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"THE ECONOMIC CRISIS"

THESE ARE TRYING TIMES FOR AMERICANS. WE ARE BESET BY
COMPLEX PROBLEMS AT HOME AND ABROAD. OF COURSE, THERE IS NO
SIMPLE FORMULA FOR EITHER THE PROBLEMS WE FACE AS A NATION
OR AS NORTH CAROLINIANS. THE SOLUTIONS WILL NOT COME EASILY.

I WOULD LIKE TO TALK WITH YOU TODAY ABOUT THE CRISIS IN
OUR ECONOMY.

WE HAVE HEARD SO MUCH IN THE LAST YEAR ABOUT THE "CREDI-
BILITY CRISIS" OR THE "CREDIBILITY GAP." PEOPLE ARE INCLINED
NOT TO BELIEVE WHAT THEIR NATIONAL GOVERNMENT SAYS, AND TO
VIEW WITH SKEPTICISM ANY COMMENT BY NATIONAL LEADERS THAT
SMACKS OF PIE-IN-THE-SKY RHETORIC.

PUBLIC CYNICISM TOWARD GOVERNMENT HAS RISEN SO SHARPLY IN THE PAST YEAR THAT 2/3 OF THE PEOPLE NOW FEEL THEY CAN TRUST IT ONLY "SOME OF THE TIME" AND 1/2 BELIEVE THAT "QUITE A FEW" PEOPLE RUNNING THE GOVERNMENT ARE CROOKED -- ACCORDING TO A RECENT SURVEY BY THE UNIVERSITY OF MICHIGAN'S INSTITUTE FOR SOCIAL RESEARCH. OVER 70 PERCENT OF THE VOTERS BELIEVE THE GOVERNMENT IS RUN IN BEHALF OF A "FEW BIG INTERESTS" INSTEAD OF FOR ALL THE PEOPLE.

I MENTION THE CREDIBILITY CRISIS BECAUSE I BELIEVE THAT IT IS CLOSELY RELATED TO THE ECONOMIC CRISIS. IF THE PEOPLE DO NOT SHARE A BASIC CONFIDENCE IN THE PROCLAMATIONS OF GOVERNMENT, THEN ANY STATEMENTS ABOUT THE HEALTH OF THE ECONOMY -- OR ANY PROPOSED SOLUTIONS -- BY THE PRESIDENT, CONGRESSMEN, OR BUREAUCRATS WILL BE MET WITH AN INSURMOUNTABLE HURDLE AT THE START.

AT THE SAME TIME, BAD ECONOMIC CONDITIONS CONTRIBUTE TO THE EROSION OF CONFIDENCE IN OUR GOVERNMENT. TAKE THE PROBLEM OF INFLATION. LAST YEAR THE RISE IN PRICES APPROACHED 9 PERCENT. THE SOCIAL IMPACT OF INFLATION IS THAT IT MEANS DISAPPOINTING EXPECTATIONS. IN PARTICULAR, THOSE WHO WORK HARD FOR WAGES AND SALARIES DISCOVER THAT THE GAINS THEY THOUGHT THEY WERE MAKING HAVE BEEN WIPED OUT.

LET ME TURN YOUR ATTENTION TO THE NATIONAL BUDGET AND TO AN ILLUSTRATION OF THE GAP BETWEEN GOVERNMENT THINKING, AND THE PEOPLE'S THINKING. NOTHING I SAY IS MEANT TO IMPLY CRITICISM OF AN INDIVIDUAL, BUT AS COMMENT ON A CONTINUING PROBLEM.

AS YOU KNOW, LAST MONTH THE PRESIDENT SENT DOWN TO CONGRESS THE FISCAL YEAR 1975 FEDERAL BUDGET. IT WILL INCREASE FEDERAL SPENDING BY \$30 BILLION OVER THE FIGURE FOR THIS FISCAL YEAR, AND WILL INCUR A DEFICIT OF \$10 - \$20 BILLION. IT WILL BE THE FIRST \$300 BILLION BUDGET IN THE NATION'S HISTORY. THE FIRST \$200 BILLION BUDGET WAS SUBMITTED JUST FOUR YEARS AGO. GOVERNMENT SPENDING HAS GROWN THAT FAST (THERE IS SOME TRUTH TO THE STATEMENT THAT EVERYTHING IS UNDER FEDERAL CONTROL BUT THE BUDGET.)

THE PROBLEM OF THE GOVERNMENT, WHEN IT PRESENTED ITS BUDGET A YEAR AGO, WAS TO REIN IN A BOOM. THE PROBLEM NOW MAY BE HOW TO STAVE OFF A RECESSION.

THE PRESIDENT AND HIS ADVISERS SAY THAT THEY ARE PREPARED TO EXCEED THE NEW BUDGET'S CEILING, IF THE ECONOMY SAGS MORE THAN THEY EXPECT. FURTHER SPENDING, ON THE OTHER HAND, RUNS THE RISK OF ADDING TO INFLATION.

IN HIS STATE OF THE UNION ADDRESS THE PRESIDENT PROMISED THERE WOULD BE NO RECESSION THIS YEAR. I CERTAINLY HOPE HE IS RIGHT.

HIS ECONOMIC ADVISERS ARE HEDGING -- AS ECONOMISTS ARE PRONE TO DO, MR. STEIN, CHAIRMAN OF THE COUNCIL OF ECONOMIC ADVISERS HAS EVEN GONE SO FAR AS TO REDEFINE THE TERM "RECESSION".

SECRETARY OF THE TREASURY SHULTZ, ONE OF THE ABLEST MEN IN THE CABINET, HAS OFFERED A FURTHER REDEFINITION. HE CONTENDS THAT THE OIL EMBARGO SHOULD NOT BE COUNTED AGAINST THE ECONOMY, THAT SOMEHOW ITS IMPACT SHOULD BE DISENTANGLED FROM THE STATISTICS ON THE HEALTH OF THE ECONOMY. BUT, WITH ADMIRABLE CANDOR, MR. SHULTZ ADMITTED THAT HE WAS ENGAGING IN A POLITICAL EXERCISE. HE CONCLUDED: "I IMAGINE IN THE END THE SIMPLER DEFINITION IS WHAT PEOPLE WILL USE."

THE PEOPLE WILL NOT HAVE TO BE TOLD THAT THEY ARE IN A RECESSION. THEY ARE LIKELY TO KNOW IT BEFORE THE GOVERNMENT DOES.

RECENTLY A POLL WAS RELEASED BY LOUIS HARRIS SHOWING THAT A MAJORITY OF AMERICANS (54%) "FEEL THE COUNTRY IS IN A RECESSION." A MOOD OF NATIONAL PESSIMISM ABOUT THE ECONOMY IS REFLECTED IN THE FACT THAT 61% OF OUR PEOPLE ARE CONVINCED WE WILL BE IN A RECESSION A YEAR FROM NOW. (PERHAPS YOU HAVE HEARD OF THE DIFFERENCE BETWEEN A RECESSION AND A DEPRESSION. "IF SOMEBODY I KNOW IS OUT OF A JOB, THEN ITS A RECESSION. IF I'M OUT OF WORK, THEN WE ARE IN A DEPRESSION.")

THE NUMBER IN THE POLL WHO SAY UNEMPLOYMENT IS ON THE RISE IN THEIR OWN AREA HAS JUMPED FROM 22 TO 44 PERCENT SINCE LAST NOVEMBER. THE NUMBER OF AMERICANS WHO FEEL THAT PRICES OF MOST THINGS THEY BUY ARE RISING FASTER THAN A YEAR AGO IS OVER 80%.

THE PEOPLE ARE AWARE OF THE EXTENT OF THE ECONOMIC CRISIS, IF THEIR GOVERNMENT IS NOT.

I DO NOT THINK THAT WE CAN BLAME THE PEOPLE FOR THEIR PESSIMISM.

CONSIDER THE HEADLINES IN NORTH CAROLINA'S NEWSPAPERS IN RECENT WEEKS:

"TRUCK SHUTDOWN, VIOLENCE, LAYOFFS SPREAD."

"HOLLY FARMS TO CLOSE ALL PLANTS IN NORTH CAROLINA, VIRGINIA."

"SOME GAS STATIONS PASS HIKE ON PRICE ON TO CUSTOMERS."

"ENERGY CRISIS A BOON TO OIL COMPANIES."

"FOOD SHORTAGES AHEAD."

"ECONOMIC STATE OF THE UNION NOT HEARTENING."

"ECONOMIC WORRIES PUSH MARKET INTO STEEP FALL."

"UTILITY RATE REQUESTS HIGHEST EVER."

AND ON AND ON,

THE PEOPLE READ, THE PEOPLE LISTEN, AND THEY WAIT FOR THEIR LEADERS TO TALK TO THEM ABOUT THE STATE OF THE REAL UNION.

IN THE REAL UNION FAMILIES ARE PAYING 45¢ A QUART FOR MILK.

IN THE REAL UNION MEN AND WOMEN ARE STANDING IN LINE LIKE ANTS AT GAS STATIONS.

IN THE REAL UNION, GROWING NUMBERS OF PEOPLE ARE OUT OF WORK.

IN THE REAL UNION, THERE IS A SENSE OF CONSTANT EROSION WHICH LEAVES PEOPLE WITH A FEELING OF BEING WORN DOWN, A LITTLE BIT AT A TIME, BY THE INCESSANT WHITTILING OF RISING PRICES AND SPREADING SHORTAGES.

THERE IS NO DIGNITY IN A GAS LINE; AND THERE IS NOTHING REDEEMING ABOUT A SMALLER BAG OF GROCERIES FOR MORE MONEY.

SPEAKING CANDIDLY ABOUT OUR PROBLEMS IS THE BEGINNING OF THE WAY OUT.

I BELIEVE THAT PEOPLE WANT TO BE TOLD THE BAD NEWS AND THE GOOD NEWS. THEY WANT, ABOVE ALL, PLAIN SPEAKING (AS HARRY TRUMAN WAS PRONE TO GIVE THEM) ABOUT WHAT'S HAPPENING IN AMERICA.

THIS THEY ARE ENTITLED TO FROM SENATORS AND PRESIDENTS.

DESPITE ALL OF THE BAD NEWS, I BELIEVE THAT OUR ECONOMIC PROBLEMS ARE MANAGEABLE.

WE ARE GENIUSES IN THIS COUNTRY, WHEN IT COMES TO COPING WITH ADVERSITY. IF UNEMPLOYMENT THREATENS, THERE ARE WAYS TO STIMULATE PRODUCTION. INFLATION CAN BE CONTAINED. THE PUBLIC INTEREST CAN BE SERVED.

THE CATCH IS THAT DECISIONS ABOUT SPENDING AND RATIONING AND TAXES REQUIRE LEADERSHIP -- POLITICAL LEADERSHIP. THE RATIONALE BEHIND DECISIONS AND THEIR LIKELY IMPACT MUST BE

EXPLAINED OPENLY TO THE PEOPLE.

AS I INDICATED AT THE BEGINNING OF MY SPEECH, I KNOW OF NO SPECIFIC FORMULA, BUT THERE ARE SOLUTIONS. HERE ARE SOME OF THE ALTERNATIVES, TO WHICH I WOULD APPRECIATE YOUR REACTION.

1. THE RISING PRICE OF GASOLINE AND OTHER FUELS.

THIS IS A CONCERN OF EVERYBODY WHO DRIVES A CAR, OR DEPENDS UPON OUR TRANSPORTATION NETWORK.

THE CONGRESS RECENTLY APPROVED A PRICE ROLLBACK ON DOMESTIC CRUDE OIL. THE BILL IS NOW BEFORE THE PRESIDENT. THIS ACTION COULD LOWER THE AVERAGE PRICE OF GASOLINE ACROSS THE COUNTRY BY AS MUCH AS 5 CENTS A GALLON, AND SAVE AMERICANS AS MUCH AS \$20 MILLION A DAY, ACCORDING TO SENATOR HENRY JACKSON.

THIS APPROACH WOULD SEEM TO BE PREFERABLE TO TRYING TO LIMIT RETROACTIVELY THE EXCESS PROFITS OF THE OIL COMPANIES.

THE PROBLEM IS THE LACK OF FUEL. SO LONG AS THE OIL COMPANIES WILL USE THEIR PROFITS TO HUNT FOR AND PRODUCE MORE OIL THEY SHOULD BE ENCOURAGED TO DO SO.

I AM OPPOSED TO MAJOR OIL COMPANIES REAPING EXCESSIVE PROFITS WHILE AMERICANS PAY MORE FOR LESS AT THE GASOLINE PUMP. IF CURRENT CONGRESSIONAL INVESTIGATIONS REVEAL THAT THE BASIC PROBLEM IS THE LACK OF SUFFICIENT CRUDE OIL, THEN OIL COMPANIES SHOULD BE ENCOURAGED BY GOVERNMENT POLICY TO USE THEIR PROFITS AS CAPITAL INVESTMENTS TO HUNT FOR AND PRODUCE MORE OIL.

I MIGHT ADD THAT THIS WAS WHAT THE OIL DEPLETION ALLOWANCE WAS DESIGNED TO ENCOURAGE -- THE SEARCH FOR FUEL.

ANOTHER PROVISION OF THE EMERGENCY ENERGY BILL -- WHICH I FAVOR -- WILL DIRECTLY AFFECT NORTH CAROLINIANS IN RURAL AREAS AND ELSEWHERE. THE BILL REQUIRES THAT PASS-THROUGH COSTS HAVE TO BE PROPORTIONAL, AS APPLIED TO PROPANE, AS WELL AS TO REFINED PETROLEUM PRODUCTS.

THIS MEANS THAT THE PRICE OF PROPANE WILL BE CUT APPROXIMATELY IN HALF-- IF THE LEGISLATION IS PASSED BY THE WHOLE CONGRESS AND SIGNED BY THE PRESIDENT.

(A COMPLEMENTARY ACTION WAS RECENTLY TAKEN BY SEVERAL STATE ATTORNEYS GENERAL, INCLUDING MYSELF. WE URGED THE FEDERAL ENERGY OFFICE TO RE-INTERPRET ITS REGULATIONS AND TO INVESTIGATE PROPANE PRICING ABUSES. AS A RESULT, THE PRICE OF PROPANE PRODUCED AFTER FEBRUARY 1 SHOULD DROP SUBSTANTIALLY).

LET ME DIGRESS TO TELL YOU A STORY. OFTEN, WE TEND TO FORGET THAT PEOPLE ARE DIRECTLY HARMED OR BENEFITED BY GOVERNMENT POLICIES MADE FAR OFF IN WASHINGTON.

I KNOW OF A 75-YEAR OLD WOMAN, ON A FIXED INCOME OF \$153 A MONTH FROM SOCIAL SECURITY, WHO HAS SEEN THE PRICE OF PROPANE JUMP FROM 22 CENTS A GALLON TO 43 CENTS A GALLON. A YEAR AGO SHE WAS PAYING ABOUT \$30 A MONTH FOR THE BOTTLED PROPANE GAS THAT FUELS THE LITTLE SPACE HEATER THAT FIGHTS BACK THE WINTER CHILL IN HER LINOLEUM-FLOORED HOUSE. NOW SHE IS PAYING TWICE AS MUCH. THIS DOES NOT LEAVE A FARMER'S WIDOW MUCH TO SPEND ON LIFE'S OTHER NECESSITIES.

THIS LADY IS BUT ONE OF THE 40 MILLION OR SO AMERICANS -- MANY OF THEM SOUTHERNERS -- WHO DEPEND UPON BOTTLED GAS. THEY NOW FIND THEMSELVES CAUGHT IN AN INFLATIONARY SQUEEZE THAT MAY BE ONE OF THE MAJOR SCANDALS ASSOCIATED WITH THE ENERGY CRISIS.

BUT WHAT ABOUT MORE FUNDAMENTAL ECONOMIC PROBLEMS? WHAT CHANGES, IF ANY OUGHT TO BE INSTITUTED IN NATIONAL ECONOMIC POLICY?

2. THE IMPOSITION OF WAGE-PRICE CONTROLS BY THE PRESIDENT AT THE URGING OF THE CONGRESS HAS NOT PROVEN TO BE A PANACEA FOR OUR ECONOMIC PROBLEMS. INDEED, THINGS HAVE GOTTEN WORSE. THE PURCHASING POWER OF THE CONSUMER'S DOLLAR HAS CONTINUED TO DECLINE. MOST DISTURBING, PERHAPS, HAVE BEEN THE SUDDEN SHORTAGES IN BASIC RAW MATERIALS. WAGE-PRICE CONTROLS HAVE BECOME COUNTER-PRODUCTIVE IN THAT THEY HOLD DOWN EXPANSION AND UNNECESSARILY LIMIT PRODUCTION. I WOULD HOPE THAT THE SOON TO BE ENDED "PHASE 4" WOULD CONCLUDE WHAT HAS BEEN AN UNHAPPY EXPERIENCE FOR BOTH AMERICAN INDUSTRY AND THE CONSUMING PUBLIC. PHASE 5 SHOULD BE PHASE-OUT!

3. WE MUST TAKE A LONG HARD LOOK AT THE FISCAL POLICIES OF THE FEDERAL GOVERNMENT. I FIRMLY BELIEVE THAT FEDERAL SPENDING SHOULD BE KEPT UNDER TIGHT REIN.

I DO NOT NEED TO REMIND YOU THAT A BALANCED BUDGET DEMANDS RESTRAINT AT BOTH ENDS OF PENNSYLVANIA AVENUE.

THE TIME IS HERE FOR CONGRESS TO ADOPT A NEW SYSTEM THAT WILL TIE TOGETHER VOTES ON SPENDING WITH AVAILABLE TAX-PRODUCED REVENUE, AND TO ESTABLISH PRIORITIES FOR SPENDING TAX DOLLARS. LONG-TERM COSTS MUST BE GIVEN MORE CONSIDERATION WHEN PROGRAMS ARE BEGUN.

IN CONCLUSION, LET ME EMPHASIZE THAT I DO NOT
HAVE ALL THE ANSWERS. BUT I WANT YOU TO KNOW THAT I
AM AWARE OF THE ISSUES, THAT I AM LISTENING AND THAT --
ABOVE ALL -- I BELIEVE WE CAN SOLVE OUR PROBLEMS IN A
WAY THAT SERVES THE PUBLIC INTEREST OVER THE LONG HAUL.