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Statement for the Commercial and Financial Chronicle

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MIKE MANSFIELD, MONT.

United States Senate

MAJORITY LEADER

Statement by Senator Mansfield for the Commercial
and Financial Chronicle

December 7, 1964

Sent to Mr. George J. Morrissey
Editor, The Commercial and Financial Chronicle
25 Park Place
New York New York

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December 7, 1964

STATEMENT OF SENATOR MIKE MANSFIELD (D., MONTANA) FOR THE COMMERCIAL
AND FINANCIAL CHRONICLE

It is still too early to judge the full effect of the legislation enacted by the 88th Congress on the economy of the United States. But indications are that it will be significant. The \$11.6 billion tax cut enacted by the last Congress was an effort to put more disposable income into the pay envelopes of the American consumer and to increase the availability of business investment funds over and above the increase provided by the tax cut of August 7, 1962. So far it appears that this second cut has resulted in expanded economic activity, particularly in consumer purchases and capital goods investment, and the full effect is yet to be felt. Moreover, a revising of the excise taxes planned for the 89th Congress should further stimulate business activity in 1965.

Our economy is basically sound even though economic indicators give a mixed picture. I share the optimistic view with some reservation on the basis of danger signals on the horizon. For example, despite intense national concern with unemployment we seem to be stuck somewhere around the 5% unemployment rate with no concrete signs that this can be lowered. Efforts to solve the problem have yet to be successful. It would seem that there is a need for a good deal more to be done on retraining and relocating people who constitute the hard core of employables unable to find jobs. The President's war against poverty, the equal employment section of the Civil Rights Act, the Vocational Training and Area Redevelopment Act are but a few examples of the other types of effort which must be directed to this problem.

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The balance of payments deficit is another area of concern. We have made a beginning but we have yet to eliminate the problem which is fundamentally related to the whole of the nation's position in the world. The interest equalization tax and the Trade Expansion Act are initiatives in the search of a solution. Each has had a favorable effect on arresting the growing magnitude of the gold outflow but the difficulty remains real and threatening. It is to be expected that the Administration will explore further measures to reverse the trend.

We must also be on guard against any tendencies of inflation which may threaten. Recent indications are that the prices of raw materials have been slowly creeping upward and the month of October saw a rise in the cost of living index. Steps must be taken to counteract any inflationary tendencies to assure that they do not get out of hand.

Against these negatives, there is a basis for optimism in the positive indicators of growth in the economy. For instance, personal income has grown to record proportion as has our Gross National Product. Retail sales are near all time highs and investment in capital goods for plant modernization and re-equipment is being maintained at a very high level. Steel production and automobile output, two prime indicators of the state of our economy, also have reached record proportions. All these factors, it would seem to me, portend a good year for business activity and economic growth.