or boredom. For years, he has ranked as one of the Democrats' best thinkers, talkers and long-distance runners. Spurring all over the American landscape, he has also become one of our best-known politicians.

Exposure makes the politician transparent. Humphrey's friendliness, even joyousness, shows through as genuine. When he thumps a melon in a supermarket, scans an expanse of alfalfa,

bites through an ordinary salad, he exclaims, "Isn't this fine!" It may be that this simplicity keeps his trap mind free. He finds juices in statistics, Government reports and the arid prose of legislation. His memory seldom falters on a fact or a face. In these areas, he is always the happy man. Fueling all of this exuberance is his incredible energy. He gets by on about six hours of sleep a night and wakens automatically at seven each morning. His



Dr. Benjamin Moll (right), a Waverly dentist, passes a confidence to his favorite politician.



The Humphreys stroll on the lawn. Their family includes three sons, a daughter, two grandchildren.

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"They're always saying I'm far out," Humphrey said. "I've never felt that way. Years ago, I predicted a omy. They accused me of 'economic idiocy.' Well, that figure now. Actually, what I believed then We are on a roller coaster. Everything moves only place time stands still is in men's minds."

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"Senator Goldwater's views put him in the strong camp. It is a question whether the Republicans historically, both parties have had a broad base their convention, the Republicans went through gery. But instead of cutting out the malignancy heart. I will run on the remains of the Republican

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The Humphreys stroll on the lawn. Their family includes three sons, a daughter, two grandchildren.

alarm clock is built-in.

Blood, bones and flesh, he is the politician. The credit goes to his father: "Dad told me never to do anything that would harm the Democratic party." Hubert Humphrey entered the Senate in 1948 at the age of 37; he had already served two terms as a reform mayor of Minneapolis. He was an architect of the yeasty Minnesota Democratic Farmer-Labor party, which has produced national figures like Orville Freeman, current Secretary of Agriculture, and Sen. Eugene McCarthy. Humphrey's ambitions, as open as his mouth, have brought painful defeats and personal indebtedness. In 1956, he wanted to be Adlai Stevenson's running mate and

ran third. In 1960, he bucked John F. Kennedy in the Wisconsin and West Virginia primaries and lost again. To some critics, he was the man who attends too many weddings—or funerals.

Bouncing back, he plunged into his Senate chores, was elected majority whip in 1961. He changed his strategy and became a mediator instead of a messiah. As a parliamentarian, he deserves much of the credit for such measures as the Nuclear Test-Ban Treaty, the Food-for-Peace program, the National Defense Education Act, the Peace Corps. This year, serving as floor manager, he secured passage of the Civil Rights Act, a historic feat of bipartisan politics. Here, Humphrey came full circle. As mayor of Minneapolis, he had pushed through the first municipal fair-employment-practices law; in 1948, he earned Southern enmity with his dramatic call for a strong civil-rights plank at the Democratic convention that nominated Harry S. Truman.

"They're always saying I'm far out," Humphrey muses. "But I've never felt that way. Years ago, I predicted a \$500 billion economy. They accused me of 'economic idiocy.' Well, we're way over that figure now. Actually, what I believed then was conservative. We are on a roller coaster. Everything moves faster today. The only place time stands still is in men's minds."

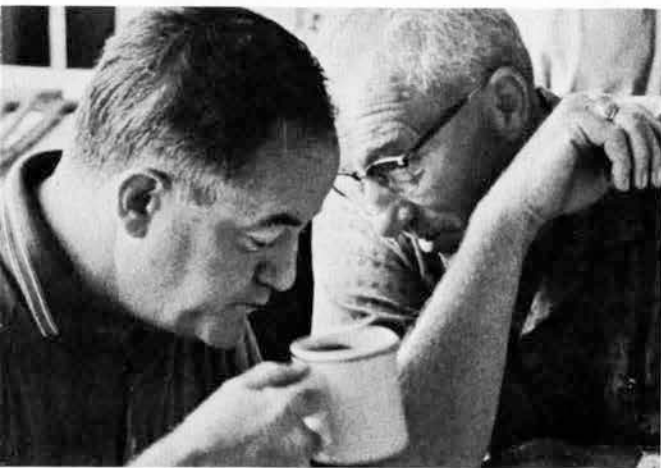
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The Republican convention:

"Senator Goldwater's views put him in the strong, conservative camp. It is a question whether the Republicans will survive this; historically, both parties have had a broad base of support. At their convention, the Republicans went through an Age of Surgery. But instead of cutting out the malignancy, they cut out the heart. I will run on the remains of the Republican party."

The Congress:

"It has refused to come to grips with the problems of today. It is separate, but it is not coequal. The complexities of today's problem leave every congressman understaffed. He just doesn't have enough help from experts. The big departments in Government have all the facts, but too often it is hard to get them. The best



Dr. Benjamin Moll (right), a Waverly dentist, passes a confidence to his favorite politician.

brains in the country should be on the congressional staffs."

The Supreme Court:

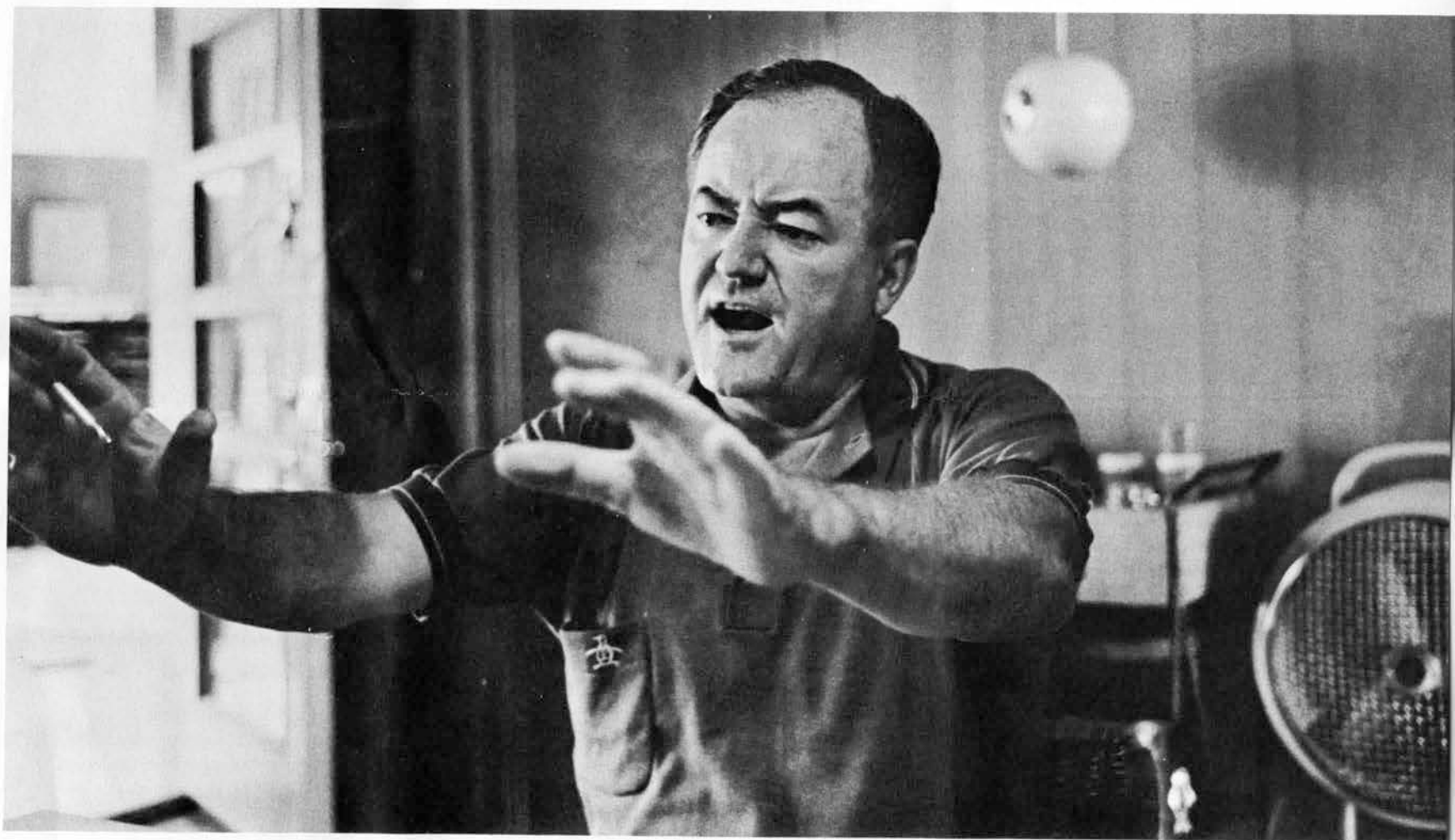
"A great change has occurred in our recent history. The Constitution is the same old Constitution. The Court keeps it a living document, instead of a document of history. State lines are not related to the society's functions. Look at interstate commerce and how it has grown. In time, the executive department and the legislative department will catch up. But now, we are going through a judicial phase. As a citizen, I would urge the Court to temper its activities. It is dangerous to get the Supreme Court in a position where it does not command the people's respect."

His successes as a politician:

"If you forget optimism, you are lost in American politics. My political career has been built upon encouraging people to do better. As a Senator, I have always cast my votes as I have seen the issues. I'm entitled to do that. I have to do what is right, as I

see it. My people know that I work hard and that I *ought* to know what is right, because I am in Washington. And maybe I might know more than they do on a complex issue. They feel I'm honest and don't play any tricks. My political ideal has always been Woodrow Wilson. He was a great idealist and a forward-looking man when we needed someone to make a sacrifice for principle."

At Atlantic City, President Lyndon Johnson appeared theatrically before the Democrats and announced that Senator Humphrey was his choice for running mate. Once again, but in a new role, one of the most unusual "party regulars" in American political history is where he loves to be: on a rostrum before a cheering, partisan mob, in a tough campaign. His broad, rounded face is flushed pink, both arms flail away, and the lightly rasping voice pledges fealty to LBJ and defeat for the Republicans. There will never be enough speeches for Hubert Humphrey to make. Yet, in this exhausting conflict, he says, "I have the time of my life."



Some businessmen and others have regarded Sen. Hubert Humphrey warily as an extreme liberal. He discussed his attitude toward big business in an article that appeared in LOOK in May, 1962. His views today are unchanged. LOOK reprints this revealing article in which Senator Humphrey discusses the contribution our larger corporations make to our economy.

BIG BUSINESS

IS IT TOO BIG?

BY SEN. HUBERT H. HUMPHREY

Its bigness is essential to our survival in the world struggle, says Minnesota's senior senator in this provocative article

FOR TOO LONG, Americans have persisted in seeing the Communist threat as one principally of brute military power. We have failed to understand the nature of the Communist economic challenge and what we can do to meet that challenge.

Today, in our struggle with the Communist world, we are engaged in a kind of economic warfare we have never fought before. To win the battle, Government and business must join hands to move boldly on three fronts:

1. Congress must grant President Kennedy the new and broader authority he has requested to lower tariff barriers and cooperate with the highly successful European Common Market.

2. We must expand our markets, not only in prosperous Europe, but around the globe.

3. American business must invest its know-how and its dollars in building industry in the underdeveloped nations.

All three of these steps will require a growing partnership between the United States Government and business management, based on mutual respect and understanding. As simple as this may sound, it is an enormous task, and I firmly believe we can't get on with the job until we clear away a clutter of old shibboleths and frayed prejudices.

There is, for instance, the notion that my party, the majority party in this country, is somehow "antibusiness." As a liberal Democrat, I can say that nowhere among policy makers of the Kennedy Administration do I find an "antibusiness" attitude. Rather, we are "pro-competition." We believe in competition, and we seek to join hands with businessmen, farmers and workers in making the American competitive system work.

On the other hand, there is the belief held by some Americans that big business is necessarily bad. I don't believe this. This country has grown spectacularly since the trust-busting days of Theodore Roosevelt, William H. Taft and Woodrow Wilson, and business has grown along with other institutions.

For the most part, big corporations are a source of strength and economic vitality. The fact is that big business is here to stay. It is "bad" only when it tends to stifle competition and block expansion. It is "good" when it helps lift us to ever-rising standards of living.

Let me tell you what impelled me to write this article. Last fall, in a search throughout Europe for answers to the dilemma of the Berlin crisis, I found that Europe suddenly had come of economic age. With gusto and enthusiasm, the Europeans were proving theories that we have taken for granted so long here in the United States that they have lost some of their vitality.

Europe's throbbing burst of economic power, I saw, was one of the underlying causes of the Berlin crisis. The Soviet leadership desperately was seeking ways to divide, weaken and confuse this massive politico-economic complex on the very frontiers of the Soviet satellites.

Europe's Common Market — in which age-old tariff barriers are dissolving — is a frontal challenge to Moscow. To the Russians, the Common Market teaches an unmistakable lesson: Responsible representative government and private enterprise cooperating in an open, competitive environment can outproduce any centrally directed society. To the satellites of Eastern Europe and to the neutralist nations as well, Europe's historic achievement demonstrates vividly that freedom does not have to be sacrificed for economic growth, that higher living standards do not have to be gained at the expense of human rights.

To Americans, Europe can serve as a vast mirror. Europe's economic takeoff was achieved not only because of huge economic postwar assistance from the United States, but also because of inspired adaptation of classical American economic techniques. Europe is growing into an economic power by discarding artificial impediments to growth. There must be a realization in America of the central role of that economic power in the world. Now that Europe's Common Market has administered a therapeutic shock treatment to us, we may understand that time is wasting. Others have been moving fast. If we are not to be eclipsed by our friends in Europe and overtaken by the hostile power of communism, we, too, must move hard and fast.

Let's drop the false idea that the Democratic Administration is hostile to business, and get on with a new Government-business

partnership. In World War II, Government and business gladly pooled resources and energies for the common good, despite the fact that such measures as tight controls, rationing and priorities were alien to businessmen accustomed to the free play of the market. Now, Government and business must again pool resources to release the full capacity of America.

However hopefully we look to greater diplomatic, political and military cooperation among the nations of the Atlantic community, no real unity of the West can be achieved without intimate cooperation to ensure the free flow of goods and services throughout that community.

And however well we talk about American ideals and liberties to Asians, Africans and Latin Americans, the growth of stable democratic institutions in those countries can be achieved only if living standards are significantly raised. In this task, neither our Government's "foreign-aid" projects nor the determination of the leaders of these emerging nations can do the whole job. If democracy is to find a seedbed in better living conditions in these areas, American free enterprise must play a far greater role than has been anticipated.

American investors can play a significant part in the strengthening and stabilization of the economies of Latin America and other developing areas. By increased capital investments in such areas, by more aggressive promotion of capital equipment, American business can create durable economic ties. Investors would do well, incidentally, to "naturalize" such capital investments, by permitting substantial local ownership and management participation.

We are coming to recognize the urgency of providing greater assistance to American firms selling overseas, principally through Government guarantees of medium-term credit—an area in which Europe has been outstripping us for several years. Before Congress are programs to encourage the efficiency of our industrial plants—tax incentives to encourage new investment—as well as more effective governmental assistance to firms negotiating for sales overseas.

Our huge productive capacity cannot be kept at high operating levels — and jobs cannot be increased — unless we greatly increase our export markets. Huge potential markets exist throughout Latin America, Africa and Asia. Our largest existing foreign market is, of course, the vast consuming population of 300 million West Europeans, headed by the nations of the successful Common Market. With an avowed goal of tripling living stand-

ards of its people over the next few years, Europe is already at full employment and operating at full capacity. With its rapidly integrating economy, Europe will negotiate trade agreements as a unit—not country by country as in the past.

Primarily to meet this opportunity, to negotiate reciprocal trade agreements that will maintain our access to this tremendous European market, President Kennedy has requested new authority to lower our own trade barriers. We must give the President the chips to play this game. And I am pleased to note the overwhelming support throughout the business community for this new program. I predict that Congress will give the President the power he needs and that the result will be a vast expansion of our exports and imports in the coming decade.

In strengthening our ties with Europe, Japan and other free areas, we are creating a power network that cannot be matched by the Communist world. In the global struggle of free societies against totalitarianism, every new tie that binds free nations together is a signal victory.

But as the Administration moves to strengthen our industrial plant and open new markets abroad, questions do remain about the structure of American business. Does big business by its very size tend to smother competition, make production less efficient and accumulate undue political power? Does big business actually profit through more efficiently produced goods at lower prices, or because industrial giants can hold prices artificially higher than true competition would permit?

The answers to these questions are not easy. First of all, the pluralistic economy of the 1960's bears little resemblance to the economy of the turn of the century that brought forth the first great trust-busting wave.

Everything about our economy is on a vaster scale today. The gross national product (after allowing for depreciation of the dollar) is more than six times as large as at the opening of the century. A "big business" in Wilson's time was a corporation owning a half billion dollars in assets. Today, one corporation alone owns \$24.6 billion, and there are a number whose assets top \$5 billion. Two thousand two hundred American companies own more than \$50 million in assets.

Yet big business does not in fact dominate our economy. The 100 largest industrial companies account for only 10 percent of the sales of all industrial, commercial and agricultural enterprises. And, surprisingly, the total share of "big business" in our economy does not appear to be increasing over the long haul.

There are almost five million American business firms with paid employees. Counting farms, we have about nine million sole proprietors and over two million partners. Such figures demonstrate how radically mistaken is the Communist concept of an economy marching to the tune of a handful of capitalists.

Ownership of American corporations is far more widely spread than at the turn of the century.

Today, one or two individuals only infrequently "own" a great corporation. American Telephone and Telegraph acquired its 2,000,000th stockholder in 1961, and the largest "owner" has only a fraction of one percent. Corporate stock ownership is distributed among almost 15,000,000 Americans.

Large firms play a major role in our economy in many respects. They conduct the great bulk of the privately financed research. Basic research facilities of two of our largest companies—General Electric and AT&T's Bell Laboratories—rank among the world's top scientific institutions. Several corporations have moved to close the gap of our knowledge about outer space with large-scale research facilities, such as Republic Aviation's new \$13 million research-and-development center. GE has built a \$30 million Space Technology Center near Valley Forge, Pa., for research, development and testing of "long-life satellites and space probes." Lockheed has expanded its research facilities by building a \$3 million "space chamber" to duplicate conditions 200 miles above the earth's surface. Budgets for research of some of our giants are very large: Minnesota Mining & Manufacturing spent more than \$25 million in research in 1961. Du Pont's budget for pioneering research alone was \$59 million that same year.

Management teams of some of these great industrial conglomerations are capable of fantastic achievements. In World War II, General Motors produced one fourth of all our airplane engines, tanks and armored cars, almost half of all our machine guns and carbines, two thirds of all heavy trucks and three fourths of all the Navy's diesel-engine horsepower. Ford's application of assembly-line mass production to aircraft at Willow Run produced 8,600 Liberator bombers. Ford also produced 57,000 aircraft engines, 27,000 tank engines, 278,000 jeeps, 13,000 amphibious jeeps and 92,000 trucks, plus numbers of gliders, tanks and AA directors. GE, through its management team, its diversified facilities and network of supplier relationships, produced a tremendous volume of World War II matériel, from major propulsion and auxiliary engines for the Navy to the turbosuperchargers that gave U. S. planes higher ceilings.

When Du Pont was asked by the Government to take on mass production of plutonium—to beat the Nazis to the atomic bomb—management responded magnificently. Equipment never before imagined had to be designed and built, thousands of workers recruited and trained. There were no guideposts. There was no experience. But Du Pont did it, and the United States made the first atomic bomb within three years. And Du Pont did it once again when the Government asked it to produce the necessary ingredients for the H-bomb.

Khrushchev obviously would give a great deal to obtain the management team of a Du Pont or a General Motors, a Ford or a General Electric, an AT&T or a General Mills, a General Foods or a Westinghouse or a Kaiser Industries, or the management of any one of hundreds of other large American corporations.

On our side, unquestionably, alert, experienced industrial management teams must be considered one of the most critical assets of our nation in event of mobilization for hot war.

In our quite proper concern that monopoly shall not stifle operation of our competitive society, there has been a tendency to attack "bigness" as such. Much of this can be traced to the big businesses of bygone generations, which did, indeed, act in a pattern of savage repression of competition.

Recent revelations of price-fixing and other price-holding practices do not help to ease a strong historical suspicion of the motives of great corporations among Government leaders and small businessmen.

Yet I believe that bigness is here to stay in this expanding economy. Depending on the levels of research and technology, the optimum size for a corporation in a given industry may range from small to middle-sized to very large. The antitrust division of the Justice Department raises its eyebrows when mergers and acquisitions begin building into a size and structure which go beyond efficiency and thrust into the area of probable restraint of competition.

I would prefer to add a subtitle to the antitrust division—"pro-competitive." Our goal is an environment within which all types of business rivalry can flourish. We do not want to limit the growth of large firms that can offer better and cheaper products to consumers.

The chief internal economic role of Government must be the smoothing of the way for new men and new ideas. Where lack of credit stifles growth, Government should see that it is provided. When patent rights are being used to foster monopoly, rather than reward inventive skill, Government should insist on other companies' being allowed to use patents on reasonable terms. When the power of large corporations is misused to restrain competition, the antitrust division must act swiftly and decisively.

The most successful method of preventing monopoly has been and continues to be growth of markets. Our growing United States market, with the vigorous pressure of new ideas arising from research technology, and a steady encouragement to smaller businesses over the past several decades, has given us the benefits of very large business enterprises, without a fatal development of monopolistic behavior.

I foresee a growing partnership of Government and business management, dedicated to the task of maintaining free societies.

Neither antibusiness nor antigovernment prejudices have any place in the national leadership, which must guide us through what may well be a generation of political and economic struggle with the Communist world.

We are in for a long fight. We can and we will win, if we can forge a stronger sense of national unity that harnesses the best of our brains and initiative behind a common purpose.

END

**EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS**

Date: 10/29/64

To: John Stewart

From:  Joe Walka

Per your request.

File
Submission
38
1964

Additional information on California and Los Angeles

1. One out of every five homes built in the United States in 1963 was built in California.
2. During 1964 the population of California will grow by 600,000.
 - . California's population will reach 18,563,000 by the end of 1964.
 - The labor force will cross the 7 million mark for the first time.
3. California's industrial growth leads the Nation.
 - . In the last generation 1/6 of the Nation's industrial development took place in California.
 - . Since 1950 1/3 of the Nation's growth in factory employment was contributed by the State.
4. Employment in the Los Angeles-Long Beach labor market area grew by 286,000 from August 1961 to August 1964.
5. Unemployment in Los Angeles-Long Beach has not fallen rapidly despite the large increase in employment.
 - . The unemployment rate fell from 6.7% in August 1961 to 6.0% in August 1964.
 - This is above the national rate of 4.8% in August 1964.
(not seasonallyadj.)
 - . Rapid additions to the labor force have kept the unemployment rate at these high levels.
6. The tax cut will reduce 1965 tax liabilities in Los Angeles-Long Beach by \$600 million.

CALIFORNIA

28 OCT 1964

1. Per capita personal income is \$525 above the national average.
 - Per capita income rose by \$250 from 1960 to 1963.
 - The rate of increase of real per capita personal income of 2.0% from 1960 to 1963 is double the rate of increase of 1.0% from 1956 to 1960.
2. Weekly earnings in manufacturing rose from slightly less than \$110 in August 1961 to over \$120 in August 1964.
 - Weekly earnings in manufacturing are over \$17 above the national average.
3. Nonagricultural employment rose by 508,000 from 1960 to 1963.
 - Employment in the Los Angeles-Long Beach labor market is up almost 257,000.
 - Employment in Sacramento is up 17,000.
 - Employment in San Bernardino-Riverside-Ontario is up over 27,000.
 - Employment in San Francisco-Oakland is up almost 71,000.
 - Employment in San Jose is up almost 56,000.
4. Unemployment has not fallen rapidly despite the huge increase in employment.
 - Unemployment has fallen from 6.3% in August 1961 to 5.7% in August 1964.
 - Rapid additions to the labor force have kept the unemployment rate at these high levels.

-- From 1960 to 1970 the labor force in California will increase by over 3,200,000.

California (cont.)

5. The tax cut will help reduce this high unemployment rate. When the tax cut is fully effective it will

- generate an increase in total California income of almost 3-1/2 billion dollars,
- create 227,000 new jobs,
- increase State and local tax revenues by over \$400 million, an 8% increase on 1962 tax revenues,
- cut California's withholding payments by over \$900 million,
- by stimulating the State's economy, generate an increase in the average family income of \$524,
- cut the average family's withholding payments by \$186,
- by stimulating the State's economy, generate an increase in the typical family income of \$382,
- cut the typical family's withholding payments by \$136.

NOTE: The typical family has an income such that half of all families receive less, half receive more.

The average income is greater than the typical income because rich families pull up the average.

6. The Manpower Development and Training Act helped over 7,400 individuals in 168 projects to acquire needed skills in 1963.

7. Education will play a vital part in furthering the development of California.

- . The median number of school years completed rose from 9.9 years in 1940 to 12.1 years in 1960.
- . The number of students enrolled in higher education has more than tripled from 193,000 in 1950 to 629,000 in 1963.

8. The percentage of families living in poverty, 14.1%, is far below the national average of 21.4%.

- . These families have an income of less than \$3,000.

OFFICE OF THE VICE PRESIDENT

WASHINGTON

March 2, 1965

Memo to Ted
From John St.

The attached memorandum was sent to the Vice President by Alfred Eisenpreis, Vice President of Allied Stores Corporation.

As I understand it, the Vice President has no specific notions about this suggestion but wanted the staff to be aware of it.

3/3

to John St.
from Ted

^a
Red and duly noted. My own impression is largely negative. There are a lot of things much like this already in being. Will keep my remarks to myself until such time as the thing might come alive.

 ted

Memorandum on Business-Industry Taskforce

Business must work at its partnership with government. Business executives, as individuals, must contribute to it. BAC and advisory committees give to many opportunity for such service. However, many groups tend to be large and formal. Most meet infrequently. At times, some fail to deal deeply with the heart of the matter. Sometimes, words take the place of work.

In the thrust for a new environment and a new framework for the American society, the Executive Branch has the right to expect support and service from business executives. To help further this thrust, and to provide a vehicle for such service, creation of a Business-Industry Taskforce is proposed.

The Taskforce should be sounding-board, evaluation-panel, study-group and a source of frank, informed, qualified, constructive, imaginative advice. Its interest should be the Nation's - not any one group's parochial pleading for privilege. Its service and responsibility should be to the Executive, at the highest level.

The Taskforce should be made up of 25 successful, active, dedicated executives. They should be picked from the wide spectrum of business and industry. They should be chosen for their personal qualities: experience, ability and their deep desire to serve. Some may be volunteers. None should be "second choice." Most might not be heads of businesses. As operating executives they should be experts in planning, administration, research, production or marketing; the largest firms have no monopoly on excellence. Each man should be personally respected in his field, but he should seek to represent neither his firm nor his industry in his Taskforce membership; personal participation is the guiding principle.

The Taskforce should meet regularly, once a month, for four days of work. Each meeting should begin Friday morning and end Monday night. Each man's personal contribution of one week-end each month is a small token of personal involvement.

What should the Taskforce consider? Aspects of the following subjects, in terms of general approach, programs or projects might be assigned to it: education (for example, industry programs for dropouts, retraining concepts); conservation (anti-pollution, preservation of human and natural resources); urban renewal and redevelopment; technology and automation; application of innovation stemming from government supported research; implementation of equal opportunity programs; certain aspects of the Balance of Payment

deficit program; means to meet local economic consequences of changes in the defense program; the Appalachian program; etc.

This is how the Taskforce could operate: one week prior to the meeting, staff-prepared background data and a specific statement of the assignment are distributed. On Friday, members are briefed. The balance of the meeting is devoted to analysis and study, with the Taskforce divided into working groups. On Monday, recommendations and a report are developed.

Obviously, there should be no publicity, press contact or any outside discussion of assignments or proceedings. An executive committee of three could handle minimum organization procedures. Meetings could be held wherever circumstances suggest. The chairmanship could be on a revolving basis. Appointment could be for an indefinite term, with automatic removal if three consecutive meetings are missed.

Could such contributions be meaningful? It is submitted that one hundred concentrated working days devoted to one specific subject, combining resources of able executives in metals, consumer goods, heavy machinery, chemicals, drugs, department stores, aero space, banking, construction, insurance, publishing, food processing, automotive, mining, utilities, and another ten major industry or business fields, could offer to the Executive Branch, at its highest levels, useful and constructive assistance.

To those privileged to thus serve, it would offer an unmatched opportunity to participate in the greatest effort of our time.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Alfred Eisenpreis", with a stylized, flowing script.

Alfred Eisenpreis
Vice President
Allied Stores Corporation
401 Fifth Avenue
New York City

February 19, 1965



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