Carter’s economy: They blew it!

‘I pray that whatever is being done in Washington is successful,’ Ford says

By Gerald R. Ford
Former U. S. President

We must adopt fiscal and monetary policies to reduce inflation, lower interest rates, redirect and reduce federal taxes, increase our productivity and stabilize the dollar on a worldwide basis.

To be very frank and honest with you, I’m sad and angry when I read such statements as those by President Carter’s former Secretary of the Treasury Mike Blumenthal, who said in 1980 we will have an unemployment rate of eight percent, a budget deficit of more than $40 billion and more periodic runs on the U.S. dollar.

And, I’m sad and angry when I read that Alfred Kahn, the President’s inflation fighter, says there is no relief in sight for the current 13% inflation. I’m equally upset when I read the President’s economic report, which he submitted to the Congress and the American people, where in 1980 he predicts a recession, unemployment of 7.5%, and an inflation rate of 10%, and a 9-10% increase in the rate of growth of federal spending.

You should ask yourself, as I do, are these economic forecasts by the White House accurate? It reminds me of a story they tell about former President Harry Truman, one of my favorite Presidents and the President under whom I first served when I went to the House of Representatives.

Every President has a council of economic advisors, three wise men who are supposed to forecast for the President what the economic situation will be, advise the President as to what policies ought to be undertaken. According to the story, Mr. Truman asked the council to come in and sit down with him in the Oval Office of the White House, and he asked the chairman, “Mr. Chairman, tell me what the unemployment picture is going to be for the next 12 months,” and the chairman said, “Mr. President, on the one hand, unemployment could be serious; it could rise spectacularly. But on the other hand, Mr. President, maybe it won’t be as bad as I’ve just told you.”

So, President Truman turned to the second member of the council and said “What about interest rates?”, and this prestigious academician said “Well, Mr. President, interest rates might soar, but there are certain factors on the other hand that might make those interest rates not quite so serious.” Mr. Truman turned to the third member and said “What about the overall economic situation for the next 12 months?”, and this member of the council said “Well, Mr. President, on the one hand I don’t believe we’ll have a recession, but on the other hand, we could have a serious economic upheaval.”

Mr. Truman, after listening to this variety of opinions, stood up behind his desk in the Oval Office and said, in a typical Truman way, “Gentlemen, gentlemen, I sure wish I had a one-armed economist.”

Continued on page 8

Prior to addressing the AWCI membership, President Ford enjoyed some informal chats with AWCI dignitaries. In a meeting of “The Presidents”, Ford discussed the economy and its pressures on construction industry contractors with AWCI President and First Lady Robert F. and Eileen Watkins.

Editor’s Note: During his appearance before the 63rd Annual AWCI Convention in Phoenix, Arizona, former President Gerald R. Ford touched on three major issues: national defense, the economy, and energy. The article here is excerpted from his speech.
I am sad and angry about President Carter’s approach to the economy, Gerald Ford told his AWCI audience in Phoenix. He also endorsed the use of more nuclear energy in the United States and called for increased expenditures for national defense.

Ford endorses nuclear power

Citing its generally safe record and its role in reducing U.S. dependence on foreign fuel sources, former President Gerald R. Ford has called for an increase in the numbers of nuclear power plants in the United States. Ford, during his address to the 63rd Annual AWCI Convention in Phoenix, said it does not make good sense to overlook the potential of nuclear power, because the U.S. has the scientific and technical resources available to ensure the safe generation of electricity from nuclear fuels.

Ford said: “This may be a sensitive subject, and I say this understanding that. I happen to believe in the years ahead, we must increase the utilization of nuclear power.”

After waiting for a long burst of applause to subside, he continued: “At the present time, the United States has about 72 operating nuclear power plants. There are 90 more in various stages of construction. I believe the record shows that on the basis of safety, reliability and economy, that the nuclear power industry has a good record, certainly on a comparative basis with any of the other energy producing segments of our society.

“That doesn’t mean we should be satisfied, but I have faith in our engineers, our technicians, our scientists. I believe they can and will make our nuclear energy system safer, more economical and more reliable. And, we must take advantage of this source of energy in order to keep us from becoming more and more dependent on OPEC foreign sources of oil.

“Suppose we just followed the advice of some of these people who say let’s turn off all 72 of our nuclear power plants. What would happen if you wanted the same production of energy? Well, we now import eight million barrels of crude oil a day . . . and if you turn off those nuclear energy plants, we would have to import an additional 1,500,000 barrels of Arab OPEC oil tomorrow, if we could find it. It would be a shorter supply and a higher price. I think that would be totally unwise, and I think we should stimulate . . . stimulate our engineers and scientists to do a better job.

“And, if they do, we can have the kind of energy production that is necessary from the nuclear power industry.”

A little past history

Let me tell you even more directly why I’m sad and angry at our current economic situation. When we turned the reins of government over to President Carter, here were the facts: inflation was at 4.8%, the prime interest rate was at 6.25%, the U.S. dollar was valuable and stable on the worldwide basis, unemployment was going down and employment was going up.

What should be done in the current crisis to make up for the mistakes during the last three years? Well, experience is a pretty good teacher and I vividly remember the economic problems we faced the day I took the oath of office, August 9, 1974. For a wide variety of reasons, it wasn’t a pleasant experience. We had international problems and we had domestic difficulties. At that time, the day, the inflation rate was 12%, the prime rate was over 12%, we were on the brink of the worst economic recession in 40 years, with employment about to sink and unemployment about to rise. What did we do?

We tightened our belts. We made some hard decisions; they weren’t painless. First, we reduced the rate of growth of federal spending. That’s vitally important. I don’t stand up before you and say we cut the budget; that’s good political demagoguery. What you have to do is cut the rate of growth of federal spending. From 1964 to 1974, the annual rate of growth of federal spending had been 11% per year; that’s a lot of growth! And we decided that rate of growth had to be cut by 50%. The Congress, at first, didn’t cooperate, but you know, over a period of 30 months, we vetoed 66 bills sent down to the Oval Office by the Congress, most of them spending bills. By the time we finished, the Congress knew we meant business. And, the net result was that we did cut the rate of growth in federal spending from 11 percent to about six percent. That’s the kind of hard decision you have to make, if we’re going to meet the
challenge of inflation and high interest rates at the present time.

There’s another similarity to 1974. As I said, we were in an economic situation the economists called stagflation. They’ve coined a new word in 1980, it’s called slumpflation. I don’t care what you call it, we’ve got problems! And, they’re probably going to get more serious in the months ahead.

If you’re going to attack the stag part of stagflation or the slump part of slumpflation, you’ve got to stimulate the economy. What we did was to propose a tax reduction in 1975 to get the consumer back into the marketplace. And, we proposed a tax reduction for the businessman, so there would be a better return on investment, better cash flow, and the wherewithal would be there to expand and to modernize to compete both at home and abroad. And, the net result was, we did come out of that recession of 1975, and we didn’t do it with a lot of federal programs. We did it by stimulating the private sector of our economy, where five out of six jobs exist anyhow.

We didn’t want to overload the government with make-work projects, we wanted you in the private sector to increase your production and expand your employment. And the net result was, it was a pretty healthy economy.

We worked very closely with the Federal Reserve Board (Dr. Arthur Burns was the chairman). If you’re going to have a strong fiscal policy, you also have to have a good monetary policy. One of the problems we face today, to be honest with you, is that too much of the burden is being placed on the Federal Reserve Board.

Who is at fault?

It also make me sad and angry, I must say, when people in high offices in Washington point their finger at labor and say labor is part of the cause of our inflation. They point the other finger at business and say business is principally responsible, because of the price increases. Let me say I don’t agree with those attacks.

The cause of inflation is the irresponsible fiscal policy of the federal government, and let’s put the blame where it should be!

What I am saying is that with good policies, fiscal and monetary policies, cooperation with the Federal Reserve Board, you can do something affirmatively about inflation. We took it from 12% to 4.8%. You can do something about interest rates. We took them from about 12% to 6.25%. But you have to have a policy. You have to stick with it. I pray, because it is important to this country, that whatever is being done in Washington will be successful...we certainly can’t have a continuation of the disasters of the past three years.

They were handed an economy in January of 1977 that was on its way to a solid prosperity. Our economic clouds were clearing. The sun was beginning to shine. We handed them an economy on a silver platter. They blew it! And, they ought to be held responsible.