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Mike Mansfield 1903-2001

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THE STATE OF THE ECONOMY:
A CONGRESSIONAL VIEW

Mr. HARTKE. Mr. President, yesterday the distinguished majority leader of the Senate responded on nationwide television to President Ford's recommendations regarding the Nation's economic crises. So aptly, he pointed out that this administration's policies and programs bear far too close a resemblance to those of the previous administration. Their record of failure is already well established and no slogans or words however contrived will deceive the public into believing now that there is a difference.

In contrast, may I say, the able Democratic leader has provided the American people with a credible plan of action designed to meet inflation and mitigate the recession that now engulf the Nation. In characteristic fashion, MIKE MANSFIELD has set forth with candor and honesty an equitable set of proposals that call for sharing the burdens fairly and without discrimination against the poor, the aged, and the powerless on whom the onus falls most heavily now.

I commend this statement and set of recommendations to the attention of the Senate and of all who are interested in meeting the current twin crises of the Nation. They have been offered by a man of great wisdom, integrity, and foresight—qualities that have assured his service as the leader of this institution longer than that of any other individual in history.

I ask unanimous consent that "The State of the Economy: A Congressional View" be printed at this point in the RECORD.

There being no objection, the speech was ordered to be printed in the RECORD, as follows:

STATEMENT OF SENATOR MIKE MANSFIELD,
OCTOBER 15, 1974

THE STATE OF THE ECONOMY: A CONGRESSIONAL VIEW

MY FELLOW CITIZENS: The Economic Summit is behind the nation. The President's recommendations are now before us. I regret to say, notwithstanding, that the twin crises for the nation remain—and loom larger than ever. They include an unrelenting and intolerable rate of inflation and a deepening recession. As for the international economic community, its prospects are shrouded in gloom.

The foremost economists in the country—in and out of government—have told us what the inflation and recession are all about—in a hundred versions. The talk has

been of micro-economics, macro-economics, econometrics and what not. Of these things, of importance to economists, awareness is not widespread. Of inflation, the public knows a great deal. Of recession, the public is learning more and more each day. The people know, too, that little has been done to stem the inflation or to halt the march of recession, anywhere by anyone.

To "Whip Inflation Now"—W-I-N, as the slogan goes—will require action, action that encompasses something more and different than a ten-point program which begins by imposing greater tax burdens on families with annual incomes of \$15,000; more than increased acreage allotments for peanuts, cotton and rice production. What has been advanced as a remedy for our situation by this Administration bears too close a resemblance to the fiscal and monetary policies of the previous Administration, policies which have long since proved to be inadequate to meet the emergency.

Petroleum is one of the main sources of the problems which confront us. Yet, today, we are importing 40% of our petroleum needs as compared to 35% a year ago. The price of crude has sky-rocketed and the end is not in sight. In 1972, \$4.7 billion was spent on imports; \$8.2 billion in 1973; \$27 billion plus in 1974. The trend is up, up, up.

For America and many other countries, a major source of inflation lies in these figures, in the manipulated spigot of international petroleum flow. As far as the United States is concerned, the other factor is Viet Nam. Viet Nam is water under the bridge only in the sense that we cannot undo what has already been done. Its terrible cost will extend far into the first half of the next century. It will be paid by the sacrifices of several generations.

Inflation has turned the world of the past two decades upside down. Things that are going up should be coming down and they are not. Retail prices are up by 47% annually. Unemployment is up to nearly 6%. Interest rates are up. Medical costs are up by 36% and food by 51%.

Things that are coming down should be going up and they are not. The stock market is down—\$500 billion in values have been lost and 31 million people are affected. Real income is down. Our international trade balances have hit a record low. Auto sales are down 22% from a year ago. Unemployment in Michigan stands at 9.3%, compared to nearly 6% overall. Housing is down 45% and yet in some places, construction wages have been increased by 20%. How can more houses be built and sold when prices are higher, interest rates are higher and construction wages are higher?

I am not an economist and make no pretenses. What is clear to me, however, is that the time for words—micro, macro or whatever—is at the end. Words and slogans will no longer satisfy the nation. Inflation is social dynamite; walk through any food market in any suburb and take note of the comments. Recession is social dynamite; walk through areas of high unemployment in any city and ask what lies ahead in terms of crime and unrest. The divisions among people, among societies, among nations, are on the rise. They will not wait for the "self-adjusting mechanisms" of the economy to self-adjust.

What is the answer? Mostly, we hear talk about the need for a tight Federal budget and tight money. Of course, we need to keep rein on government expenditures, in good times and bad, and especially on the extravagant and the irrelevant. At best, however, the Federal budget is only a fragment of the answer to our difficulties.

It is said, too, the fault lies with the American consumer. Tell that to the grocery-shopper who feeds a family on inflation-eroded wages or a fixed income. Tell it to the home-owner who uses oil to keep out the

cold and the worker who uses gasoline to get to work. The fact is that the *laissez faire* application of the laws of demand and supply no longer correct the economic ills of a society already bound in by a massive complex of intervention built up over decades. The clock cannot be turned back to Adam Smith's Eighteenth Century England.

The nation is in an economic emergency. I think you, the people, expect government to confront that emergency decisively and to act on it in the general interests of the people. We have not done so and even now, seem to lack the capacity to do so.

Take the problem of energy-supply as an example. A year ago, we talked of crash programs to increase our own production and to develop substitutes to reduce the dependency on imported oil. Congress has appropriated vast funds and stands ready to appropriate more for this purpose. But what have we really achieved with this year of grace? What have we really done? We have allowed the self-adjusting mechanisms of the economy to operate quite freely in petroleum. We have let prices find their own level. In a society grown universally dependent on petroleum, that is the cruelest form of rationing. The burden falls heaviest on those with the least income. To compound the problem, Congress has been asked for more de-control on energy which can mean only higher and higher prices and more and more inflation.

The need is for a new action—equitable action—by this Administration in cooperation with the Congress. It exists not only with regard to petroleum but in many other matters. As the President has already been informed, the Congressional majority believes that integrated action in at least seven fields is needed to curb inflation and to halt the recession.

These fields include: (1) budget reductions, (2) wage, prices and profit control, (3) selective monetary credit easement, (4) tax adjustments, (5) positive action to deal with shortages and supplies, (6) development of new employment, and (7) readjustment of international policies.

Credit curbs alone are not enough. Budget cutting alone is not enough. Indeed, the budget has already been cut by Congress and will be cut further. But how much inflation can really be squeezed out of the economy by this method and at what price? How much will it cost in lost jobs, lost output, lost public services and business failures?

As for the international economic situation, particularly as it involves petroleum, the Congress and all Americans welcome the call for increased cooperation among consuming nations; and, indeed, there is no reason not to extend the call to the producing nations. We welcome joint policies designed to assure international distribution of essential commodities. The answer will not be found in confrontation with other nations but in cooperation by our own people with others. Some countries like Italy and the United Kingdom face bankruptcy. A whole corridor of humanity spanning the African Continent is starving. Along with petroleum, these and countless other specific situations are all parts of a world-wide whole. International petroleum problems must be dealt with in that context.

There are many areas that must be addressed in regard to our economic predicament. We must address them candidly and act on their dictates within the framework of this nation's basic tenets. In short, I do not think we are going to come to grips with the mounting problems of the economy unless we begin to move in the direction of:

1. Establishing, as needed, mandatory wage, price, rent and profit controls;
2. Reviving the Reconstruction Finance Corporation to deal with the credit needs of ailing businesses such as Penn Central, Lock-

heed and Grumman, Pan American, TWA and many more headed in the same direction; Congress is not the proper forum for specific decisions involving government bail-outs;

3. Restoring Regulation W to require larger downpayments on credit purchases and shorter periods for repayment and allocating credit on a priority basis in the light of the nation's critical needs;

4. Beginning an equitable rationing system for energy and other scarce materials to the end that dependency on foreign sources of petroleum can be reduced and beginning, too, a stringent conservation system including measures to enforce the speed limit and to bring about a reduction of waste in the utility and other industrial fields;

5. Developing a broader system of indexing to the end that the real incomes of wage earners can be tied to real living costs;

6. Moving without delay to establish a Commission on Supplies and Shortages, legislation for which has already passed the Congress;

7. Curbing excessive profits and controlling the flow of investments abroad through the taxing power while conversely, cutting taxes on Americans hardest hit by inflation, those in low and moderate income categories and those on modest fixed incomes;

8. Creating, without delay, a job-program which puts people to work in public services and elsewhere as necessary, to keep down the level of unemployment;

9. Working with all nations prepared to work with us to deal with cartel-created shortages in petroleum or other commodities, recognizing that petroleum is only one aspect of the larger question of the inter-relationship of the economic well-being of all nations and the stability of the world.

Self-seeking and self-serving have got to stop. Sacrifices are needed across the board if the nation's economy is to be restored. In my judgment, the people of this nation are prepared to make those sacrifices. We will do whatever must be done, so long as the burdens are borne equitably. That is the job of the President and the Congress—to insure that the sacrifices are fairly distributed. It is time to put aside the evasions and the circumlocutions. The bell is tolling. There is no need to send to find out for whom. It is tolling for all of us.