

SPEECH BY ROBERT MORGAN
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ABA GOVERNMENTAL AFFAIRS CONFERENCE
SHOREHAM AMERICANA HOTEL
JULY 17, 1975

YOU ASKED FOR THE REACTIONS OF A FRESHMAN SENATOR TO HIS ROLE IN THE CONGRESS AND THERE IS NO BETTER PLACE TO START "REACTING" THAN TO THE FISCAL "ATTITUDE" WHICH PREVAILS HERE. I CALL IT AN "ATTITUDE" BECAUSE I AM NOT SURE THAT IT DESERVES TO BE CALLED POLICY. POLICY IMPLIES THAT THE COURSE OF ACTION BEING FOLLOWED HAS BEEN THOUGHT THROUGH AND THAT IS THE RESULT OF SOME CAREFUL PLANNING AND DIRECTION.

FRANKLY, I JUST HAVEN'T SEEN ANYTHING WHICH GIVES ME REASON TO BELIEVE THAT CAPITOL HILL SPENDING PRACTICES SHOULD BE DIGNIFIED BY USE OF THE WORD "POLICY."

BUT THERE DEFINITELY IS AN "ATTITUDE" UP HERE AND I THINK YOU KNOW WHAT IT IS AS WELL AS I. I AM APPALLED BY THE APPARENT LACK OF CONCERN WHICH I HAVE SEEN DEMONSTRATED TIME AFTER TIME FOR FISCAL RESPONSIBILITY AND ACCOUNTABILITY. THIS IS CONTRARY TO MY BACKGROUND AND MY POLITICAL EXPERIENCE. I COME FROM A STATE WHERE BY LAW ITS GOVERNMENT MUST OPERATE ON A BALANCED BUDGET, WHERE THE LEGISLATURE

CAN'T GO HOME UNTIL IT HAS BALANCED ITS BOOKS, AND I PERSONALLY DON'T SEE WHY THE UNITED STATES CONGRESS CAN'T BEGIN TO MAKE THAT POLICY.

FOR THIS REASON, I APPLAUD SENATOR TALMADGE'S RESOLUTION, (S.J. RES. 27) WHICH CALLS FOR A BALANCED BUDGET EXCEPT IN TIME OF WAR OR ECONOMIC EMERGENCY.

IT JUST SEEMS LIKE GOOD COMMON SENSE TO ME TO BALANCE THE BUDGET OR EVEN CREATE SURPLUSES WHEN OUR NATION IS EXPERIENCING GOOD TIMES AND TO TOLERATE A DEFICIT ONLY UNDER EXTRAORDINARY NATIONAL CIRCUMSTANCES. THERE SIMPLY HAS TO BE A BASIC CHANGE IN ATTITUDE TOWARD GOVERNMENT SPENDING.

AS WE ALL KNOW, THE ROLE OF THE FEDERAL RESERVE AND MONETARY POLICY IS EXTREMELY IMPORTANT AT THIS PARTICULAR TIME WHEN WE ALL ARE ATTEMPTING TO FOCUS OUR EFFORTS ON ECONOMIC RECOVERY. CRITICISM OF THE FEDERAL RESERVE HAS BECOME INCREASINGLY MORE VOCAL AND THE BANKING COMMITTEE HAS RESPONDED BY HOLDING RATHER EXTENSIVE HEARINGS ON BOARD POLICIES. AS A RESULT, A RESOLUTION HAS BEEN PASSED (H. CON. RES. 133) CALLING FOR REGULAR OVERSIGHT HEARINGS REQUIRING THAT FEDERAL RESERVE OFFICIALS COME TO CAPITOL HILL ON A REGULAR BASIS AND EXPLAIN ITS CURRENT ACTIVITIES AND POLICY.

WHILE I AGREE WITH THE NEED FOR REGULAR OVERSIGHT, I THINK THAT WE MUST CAUTION OURSELVES TO REMEMBER THAT THE FEDERAL RESERVE SYSTEM WAS DESIGNED TO BE AN INDEPENDENT INSTITUTION AND THAT IT SHOULD NOT BE SUBJECTED TO UNNECESSARY SOCIAL AND POLITICAL PRESSURES.

I HAVE NOT CONCURRED IN EVERY ACTION THAT THAT THE FEDERAL RESERVE BOARD HAS TAKEN DURING THE CURRENT ECONOMIC CRISIS AND PROBABLY NEITHER HAVE YOU, BUT MONETARY POLICY REQUIRES FIRST AND FOREMOST STABILITY AND I FEAR THE CONSEQUENCES OF OFFICIOUS INTERMEDDLING BY THE CONGRESS. SO WE MUST APPROACH OUR OVERSIGHT RESPONSIBILITIES WITH CAUTION AND WITH THE FULL UNDERSTANDING THAT HASTY ACTION ON OUR PART, THOUGH WELL INTENDED, COULD MEAN ECONOMIC DISASTER FOR HUGE SEGMENTS OF OUR ECONOMY.

I HAVE BEEN HERE IN WASHINGTON ONLY SOME SIX MONTHS BUT I HAVE OBSERVED THAT CONGRESS ON OCCASION DOES HAVE DIFFICULTY RESTRAINING ITS "NATURAL EXUBERANCE."

I HAVE OBSERVED ALSO THAT CONGRESS CAN MOVE QUICKLY AND RESPONSIBLY WHEN IT SEES A NEED WHICH MUST BE MET. GOOD EVIDENCE OF THIS FACT IS THE HOUSING LEGISLATION WHICH WAS PASSED BY THE CONGRESS BUT UNFORTUNATELY VETOED BY THE PRESIDENT.

THE BILL EMBODIED MANY OF THE SAME BASIC PRINCIPLES WHICH WERE CONTAINED IN A BILL I HAD INTRODUCED EARLIER THIS YEAR TO AID THE HOUSING INDUSTRY.

BRIEFLY, IT WOULD HAVE PROVIDED \$1.3 BILLION TO HELP BUYERS OF NEW OR EXISTING HOMES OBTAIN LOANS AT 7 PERCENT. IT ALSO WOULD HAVE HELPED THE UNEMPLOYED WHO ARE THREATENED WITH FORECLOSURE, TO OBTAIN LOANS OF UP TO \$250 PER MONTH TO MEET MORTGAGE PAYMENTS.

IN HIS VETO MESSAGE, THE PRESIDENT SAID THE PROGRAM APPROVED BY THE CONGRESS WAS TOO EXPENSIVE AND HE PROPOSED AN ALTERNATE PLAN WHICH WOULD AID FAR FEWER PEOPLE.

AS YOU HAVE GATHERED, NOBODY IS MORE CONCERNED ABOUT EXCESSIVE FEDERAL SPENDING THAN I AM. AND I AM WHOLLY COMMITTED TO CUTTING GOVERNMENT AND TO WORKING TOWARD BALANCING THE NATIONAL BUDGET.

BUT WHEN WE HAVE UNEMPLOYMENT AT 9 PERCENT, AND FAR HIGHER THAN THAT IN THE BUILDING TRADES, THE GOVERNMENT HAS AN OBLIGATION TO TAKE ACTION THAT PUT PEOPLE BACK TO WORK. THE MEASURE THE PRESIDENT VETOED WOULD HAVE CREATED SOME 500,000 JOBS AND TURNED PEOPLE WHO ARE NOW DRAWING UNEMPLOYMENT CHECKS INTO TAXPAYERS ONCE AGAIN.

IN MY OPINION, EVERYONE SHOULD HAVE THE CHANCE TO OWN A HOME AND SHOULD HAVE THE OPPORTUNITY TO BUY THAT HOME AT INTEREST RATES HE CAN AFFORD TO PAY. THE BILL THAT THE PRESIDENT VETOED WOULD HAVE BEEN A STEP IN THAT DIRECTION AND DEMONSTRATED THE ABILITY OF THE CONGRESS TO BOTH UNDERSTAND AND RESPOND TO A COMPLEX AND URGENT NATIONAL PROBLEM.

YOU KNOW THERE HAS BEEN A LOT OF TALK IN RECENT DAYS ABOUT EXCESSIVE GOVERNMENTAL REGULATIONS AND THE NEED TO CUT SOME OF THE RED TAPE WHICH BECOMES MORE AGGRAVATING EACH DAY. I HAVE OBSERVED THAT THERE ARE WAYS BY WHICH THIS CAN BE DONE AND I AM PLEASED THAT AS A MEMBER OF THE BANKING COMMITTEE I HAVE BEEN ABLE TO HELP LEAD THE WAY IN THIS AREA.

I AM REFERRING TO THE EFTS BILL, TABLED BY THE BANKING COMMITTEE LAST WEEK, ^{which} IS AN EXCELLENT EXAMPLE OF A MATTER WHICH CAN BE HANDLED AT THE STATE LEVEL, FAR FROM THE WASHINGTON BUREAUCRATIC JUNGLE, AND NOT WITH FEDERAL LEGISLATION. INCIDENTALLY, I DO NOT BELIEVE THAT SMALLER BANKS SHOULD FEEL THREATENED BY THAT ACTION OF THE COMMITTEE. I AGREE WITH MR. DUWE'S RECENT TESTIMONY BEFORE THE COMPTROLLER OF THE CURRENCY THAT "THE COMMUNITY BANK CAN CONTINUE TO COMPETE EFFECTIVELY WITH LARGER BANKS THROUGH PERSONALIZED SERVICE AND THE IMPROVED ACCESS WHICH CUSTOMER-BANK COMMUNICATION TERMINALS CAN OFFER."

BECAUSE OF MY HESITANCY TO BE A PART OF "BLUNDERING" INTO FEDERAL INVOLVEMENT IN ADDITIONAL AREAS OF OUR ECONOMY, I AM CONCERNED ABOUT THE HOME MORTGAGE DISCLOSURE ACT OR "REDLINING BILL" WHICH PROBABLY WILL COME BEFORE THE SENATE FOR A VOTE NEXT WEEK. I AM AFRAID THAT WE MAY NOT KNOW ENOUGH ABOUT THE PROBLEM OF DISINVESTMENT AT THIS TIME TO VENTURE INTO ANOTHER NEW FIELD OF REGULATION.

A PROPERLY ~~FRAMED~~ ^{FRAMED} DISCLOSURE LAW CAN BE AN AVENUE FOR REFORM IN A FREE MARKET ECONOMY. HOWEVER, IT DOES NOT FOLLOW THAT DISCLOSURE IS A SOLUTION TO EVERY PROBLEM. THIS IS THE REASON I AM CO-SPONSORING SENATOR GARN'S AMENDMENT FOR A THREE-YEAR DEMONSTRATION STUDY BY THE FEDERAL RESERVE BOARD TO DETERMINE THE FEASIBILITY AND USEFULNESS OF REQUIRING ALL DEPOSITORY INSTITUTIONS TO MAKE PUBLIC DISCLOSURE OF THEIR GEOGRAPHIC LENDING PATTERNS.

I DO NOT WANT TO LEAVE THE IMPRESSION WITH YOU THAT I READY TO RUSH HEAD LONG INTO THE REPEAL OF ALL FEDERAL REGULATORY LEGISLATION. WITHOUT DOUBT THERE ARE AREAS OF PRIVATE ENTERPRISE WHICH ARE SUFFERING SEVERELY FROM BUREAUCRATIC RULE MAKING AND OUGHT TO RECEIVE RELIEF. I FAVOR PROVIDING THAT RELIEF AND DOING IT QUICKLY. I SAID SO WHEN I CAMPAIGNED FOR THIS OFFICE IN NORTH CAROLINA LAST YEAR AND I HAVE

NOT FORGOTTEN THAT BUREAUCRATIC RED TAPE IS A
LEGITIMATE CONCERN OF MANY VERY FINE BUSINESSMEN
AND INDUSTRY OFFICIALS AT HOME.

BUT THERE ARE AREAS IN WHICH THE FEDERAL
GOVERNMENT HAS A LEGITIMATE INTEREST IN PROVIDING
REASONABLE REGULATIONS AND IT IS VITAL TO THE PUBLIC
INTEREST THAT THEY DO SO.