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THE STATE OF THE ECONOMY

Mr. MANSFIELD. Mr. President, the first of the presummit economic meetings was held yesterday at the White House. The President, in convening that meeting, had the following to say: "The conference on inflation," the President said, "unites Republicans and Independents and Democrats in an election year against an enemy that doesn't recognize one political party from another."

Mr. President, as I have indicated, the first of the economic meetings preceding the summit meeting at the end of this month has taken place. A number of others will follow, with meetings to be held throughout the country to cover various aspects of the economic areas. From the reports I have received from the two Democratic senatorial members of yesterday's meeting, Senator PROXMIRE and Senator BENTSEN, they have been encouraging. However, as was to be expected—and this should surprise no one—the economists found themselves on all sides of the question about what should be done to halt inflation and turn it downward. It appears to me that the emphasis was on interest rates and an easing in the supply of credit available to business and consumers. That is the

closest that the people in attendance could come to what could be considered a consensus. Certainly, they are matters which should be looked into and, in my opinion, comprise a reasonably good first step.

I was also pleased to note that the Secretary of the Treasury, William E. Simon, and the Chairman of the Federal Reserve Board, Arthur F. Burns, will be leaving tomorrow for an emergency meeting with the Finance Ministers of the leading industrial nations of the West and Japan. This fits in with my belief that the economic situation which confronts this country confronts the free world, as well, and that the need is for constant consultation and, hopefully, common decisions. We should always keep in mind the economic situation which confronts the free world.

For example, as of August 30, we find that France was suffering from a 15.6-percent inflation rate; the United Kingdom was 18 percent; Japan's was 25 percent; Israel's was 38 percent; and Italy's was 41 percent. Only three nations in the free world held inflation below the double-digit figure. They are West Germany, Luxembourg, and the Netherlands.

As far as our own situation is concerned, we are confronted with a 12 percent inflation rate; a 12 percent plus prime interest rate; a steadily increasing unemployment rate; a decrease in productivity between 5 and 6 percent under last year's; a lag in wages behind prices for the past 16 successive months; a decline in the stock market which amounted to $500 billion in losses since January 1973 in stocks held by 31 million stockholders. These facts and figures tell a story which must not and cannot be lost on the administration or the Congress, because it is to us jointly that the American people and, to a certain extent, the people of the free world look for guidance and relief.

There are some things which I believe can be done; at least, they should be gone into thoroughly and considered on the basis of what their performances have been in the past and, hopefully, will be of use in the immediate future. They are as follows:

First. The restoration of wage and price controls on the same basis as in effect under phase II of former President Nixon's economic program, but updated to fit in with the present wage-price structure.

Second. Restoration of regulation W, which restrained consumer credit, by forcing more rapid repayment of an installment debt and a larger downpayment when credit is extended initially. This would discourage buying, and the continued repayment of debt already incurred will feed money into capital markets and help to depress the extraordinarily high interest rates.

Third. Give serious consideration to the so-called Brazilian index plan as it could be applied to wages, salaries, and taxes. What this proposes is, in effect, an escalator clause which would allow workers to at least remain even with inflation rather than being outstripped by it, as is the case today. A majority of the labor contracts have automatic cost of living clauses tied to wages, and social security retirees, civil service retirees, and military retirees have cost of living clauses which add to their retirement benefits periodically.

Fourth. We ought to reinstitute the Reconstruction Finance Corporation which would do the job for business in need, which it performed prior to and during World War II, as well as for a period after the war. Furthermore, it operated at a profit. It would be my belief that, instead of loans and/or subsidies to be legislated and appropriated by the Congress, as in the case of Penn Central and Lockheed, that it would be far better to recreate the RFC so that matters of this kind could come to them rather than to the Congress.

These are some simple suggestions which I think can be understood by all, which may or may not have merit, but which, at least, have the virtue of simplicity.

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Mr. MANSFIELD. Mr. President, I am delighted that we are having some discussion on the economic situation, and also that it is being looked on not as a political matter but as a matter of national significance and importance which affects all of our people.

If the present inflationary rate of 12 percent a year continues it will take in less than 9 years twice as much money to buy what that money will buy today. It is just a case of arithmetic. Multiply 12 percent by 9 and you reach 108. So that is one of the reasons why prices are outstripping wages and savings and making it difficult for the American people, one reason why there is a need for action now.

There has been some talk about reducing the budget, which I think when it was sent up by President Nixon amounted to roughly $305 billion.

I just happen to see in this room two chairmen, the chairman of the full Senate Appropriations Committee and the chairman of the Subcommittee on State, Commerce, and Justice.

The distinguished Senator from Rhode Island reduced his area of appropriation responsibility by 3.5 percent—3.5 percent.

The distinguished chairman of the full Appropriations Committee, the Senator from Arkansas (Mr. McCLELLAN), reduced the defense appropriation bill by $5.1 billion, or roughly 6 percent.

There will be other reductions in other subcommittees which will be approved by the full committee and the Senate as a whole.

So I do not think we ought to consider just a $5 billion reduction to get down just under $300 billion. I think we ought to go toward $10 billion and, in the meantime, we ought to be very careful of the type of legislation which we authorize which in time calls for appropriations.

So I think the Senate has done well. I hope that the trend inaugurated by these two committee chairmen will continue.

I would point out that as of now we are below the $300 billion figure, as far as the Senate is concerned, and I would hope there would be a minimum of compromising in conference, so that differing amounts between the two Houses can be split down the middle.

I mentioned Western Europe and Japan, but one place I did not mention, to indicate just how worldwide inflation is, is Latin America, a part of our own area and a part of this hemisphere.

In the past 5 years alone, consumer prices in a number of South American countries have increased by these percentages:

Chile, 5,652 percent—it is unbelievable, it sounds like Germany at the end of World War I. Uruguay, 549 percent. Argentina, 332 percent. Brazil, 151 percent. This is a 5-year period. Colombia, 101 percent. Bolivia, 85 percent. Ecuador, 70 percent. Paraguay, 63 percent. Peru, 51 percent. Venezuela, 19 percent.

So we see that it is not a local problem, it is not an American problem. It is a worldwide problem as far as the free world is concerned.

It does not apply to the Communist countries where they have an enforced standard of living and wages which are controlled along with prices and all the other commodities involved.