

SPEECH BY: ROBERT MORGAN

TO: SOUTHERN PINES KIWANIS CLUB
SOUTHERN PINES, NORTH CAROLINA

DATE: WEDNESDAY, OCTOBER 30, 1974

THANK YOU FOR INVITING ME TO VISIT WITH YOU TODAY.

YOU KNOW, SINCE EARLY THIS YEAR I HAVE BEEN TRAVELING ALL OVER NORTH CAROLINA IN A POLITICAL CAMPAIGN. I HAVE VISITED EVERY COUNTY IN THE STATE, MANY OF THEM SEVERAL TIMES.

DURING THESE TRAVELS I HAVE TALKED TO AND LISTENED TO THOUSANDS OF OUR CITIZENS, TRYING TO FIND OUT WHAT IS TROUBLING THEM.

BECAUSE THESE ARE TROUBLED TIMES, AND THE TROUBLES ARE AFFECTING EACH AND EVERY ONE OF US.

NO MATTER WHAT THEY SAY IN WASHINGTON, WE ARE IN A RECESSION.

FOR THREE STRAIGHT QUARTERS, THE REAL GROSS NATIONAL PRODUCT HAS DECLINED AND SO HAS REAL INCOME, THAT IS INCOME LESS TAXES AND ADJUSTED FOR INFLATION.

HOUSING STARTS, ALWAYS A YARDSTICK OF HOW WE ARE DOING ECONOMICALLY, ARE DOWN 38 PERCENT FROM THIS TIME LAST YEAR.

THE PAINFUL RESULTS OF THIS ECONOMIC RECESSION ARE NOW BEING FELT HERE IN NORTH CAROLINA.

AT LEAST 10,000 TEXTILE WORKERS HAVE BEEN LAID OFF IN THE STATE DURING THE LAST 60 DAYS.

MORE THAN 1,000 WORKERS IN ELECTRONICX PLANTS HAVE BEEN LAID OFF OR HAD THEIR JOBS DISCONTINUED DURING THE PAST TWO MONTHS.

THE MEAD COMPANY HAS ANNOUNCED IT WILL CLOSE DOWN ITS PAPER PLANT IN SYLVA, LEAVING 200 PEOPLE WITHOUT JOBS.

IN FAYETTEVILLE, THE LARGE BLACK AND DECKER PLANT CLOSED DOWN LAST WEEK FOR BECAUSE OF POOR BUSINESS AND LARGE INVENTORIES.

AND FACTORIES IN MANY, MANY INDUSTRIES, WHILE CONTINUING TO OPERATE, HAVE REDUCED THEIR WORK WEEKS AND THEIR EMPLOYEES ARE RECEIVING SMALLER PAYCHECKS. THESE WORKERS ARE NOT CLASSIFIED AS UNEMPLOYED, BECAUSE THEY AREN'T, BUT THEY HAVE REAL PROBLEMS BECAUSE THEIR REDUCED CHECKS MUST BE STRETCHED TO MEET FIXED TIME PAYMENTS ON HOUSES, CARS AND APPLIANCES. A BANKER SAID THE OTHER DAY THAT THIS IS A VERY REAL PROBLEM AND THAT IT HAD HIM WORRIED.

SO WHETHER THEY CALL IT "STAGFLATION" OR "WAFFLING" IT'S STILL A RECESSION, AND IT IS A VERY REAL ONE TO THE THOUSANDS OF NORTH CAROLINIANS WHO ARE OFF THE PAYROLL.

THE PRESIDENT, WHO HAS CALLED INFLATION PUBLIC ENEMY NUMBER ONE, PUT TOGETHER A PACKAGE CONTAINING 31 PROPOSALS WHICH HE WANTS CONGRESS TO ENACT AND WHICH HE SAID WOULD HALT THIS ECONOMIC DISASTER.

I WAS ENCOURAGED WHEN HE TOOK THIS ACTION BECAUSE FOR SEVERAL MONTHS THE WHITE HOUSE, PLAGUED BY OTHER TROUBLES, HAD PAID TOO LITTLE ATTENTION TO THE ECONOMY.

AND CERTAINLY THERE WERE SOME GOALS WHICH HE STATED THAT I AGREE WITH.

HE WANTS TO CUT FEDERAL SPENDING AND BALANCE THE BUDGET AND SO DO I. EIGHTEEN OF THE LAST 20 FEDERAL BUDGETS HAVE BEEN IN THE RED AND YOU AND I KNOW THAT YOU CAN'T RESPONSIBLY CONTINUE TO SPEND MORE THAN YOU TAKE IN. IT WILL CATCH UP WITH YOU AND IT HAS NOW CAUGHT UP WITH US.

BUT A GREAT PART OF THE PRESIDENT'S PROGRAM I QUESTION, AND I DO IT NOT IN ANY PARTISAN MANNER BUT BECAUSE I BELIEVE IT IS UNFAIR.

FOR ONE THING, I OPPOSE THE PLAN TO PLACE A FIVE PERCENT SURTAX ON SINGLE PEOPLE WITH INCOMES OF \$7,500 AND FAMILIES WHO GROSS \$15,000 ANNUALLY.

THE MIDDLE INCOME TAXPAYERS ARE BEARING THE BRUNT OF THE TAX BURDEN NOW AND I THINK A FURTHER TAX ON THEM WOULD BE UNJUST.

THE SECRETARY OF THE TREASURY, MR. WILLIAM SIMON, SAYS THE SURTAX IS NECESSARY AND CALLED IT "THE SUPREME TEST OF OUR WILL TO FIGHT INFLATION."

I SUBMIT IT WILL BE A TEST THAT IS FAR MORE "SUPREME" TO THE SINGLE WAGE EARNER MAKING \$7,500 A YEAR THAN IT WILL BE TO MR. SIMON, A WALL STREET BANKER BEFORE HE CAME TO THE CABINET AND A MAN WHO IS NOT GOING TO SUFFER IF GROCERIES AND GASOLINE GO HIGHER THAN THEY ARE NOW.

THE PRINCIPAL OBJECTION I HAVE TO THIS PROPOSAL IS THAT IT IS UNFAIR AND TAX FAIRNESS IS SOMETHING I HAVE BEEN CALLING FOR SINCE THE START OF THE SENATE CAMPAIGN EARLY IN THE SPRING.

BEFORE THERE IS ANY TALK OF A SURTAX, I THINK WE SHOULD BE CONSIDERING CLOSING TAX LOOPHOLES THAT WEALTHY INDIVIDUALS AND LARGE CORPORATIONS ENJOY TO ESCAPE PAYING THEIR FAIR SHARE OF THE TAX LOAD.

I THINK THE PRESENT TAX LOAD ON INDIVIDUALS, WHEN COMPARED TO CORPORATIONS, IS OUT OF BALANCE.

IN 1954, FOR INSTANCE, CORPORATIONS PAID 30 CENTS OF EACH TAX DOLLAR; TODAY THE FIGURE IS ABOUT 16 CENTS.

AND UNDER THE FORD PACKAGE, CORPORATIONS GET PREFERENTIAL TREATMENT.

SURE, THE PROGRAM CALLS FOR A FIVE PERCENT SURTAX ON THE INCOME TAX THEY MUST PAY, AND THIS WOULD BRING IN AN ESTIMATED \$2.1 BILLION DOLLARS.

BUT THE PLAN ALSO INCREASES THE INVESTMENT TAX CREDIT SO THAT THEIR TAXES WOULD BE REDUCED BY \$2.7 BILLION DOLLARS AND ANOTHER PROPOSAL, WHICH WOULD ALLOW THEM TO DEDUCT PREFERRED STOCK DIVIDENDS, WOULD SAVE THEM ANOTHER \$100 MILLION.

SO THEY COME OUT \$700 MILLION BETTER OFF THAN THEY ARE NOW, WHILE THE ADDED TAX IS PLACED ON THE \$7,500 A YEAR MAN.

AND THAT'S NOT ALL. THE SURTAX, THE PRESIDENT PROPOSES, WILL BE FOR A ONE-YEAR DURATION BUT THE INCREASED TAX CREDITS WILL BE PERMANENT, SO THE CORPORATE FUTURE IS ROSY.

AND THAT'S NOT ALL.

THERE IS ONE LITTLE ZINGER THAT HAS BEEN SLIPPED INTO THE TAX PACK THAT WILL OPEN A NEW LOOPHOLE THAT SHOULD MAKE BIG BUSINESS FOREVER GRATEFUL TO THE PRESIDENT AND TO THE CONGRESS, IF THE LATTER SHOULD EVER AGREE TO IT.

I'D LIKE YOU TO LISTEN CLOSELY TO THIS BECAUSE IT HASN'T BEEN MENTIONED OR EXPLAINED IN THE PRESS VERY MUCH, AS FAR AS I KNOW, AND IT'S A LITTLE TRICKY.

WHAT IS PROPOSED IS TO REVISE THE INVESTMENT TAX CREDIT LAW INTO A REFUNDABLE TAX CREDIT.

THAT MEANS IF A POORLY RUN COMPANY DOESN'T HAVE ENOUGH PROFIT TO FULLY UTILIZE THE 10 PERCENT TAX CREDIT, IT CAN THEN GO TO THE TREASURY AND GET A GOVERNMENT CHECK FOR THE UNUSED PORTION OF THE TAX CREDIT.

SO A COMPANY CAN POORLY MANAGE ITS AFFAIRS AND IT WILL GET PAID JUST THE SAME.

NOW IF THIS ISN'T FOREIGN TO THE FREE ENTERPRISE SYSTEM AND IF THIS ISN'T AN OUTRIGHT BOONDOGGLE TO ALLOW CORPORATIONS TO DIP INTO THE FEDERAL TREASURY THEN I'M NOT FROM NORTH CAROLINA.

AND THE PEOPLE WHO ARE PROPOSING THIS ARE THE SAME PEOPLE WHO WANT TO DO AWAY WITH SUPPORT PRICES IN THE TOBACCO PROGRAM, WHICH HAS SAVED NORTH CAROLINA'S FARMERS AND WHICH COSTS THE GOVERNMENT LITTLE BECAUSE TOBACCO GENERALLY SELLS HIGHER THAN THE GOVERNMENT GUARANTEE.

SO HERE'S ANOTHER PART OF THE ADMINISTRATION'S PACKAGE THAT I NOT ONLY QUESTION, BUT ALSO FLATLY OPPOSE. WE DON'T NEED TO PLACE EVERY CORPORATION THAT HAS A BAD YEAR ON WELFARE, JUST AS THE GOVERNMENT DID THE PENN CENTRAL RAILROAD AND THE LOCKHEED CORPORATION.

I THINK I HAVE A RECORD THAT WILL BEAR CLOSE SCRUTINY IN A MATTER SIMILAR TO THIS.

AS ATTORNEY GENERAL, I OPPOSED, BEFORE THE UTILITY COMMISSION, A RATE INCREASE BY A UTILITY ON THE GROUNDS THAT IT WAS GIVING ITS CUSTOMERS INFERIOR SERVICE. ONLY RECENTLY, THE STATE SUPREME COURT HELD THAT DENIAL OF THE INCREASE UNTIL SERVICE IS IMPROVED IS LEGAL, AND THE COMPANY DIDN'T GET THE INCREASE.

THE PRESIDENT SAYS HE WANTS TO CUT SPENDING AND SO DO I.

BUT I BELIEVE PROPOSALS TO CUT BUDGETS ACROSS THE BOARD, INDISCRIMINATELY, IS NOT THE WAY TO DO IT. THE PRESIDENT HASN'T CALLED FOR ACROSS-THE-BOARD CUTS BUT SOME PEOPLE HAVE.

I BELIEVE THAT BEFORE CUTS IN THE BUDGET ARE MADE THERE SHOULD BE A SEARCH TO SEE JUST WHERE THE WASTE IS.

THERE ISN'T GOING TO BE ANY EASY SOLUTION TO CUTTING THE BUDGET. THE NEXT SENATOR FROM NORTH CAROLINA IS GOING TO HAVE TO ROLL UP HIS SLEEVES TO SEE WHERE THE WASTE IS AND THEN WORK TO ELIMINATE IT.

I THINK THE DEFENSE DEPARTMENT IS ONE PLACE TO SEARCH.

ALL OF MY ADULT LIFE I HAVE BELIEVED IN A STRONG MILITARY POSTURE AND I STILL DO. BUT WE'VE GOT 1,200 GENERALS AND ADMIRALS ON THE PENTAGON PAYROLL, WHICH IS MORE THAN WE HAD IN THE THICK OF WORLD WAR II WHEN THERE WERE 12 MILLION MEN UNDER ARMS. AND WE HAVE MORE LIEUTENANT COLONELS THAN WE HAVE SECOND LIEUTENANTS.

THERE ARE BOUND TO BE MANY OTHER PLACES IN THE VAST FEDERAL STRUCTURE WHERE CUTS COULD BE MADE AND THERE WOULD BE NO SUFFERING FROM THE LOSS OF SERVICES.

BUT SOMEBODY HAS GOT TO LOOK FOR THEM AND THEN WORK TO GET RID OF THEM.

SO AS I SEE IT THERE ARE TWO THINGS WE MUST DO AND DO QUICKLY. WE MUST CUT FEDERAL SPENDING AND BRING THE BUDGET INTO BALANCE AND WE MUST ADJUST OUR TAXING SYSTEM IN ORDER TO BRING ABOUT MORE FAIRNESS.

A THIRD MATTER THAT MUST BE WORKED ON WITH DISPATCH IS TO SOLVE OUR ENERGY PROBLEMS.

WE ARE NOW BEING SUBJECTED TO ECONOMIC BLACKMAIL BY THE OIL PRODUCING NATIONS WHO HAVE JUMPED THE PRICE FROM LESS THAN \$3 TO \$11 A BARREL.

WE MUST WORK TO MAKE OURSELVES INDEPENDENT OF THOSE BLACKMAILERS WHO ARE TAKING ADVANTAGE OF A SITUATION IN WHICH THE LAW OF SUPPLY AND DEMAND DOESN'T APPLY BECAUSE THERE IS A MONOPOLY ON THE PRODUCT.

WE MUST GET A REAL NATIONAL EFFORT STARTED TO DEVELOP NEW ENERGY SOURCES UTILIZING NUCLEAR AND SOLAR POWER AND THE GREATEST SUPPLY OF COAL ON THIS PLANET.

WE WILL SOLVE THIS PROBLEM BECAUSE THIS IS A NATION THAT HAS HISTORICALLY MET EVERY ISSUE AND EVERY CONFRONTATION AND HAS SUCCEEDED. BUT THERE IS NO TIME TO WASTE BECAUSE WE CANNOT AFFORD TO SEE OUR NATIONAL WEALTH BEING DRAINED OFF BY A FEW SMALL COUNTRIES IN THE MIDDLE EAST.

IN THE MEANTIME, I STRONGLY SUPPORT A PROGRAM OF CONSERVATION FOR ALL OF US. WE MUST BE THRIFTY WITH OUR NATIONAL RESOURCES AND UNTIL WE CAN FIND NEW FORMS OF ENERGY THEN WE SHOULD BUY AS LITTLE OF THIS 60 CENT GASOLINE AS WE CAN GET BY ON.

AND WE MUST WASTE NO TIME IN ATTACKING INFLATION, WHICH IS THE ONE THING THAT HAS CAUSED FEAR TO GRIP OUR PEOPLE.

THE HOUSEWIFE DOESN'T NEED A DEPARTMENT OF AGRICULTURE MONTHLY REPORT TO TELL HER THAT PRICES ARE HIGHER IN THE GROCERY STORE. SHE TAKES HER OWN PERSONAL SURVEY AT LEAST ONCE A WEEK WHEN SHE SHOPS FOR THE FAMILY'S MEALS.

THE ELDERLY COUPLE LIVING ON SOCIAL SECURITY DOESN'T NEED TO SEE THAT THE PRICE INDEX HAS RISEN. THEY KNOW BECAUSE THEIR MONTHLY CHECK DOESN'T GO AS FAR AS IT USED TO TOWARD PAYING FOR THEIR BARE ESSENTIALS.

THE PERSON WHO HAS TO GO TO THE HOSPITAL DOESN'T HAVE TO BE TOLD THAT THE COSTS OF HEALTH CARE IS HIGHER. THE INFORMATION WILL BE CONVEYED IN STARTLING SIMPLICITY WHEN THE BILL IS PRESENTED.

SO WE MUST USE EVERY MEANS AT OUR COMMAND TO HALT THIS SPIRAL. THE AMERICAN CONSUMER CAN STAND ONLY SO MUCH.

BUT LET'S NOT START BY ADDING TO THE TAXES OF THE PEOPLE WHO ARE NOW BEARING AN ALREADY TOO HEAVY BURDEN.

IF WE HAVE TO TIGHTEN OUR BELTS THEN LETS TIGHTEN THEM WHERE THEY ARE LOOSEST AND WORK FOR A MORE EQUITABLE DISTRIBUTION OF THE TAX LOAD.

THIS COUNTRY WILL SURVIVE THIS ECONOMIC CRISIS WE ARE IN.

BUT IT IS GOING TO TAKE THE BEST EFFORTS OF ALL OF US, WORKING TOGETHER AS AMERICANS HAVE DONE IN THE PAST WHEN EXTREME NATIONAL PROBLEMS HAVE ARISEN.

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