

SPEECH BY: ROBERT MORGAN  
TO: ORANGE COUNTY ROTARY CLUB  
CHAPEL HILL, NORTH CAROLINA  
DATE: OCTOBER 9, 1974

NOT LONG AGO, I WAS HERE IN CHAPEL HILL FOR A SPEECH TO THE UNIVERSITY FACULTY CLUB. THAT DAY I TRIED TO TOUCH ON A WIDE RANGE OF ISSUES AND GIVE THOSE PRESENT AN IDEA OF THE MATTERS I BELIEVE SHOULD BE GIVEN TOP PRIORITY BY THE NEXT CONGRESS.

SOME OF YOU WERE THERE, I AM SURE, AND YOU KNOW THAT I PUT CONTROLLING INFLATION AND RESTORING ECONOMIC STABILITY AT THE TOP OF THE LIST.

I CALLED FOR A CONCERTED EFFORT TO END DEFICIT SPENDING AND A RETURN TO THE BALANCED BUDGET.

I EMPHASIZED THAT WE MUST WORK FOR TAX FAIRNESS, CLOSING LOOPHOLES WHICH ALLOW MANY TO CARRY LESS THAN THEIR SHARE OF THE LOAD WHILE POOR AND MIDDLE INCOME WAGE EARNERS CARRY MORE THAN THEIRS.

TWO MAJOR CONCERNS OF MINE ARE THE NEED FOR A NATIONAL HEALTH INSURANCE PROGRAM AND FOR CONSUMER REPRESENTATION BEFORE FEDERAL REGULATORY AGENCIES WHOSE ACTIONS, LIKE THAT OF THE UTILITIES COMMISSION HERE AT HOME, DIRECTLY AFFECT THE POCKETBOOKS OF EVERY TAXPAYER IN THIS STATE.

FRANKLY, I BELIEVE THE LITTLE MAN, THE MAN ON THE STREET, IS JUST AS ENTITLED TO HAVE A VOICE IN THE AFFAIRS WHICH AFFECT HIM IN WASHINGTON AS THE MAJOR CORPORATIONS DO.

I WANT TO BE THE "PEOPLE'S SENATOR" AND TO HELP PROVIDE THAT VOICE IN THE CONGRESS OF THE UNITED STATES.

AND WE TALKED ABOUT A NUMBER OF OTHER THINGS, INCLUDING A BETTER BREAK FOR THOSE LIVING ON SOCIAL SECURITY AND THE NEED TO COME TO GRIPS WITH THE ENERGY CRISIS.

BUT IN SPITE OF THE BROAD RANGE OF TOPICS A CANDIDATE CAN DISCUSS TODAY, IT IS CLEAR THAT THE MOST PRESSING CONCERN OF ALMOST EVERY AMERICAN TODAY IS THAT OF INFLATION AND THE ECONOMY. WE ARE ALL BEING SQUEEZED BY SKY-ROCKETING INFLATION, AND YOU KNOW THE FEELING AS WELL AS I.

EARLIER TODAY I APPEARED BEFORE A GROUP WHICH ACCORDING TO ALMOST EVERY ACCOUNT I HAVE SEEN IS BEING HIT THE HARDEST, THE HOME-BUILDING INDUSTRY. WITHOUT A DOUBT IT IS A MAJOR CASULTY OF THE CURRENT ECONOMIC CRISIS AND I WANT TO TALK WITH YOU FOR A MOMENT ABOUT THE VERY REAL PROBLEMS IT IS FACING.

LET ME SHARE WITH YOU PORTIONS OF THREE LETTERS I RECEIVED AT MY CAMPAIGN OFFICE LAST WEEK.

A SALES REPRESENTATIVE OF A MAJOR HOME BUILDING FIRM DOWN EAST WROTE SAYING, "THE HOME BUILDING INDUSTRY OF THIS COUNTRY IS DYING. WE CANNOT SIT IDLY BY AND WATCH MILLIONS OF PEOPLE BECOME UNEMPLOYED AND SEE OUR ALREADY CRITICALLY SHORT HOUSING SUPPLY BECOME SO FAR BEHIND THAT WE CAN NEVER CATCH UP."

A CHARLOTTE CONTRACTOR PUT IT THIS WAY: "WITH HOUSING STARTS AND SALES DOWN, AND CONSTRUCTION UNEMPLOYMENT UP, THE HOUSING SECTION OF OUR ECONOMY IS IN THE GRIPS OF A DEPRESSION. LAST WEEK, OUR COMPANY LAID OFF APPROXIMATELY 190 EMPLOYEES, AND THE PROSPECT FOR THE FUTURE IS VERY GRIM. WE ARE FEARFUL THAT OUR JOBS ARE IN JEOPARDY; WE HAVE TO WORK IN ORDER TO FEED, CLOTHE AND SHELTER OUR FAMILIES."

THE OWNER OF A REAL ESTATE AGENCY IN GREENVILLE ALSO PAINTED A DARK PICTURE FOR THE INDUSTRY AND SUMMED UP BY STATING: "IF SOMETHING IS NOT DONE QUICKLY AND DECISIVELY IN WASHINGTON, MANY OF OUR BUILDERS WILL BE FORCED TO SHUT DOWN THEIR OPERATIONS COMPLETELY."

THE STORY IS THE SAME THROUGHOUT THE STATE AND I THINK IT WORTH OUR WHILE TO TAKE A FEW MINUTES TO EXAMINE THE SITUATION WHICH IS CREATING THIS KIND OF ANXIETY IN THE HOMEBUILDING INDUSTRY.

FRANKLY, I BELIEVE EVERY NORTH CAROLINIAN OUGHT TO BE EXTREMELY CONCERNED BECAUSE PRIVATE OWNERSHIP OF HOMES IS A VERY PRECIOUS PART OF OUR NATIONAL HERITAGE, A PART OF THE DREAMS OF EVERY YOUNG COUPLE IN THIS STATE AND NATION.

BUT MORE AND MORE IT LOOKS AS IF OWNING ONE'S HOME IN THE FUTURE WILL BE SIMPLE THAT --A DREAM-- UNFULFILLED, AND UNATTAINABLE BY A GREAT MAJORITY OF AMERICANS.

YOU KNOW AS WELL AS I DO THOUGH, THAT IT'S JUST ABOUT IMPOSSIBLE FOR A FAMILY WITH AN AVERAGE INCOME TO PURCHASE A HOME THESE DAYS, WITH INTEREST RATES OF NINE OR TEN PER CENT ON MORTGAGE MONEY -- IF YOU CAN FIND IT AT ALL. AS COMPARED WITH A YEAR AGO, THE AVERAGE PRICE OF A COMPARABLE NEW HOME IS UP 10 PER CENT, EFFECTIVE MORTGAGE INTEREST RATES HAVE RISEN FOR 7 3/4 PER CENT TO 9 3/4 PER CENT. MORE THAN 60 PER CENT OF THE NEW HOMES BEING SOLD ARE PRICED AT \$30,000 OR MORE. IT TAKES A FAMILY INCOME OF \$18,000 OR MORE TO MEET THE HOME OWNERSHIP COSTS ON A HOUSE WITH A \$30,000 MORTGAGE WHICH EXCLUDES THREE-FOURTHS OF AMERICAN FAMILIES FROM THE NEW HOME MARKET.

AT THE TIME OF THE 1970 CENSUS, 63 PER CENT OF THE HOUSES IN AMERICAN WERE OCCUPIED BY THE OWNERS. NOW, WE ARE TOLD THAT SKYROCKETING INFLATION HAS PUT THE AVERAGE NEW HOME OUT OF THE REASON OF THREE-FOURTHS OF OUR FAMILIES. IT IS OBVIOUS WHERE WE ARE HEADED AND WE MUST TURN THIS SITUATION AROUND, AND QUICKLY.

HOW CAN WE BEGIN TO DO IT?

SOARING INTEREST RATES ARE A MAJOR STUMBLING BLOCK TO HOME OWNERSHIP. THIRTY-SEVEN CENTS OF EACH DOLLAR'S INCREASE IN HOUSING COSTS IS ATTRIBUTABLE TO MORTGAGE INTEREST.

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A "TIGHT-MONEY POLICY" DICTATED AT THE HIGHEST LEVEL BY THE FEDERAL RESERVE BOARD HAS MADE MORTGAGE MONEY IMPOSSIBLE TO GET; AND IF IT'S AVAILABLE, YOU CAN'T AFFORD THE PRICE YOU MUST PAY FOR IT.

MONETARY RESTRAINT IS NECESSARY BUT THE FEDERAL RESERVE BOARD HAS SIMPLY GONE TOO FAR.

JUST RECENTLY, THEY RELAXED CONTROLS ON THE FLOW OF MONEY A LITTLE, BUT NOT ENOUGH. LAST WEEK YOUR CONGRESSMAN L. H. FOUNTAIN, A FISCAL CONSERVATIVE BY ANYONE'S STANDARDS, CALLED ON THE BOARD ONCE MORE TO REASSESS ITS CONTINUING TIGHT MONEY POLICY AND COME TO THE RESCUE OF THE HOMEBUILDING INDUSTRY.

THE ANSWER BOILS DOWN TO THIS: MORE CREDIT MUST BE MADE AVAILABLE FOR BOTH CONSTRUCTION LOANS AND FINANCING AND IT MUST BE AT REASONABLE RATES.

ONE WAY TO DO THIS IS TO GET THE FEDERAL GOVERNMENT OUT OF THE CREDIT MARKET.

FOR 18 OF THE LAST 20 YEARS THE FEDERAL GOVERNMENT HAS SPENT MORE THAN IT HAS COLLECTED IN TAXES, THUS CREATING A HUGE NATIONAL DEBT. MORE AND MORE FREQUENTLY, WE SEE THE FEDERAL GOVERNMENT GOING INTO THE MONEY MARKET AND BORROWING MORE MONEY BY SELLING SECURITIES WHICH NOW PAY AT LEAST NINE PER CENT.

NEEDLESS TO SAY, DOLLARS INVESTED IN TREASURY NOTES ARE DOLLARS WHICH ARE NOT AVAILABLE TO FINANCE NEW HOMES AND THIS IS WHERE THE HOMEBUILDING INDUSTRY IS RECEIVING A DEATH BLOW.

WE KNOW THAT NINE PER CENT INTEREST IS FAR MORE THAN SAVINGS INSTITUTIONS LIKE THE SAVINGS AND LOANS CAN PAY SO PEOPLE HAVE BEEN WITHDRAWING THEIR DEPOSITS FROM THEM IN ORDER TO INVEST IN TREASURY BONDS WHICH YIELD HIGHER INTEREST. THIS HAS THE DIRECT EFFECT OF DECREASING THE AMOUNT OF MONEY AVAILABLE FOR HOME LOANS, AND MORTGAGE MONEY HAS ALL BUT DRIED UP.

WE CAN SEE THEN THAT TALK ABOUT BALANCING THE BUDGET IS MORE THAN JUST WORDS.

THE FEDERAL GOVERNMENT MUST GET OUT OF THE CREDIT MARKET WHICH MEANS SIMPLY THAT IT MUST BALANCE THE BUDGET AND STOP DEFICIT SPENDING.

ONE OF THE EASIEST ECONOMIC LESSONS IS THAT A SHORTAGE OF GOODS PRODUCES HIGH PRICES. IT'S THE OLD LAW OF SUPPLY AND DEMAND. SO IT'S NO WONDER THAT EVERYTHING IS SKY-HIGH WHEN WE CONSIDER THE TREMENDOUS GAP BETWEEN DEMAND FOR GOODS AND PRESENT PRODUCTIVITY.

SOMETHING MUST BE DONE TO ATTACK THESE SHORTAGES WHICH EXIST THROUGHOUT THE ECONOMY, INCLUDING THE HOUSING INDUSTRY.

THIS NATION NEEDS TO CHANNEL ITS RESOURCES — AND ESPECIALLY ITS MONEY THAT IS AVAILABLE FOR LOANS -- TO ESSENTIAL INDUSTRIES THAT CAN EASE THESE SHORTAGES.

THE JOINT ECONOMIC COMMITTEE OF THE CONGRESS RECOGNIZED THIS PROBLEM AND STATED IN A RECENT REPORT THAT "A SYSTEM OF CHANNELING CREDIT IS REQUIRED TO ASSURE THAT SECTORS SUCH AS HOUSING, AGRICULTURE, PUBLIC UTILITIES, SMALL BUSINESSES AND STATE AND LOCAL GOVERNMENTS CAN BORROW BADLY NEEDED FUNDS AND THAT FUNDS FLOWING TO CORPORATE BUSINESS GO INTO PRODUCTIVE RATHER THAN SPECULATIVE USES."

I BELIEVE THAT WE CAN UNDERSTAND THE URGENCY OF IMPLEMENTING THIS PROPOSAL.

ACCORDING TO REPORTS, AUGUST SAW A NEAR-RECORD AMOUNT OF SAVINGS WITHDRAWN FROM INSTITUTIONS WHICH SPECIALIZE IN HOME MORTGAGES AND INVESTED WHERE INTEREST RATES ARE HIGHER. CONTINUATION OF THIS TREND COULD SPELL DOOM FOR THE HOME BUILDING INDUSTRY AND THE DREAMS OF MILLIONS OF AMERICANS.

THE FEDERAL GOVERNMENT HAS ISSUED NEW REGULATIONS FOR ISSUING ITS NEXT TREASURY BONDS AND INCREASED THE MINIMUM AMOUNT ONE MUST PURCHASE FROM \$1,000 TO \$10,000. THOUGH THIS WILL STOP SOME OF THE FLOW OF FUNDS FROM THRIFT INSTITUTIONS TO HIGHER INTEREST BEARING TREASURY BONDS, IT HARDLY SEEMS FAIR TO PENALIZE THE SMALL INVESTOR THIS WAY. MANY VIEW THIS MOVE AS ANOTHER EXAMPLE OF THE RICH GETTING RICHER, AND THE POOR GETTING POORER.



AS I SAID A MOMENT AGO, THE ULTIMATE SOLUTION IS TO GET THE FEDERAL GOVERNMENT OUT OF THE CREDIT BUSINESS, BUT IN THE MEANTIME WE HAVE TO FIND ADDITIONAL WAYS TO HELP OUR SAVINGS INSTITUTIONS WHO SPECIALIZE IN FINANCING HOME PURCHASES THROUGH THIS CRISIS.

SOME SUGGESTIONS HAVE BEEN MADE TO STOP THIS TREND AND THEY SHOULD BE CONSIDERED CAREFULLY. ONE WHICH DESERVES SPECIAL CONSIDERATION WOULD ALLOW TAXPAYERS TO ACCRUE \$1,000 WORTH OF INTEREST ANNUALLY ON DEPOSITS IN SAVINGS AND LOANS AND MUTUALS WITHOUT FEDERAL INCOME TAX LIABILITY.

TO UNDERSTAND THE SEVERITY OF THE PROBLEM IN THE HOMEBUILDING INDUSTRY, LET'S LOOK AT SOME FIGURES FROM A RECENT ISSUE OF THE U. S. NEWS AND WORLD REPORT, (SEPT. 16, 1974). IN JULY, 1973, CONSTRUCTION WAS BEGUN ON 2.5 MILLION HOMES. BY JULY, 1974, NEW CONSTRUCTION HAD DROPPED ALL THE WAY TO 1.3 MILLION.

I THINK YOU WILL BE AS AMAZED AS I WAS AT THE RIPPLE EFFECT OF THIS KIND OF DECREASE.

THE AVERAGE HOME BUILDER IS FAR FROM BEING A GIANT. HOWEVER, HIS PRODUCT ACCOUNTS FOR ABOUT TEN PERCENT OF THE GROSS NATIONAL PRODUCT.

CLOSE TO \$1.35 TRILLION NOW IS CHANGING HANDS ANNUALLY BETWEEN BUYERS AND SELLERS OF MERCHANDISE AND SERVICES. OF THIS AMOUNT, \$140 BILLION IS ATTRIBUTABLE TO NEW CONSTRUCTION, OF WHICH ALMOST ONE HALF IS IN RESIDENTIAL CONSTRUCTION.

YET, WITH ALL OF THE MONEY INVOLVED AND THE 10.5 PER CENT OF THE GROSS NATIONAL PRODUCT IT REPRESENTS, THE CONSTRUCTION INDUSTRY STILL REMAINS COMPOSED OF PRIMARILY SMALL, INDEPENDENT BUSINESSMEN ON THE COMMUNITY LEVEL.

FOR THE MOST PART, THE HOME BUILDER BUYS LOCALLY, GETS HIS BRICKS AND LUMBER AND CEMENT AND NAILS AND OTHER MATERIALS AND PRODUCTS FROM LOCAL DEALERS. HE ARRANGES MORTGAGES FOR FAMILIES LOCALLY. HIS EMPLOYEES ARE FROM THE LOCAL COMMUNITY.

CONSIDER THE ECONOMIC IMPACT OF ONE THOUSAND NEW RESIDENTIAL UNITS ON A REPRESENTATIVE COMMUNITY IN A ONE-YEAR PERIOD. THESE NEW RESIDENCES ENTAIL MORE THAN \$35 MILLION IN DIRECT CONSTRUCTION COSTS. SOME \$4 MILLION IS SPENT ON SITE IMPROVEMENTS OF THE LAND.

THE RESIDENTS OF THESE NEW UNITS SPEND APPROXIMATELY \$4 MILLION IN THE FIRST YEAR ON THE PURCHASE OF NEW APPLIANCES, RUGS, DRAPES, GARDEN EQUIPMENT, FURNITURE AND, IN MANY CASES, A NEW CAR.

THE RESIDENTS SPEND CLOSE TO \$4.6 MILLION MORE FOR REAL ESTATE TAXES, MORTGAGE INTEREST, PROPERTY INSURANCE, UTILITIES AND PROPERTY MAINTENANCE AND REPAIR.

THERE ARE OTHER ECONOMIC CONSIDERATIONS TO THE COMMUNITY. FOR EACH ONE THOUSAND NEW LIVING UNITS, MORE THAN TWO THOUSAND WORKERS ARE EMPLOYED FULL-TIME FOR ONE YEAR. EACH HOME PROVIDES A NEW MARKET FOR MORE THAN THREE THOUSAND SEPARATE PRODUCTS, OR MORE THAN THREE MILLION FOR ONE THOUSAND HOMES AND APARTMENTS. THE HOMES OWNED BY

FAMILIES WHO MOVE INTO THE NEW UNITS MUST BE SOLD STIMULATING AN EXPANDED RESALE MARKET FOR OTHER FAMILIES. (INFORMATION SUPPLIED BY N. C. HOMEBUILDERS ASSOCIATION).

WITH ALL OF THIS, IT IS EASY TO UNDERSTAND THE ECONOMIC CONTRIBUTION OF A SOUND HOUSING INDUSTRY TO EVERY AMERICAN COMMUNITY. ANY SLOW-DOWN IN RESIDENTIAL CONSTRUCTION, MUCH LESS A "SLUMP", HAS A SERIOUS EFFECT. WHEN THIS EXTENDS THROUGHOUT THE COUNTRY, AS IS THE CASE TODAY, THE ECONOMIC STABILITY OF THE NATION IS SERIOUSLY HARMED.

IT IS EASY TO SEE, I THINK, WHO IN ATTACKING INFLATION AND THE PROBLEMS IT HAS CREATED THAT WE SHOULD GIVE SPECIAL ATTENTION TO THE HOUSING INDUSTRY.

WE MUST PUT OWNERSHIP OF A PRIVATE HOME BACK WITHIN THE REACH OF THE WAGE EARNERS OF OUR NATION.

OBVIOUSLY, I DON'T HAVE ALL THE ANSWERS AND I DON'T PRETEND TO. I AM CERTAIN NO ONE ELSE DOES. BUT MY HOPE IS THAT THE NEW NATIONAL ADMINISTRATION WILL MOVE BOLDLY AND RAPIDLY ON MANY FRONTS TO ATTACK OUR PRESSING ECONOMIC PROBLEMS, SLOW THE UNPRECEDENTED INFLATIONARY SPIRAL IN WHICH WE FIND OURSELVES, AND PUT THIS NATION BACK ON THE RIGHT TRACK.

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