

SPEECH BY ROBERT MORGAN

DURHAM LIONS CLUB
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LET ME TELL YOU HOW MUCH I APPRECIATE YOUR ASKING ME TO BE WITH YOU TODAY. IN MY OPINION THE VARIOUS CIVIC CLUBS OF OUR STATE CAN AND DO MAKE A SIGNIFICANT CONTRIBUTION TO OUR POLITICAL PROCESS BY PROVIDING CANDIDATES WITH A FORUM FROM WHICH TO ADDRESS THE ISSUES OF THE DAY. THIS PERSONAL CONTACT IS ESSENTIAL AT A TIME WHEN PEOPLE THROUGHOUT THIS STATE AND NATION ARE DEMANDING A RETURN TO OPENNESS IN GOVERNMENT AND MORE CONTACT BETWEEN VOTERS AND THOSE WHO SERVE OR SEEK TO SERVE.

I URGE YOU TO INVITE ALL THE CANDIDATES TO APPEAR BEFORE YOU. AS VOTERS IT IS TO BOTH YOUR BENEFIT AND THE BENEFIT OF GOOD GOVERNMENT TO MAKE FIRST-HAND EVALUATIONS OF THOSE WHO ARE ASKING FOR YOUR SUPPORT.

EVERY POLL CONDUCTED RECENTLY HAS SHOWED THAT THE MAJOR CONCERN OF PEOPLE EVERYWHERE IS INFLATION. - - - - WHAT HAS HAPPENED TO OUR DOLLARS AND WHAT IS STILL HAPPENING TO THEM? THIS IS NOT SURPRISING. ONE DAY RECENTLY I STARTED MY DAY BY DISCUSSING THE TREMENDOUS INCREASE IN THE PRICE OF NAVY BEANS WITH THE ELEVATOR OPERATOR IN THE JUSTICE BUILDING AND ENDED IT TALKING WITH A NORTH RALEIGH FAMILY ABOUT WHAT HAD HAPPENED TO

THEIR FAMILY FOOD BUDGET. IN SHORT, INFLATION HAS HIT RICH AND POOR ALIKE AND IT'S ON EVERYONE'S MIND. THE UNFORTUNATE THING IS THAT IT SEEMS INFLATION IS LIKE MARK TWAIN'S WEATHER: EVERYBODY IS TALKING ABOUT IT BUT NOBODY IS DOING MUCH ABOUT IT.

AND IT'S OBVIOUS THAT JUST TALKING ABOUT IT ISN'T ENOUGH.

YOU KNOW AS WELL AS I 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 FROM 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.

THIS IS TRAGIC AND WE MUST REVERSE THIS TREND, FOR THE PRIVATE OWNERSHIP OF HOMES IS A CORNERSTONE OF THE TRADITION OF THIS NATION.

YOU KNOW AS WELL AS I WHAT HAS HAPPENED TO ELDERLY PEOPLE LIVING ON SOCIAL SECURITY OR PENSION CHECKS, WHO GROW FEARFUL THAT THEY WON'T BE ABLE TO PAY FOR THE NECESSITIES OF LIFE. IN SPITE OF EVERYTHING WE CAN DO UTILITY RATES HAVE BEEN DRIVEN UP SO HIGH THAT EVEN IF A RETIRED OLDER ADULT OWNS HIS HOME, HE OR SHE CAN HARDLY AFFORD TO PAY THE LIGHT BILL.

AND YOU KNOW WHAT HAS HAPPENED TO THE WORKING POOR AND OTHERS WHO HAVE LITTLE HOPE OF INCREASING THEIR EARNINGS.

IT WOULD NOT BE FAIR TO PLACE THE BLAME FOR THIS ON ANY ONE CULPRIT OR ANY ONE POLITICAL PARTY.

AS A MATTER OF FACT, WE ARE ALL IN THIS TOGETHER AND WE MUST ALL GET OUT OF IT TOGETHER.

BUT IT IS FAIR TO LOOK AT THE FACTS.

IN 1968, WHEN HE WAS RUNNING FOR HIS FIRST TERM, PRESIDENT NIXON CAMPAIGNED AGAINST INFLATION:

IN THAT YEAR, THE LAST YEAR OF THE JOHNSON ADMINISTRATION, THE INFLATION RATE WAS 4.7 PER CENT, THE HIGHEST RATE DURING THE KENNEDY-JOHNSON ADMINISTRATIONS. THE AVERAGE INFLATION RATE UNDER KENNEDY AND JOHNSON WAS 2.5 PER CENT.

COMPARE THAT TO THE 11 PER CENT INFLATION WE HAD IN 1973. AND JUST LAST MONTH THE WHOLESAL PRICE RATE WENT UP

TO AN ANNUAL RATE OF 44 PER CENT.

OUR NEW PRESIDENT HAS INHERITED AN ECONOMIC MESS.

IN HIS ADDRESS TO THE CONGRESS AND THE NATION HE PROPERLY SAID THAT INFLATION IS OUR NUMBER ONE PUBLIC ENEMY.

ALTHOUGH HE "GAVE" FEW SPECIFICS, HIS SPEECH WAS HEARTENING BECAUSE IT IS OBVIOUS HE RECOGNIZES THE DILEMMA WE ARE IN AND SAYS HE WILL WORK WITH THE CONGRESS AND WITH BUSINESS AND LABOR TO ATTACK IT.

HE MADE THREE CONCRETE PROPOSALS, ALL OF WHICH HAD BEEN PREVIOUSLY ADVOCATED BY THE DEMOCRATIC LEADERSHIP IN CONGRESS AND ALL OF WHICH I SUPPORT:

1. HE CALLED FOR AN END TO DEFICIT SPENDING AND A RETURN TO A BALANCED BUDGET.
2. HE CALLED FOR RE-CREATING A COST OF LIVING COUNCIL, BUT NOT A RETURN TO PRICE CONTROLS. THE COUNCIL WOULD MONITOR PRICES. AND SEE WHO IS ATTEMPTING TO GOUGE THE PUBLIC WITH INORDINATE PROFITS.
3. HE CALLED FOR A SUMMIT MEETING OF BUSINESS, LABOR AND ECONOMISTS TO SEEK WAYS OUT OF THIS THICKET OF INFLATION.

CERTAINLY IF I WERE IN THE SENATE TODAY, I WOULD VOTE MY SUPPORT FOR THESE PROGRAMS, ESPECIALLY THE BALANCING OF THE NATIONAL BUDGET WHICH I CONSIDER THE PRINCIPAL CAUSE OF THE PROBLEM. INTEREST PAYMENTS ALONE ON THE NATIONAL DEBT ROSE \$5.3 BILLION BETWEEN FISCAL 1973 AND 1974. CERTAINLY THERE MUST BE A WAY TO DO SO. THE STATE OF NORTH CAROLINA BY LAW MUST OPERATE ON A BALANCED BUDGET, AND WE HAVE FOUND IT NO GREAT PROBLEM TO DO SO. IT'S A MATTER OF PRIDE TO THE PEOPLE OF OUR STATE. MAYBE WE SHOULD ASK THE FOLKS IN WASHINGTON TO COME DOWN HERE AND SEE HOW IT'S DONE.

AND THERE ARE SOME OTHER THINGS THAT CAN BE DONE, WHICH THE PRESIDENT DID NOT MENTION IN HIS SPEECH.

LET'S LOOK AT THEM FOR A FEW MOMENTS.

THE FIRST THING THAT MUST BE DONE IS TO ATTACK THE SHORTAGES THAT SEEM TO BE EVERYWHERE.

WHEN COMMODITIES OR GOODS GET IN SHORT SUPPLY, THEY GET MORE EXPENSIVE. THIS IS NOTHING MORE THAN THE OLD BASIC LAW OF SUPPLY AND DEMAND,

SO 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 GOVERNMENT SHOULD SIT DOWN WITH BANKERS, INSURANCE COMPANY EXECUTIVES AND PEOPLE FROM OTHER FINANCIAL

INSTITUTIONS AND URGE THEM TO DIRECT THEIR LOANS TO FACTORIES AND INDUSTRIES THAT CAN SUPPLY SUCH THINGS AS MORE HOUSES, MORE ENERGY AND MORE FOOD.

THE PRESIDENT SHOULD URGE THEM TO BEGIN A VOLUNTARY PROGRAM OF LENDING MONEY TO COMPANIES WHO WILL USE IT TO RELIEVE THESE SHORTAGES.

HE SHOULD URGE THEM TO HOLD BACK ON LOANS THAT DO NOT CONTRIBUTE TO RELIEF OF THESE SHORTAGES.

AS AN AID TO THIS SORT OF ACTION, THE CONGRESS SHOULD GIVE THE FEDERAL RESERVE MORE FLEXIBILITY TO GUARANTEE A REASONABLE AMOUNT OF MONEY TO ENCOURAGE HOME BUILDING, EXPAND MANUFACTURING AND TO HELP SMALL BUSINESSES. WE ESPECIALLY NEED TO KEEP MORE OF OUR MONEY WITHIN THE COUNTRY. ANDREW BRIMMER, OF THE FEDERAL RESERVE, LAST MONTH REPORTED THAT --

"SINCE THE ABOLITION OF CAPITAL CONTROLS AT THE END OF JANUARY, THERE HAS BEEN A SIZABLE OUTFLOW OF FUNDS FROM THE UNITED STATES. BANKING INSTITUTIONS HAVE BEEN A MAJOR SOURCE OF THIS OUTFLOW. DURING THE FIRST FIVE MONTHS OF THIS YEAR, THESE INSTITUTIONS INCREASED THEIR FOREIGN ASSETS BY \$8 1/2 BILLION -- TO A LEVEL OF \$34 BILLION. THIS GAIN WAS LARGER THAN THAT RECORDED DURING THE FULL YEAR 1973. VIRTUALLY ALL OF THE INCREASES REPRESENTED CREDIT EXTENDED TO FOREIGN BORROWERS..."

IN THE FIELD OF EDUCATION, THERE SHOULD BE A NATIONAL COMMITMENT TO VOCATIONAL EDUCATION AND RETRAINING PROGRAMS.

BUILDERS CITE A SHORTAGE OF SKILLED LABOR AS A MAJOR PROBLEM IN THEIR INDUSTRY. A SHORTAGE OF LABOR LIKE THE SHORTAGE OF ANY COMMODITY AGAIN DRIVES COSTS UP, CONTRIBUTING TO THE INFLATIONARY SPIRAL IN THE CONSTRUCTION INDUSTRY.

THESE PROGRAMS PROVIDE A HIGH RATE OF YIELD TO THE FEDERAL TREASURY. THEY INCREASE THE NUMBER OF AMERICANS MAKING A PRODUCTIVE CONTRIBUTION TO THE NATION AND, MORE IMPORTANT, THEY TAKE PEOPLE OFF THE UNEMPLOYMENT ROLLS WHICH NOW HAVE REACHED 5.3 PER CENT AND PUT THEM ON PAYROLLS.

ANOTHER AREA WHICH SHOULD BE EXPLORED, IS THAT OF OUR SYSTEM OF TAXES.

I'M NOT TALKING ABOUT RAISING TAXES OR LOWERING TAXES AS A CURE TO INFLATION.

I'M TALKING ABOUT TAX FAIRNESS.

THERE'S SOMETHING WRONG WITH A TAX SYSTEM THAT ALLOWS A MAN MAKING OVER \$100,000 A YEAR FROM UNPRODUCTIVE INVESTMENTS TO PAY NO TAXES.

TAX SHELTERS WHICH ALLOW THIS SORT OF THING TO HAPPEN SHOULD BE REMOVED AND A BREAK SHOULD BE GIVEN TO LOW AND MODERATE INCOME FAMILIES WHO NOW BEAR THE BRUNT OF THE TAX BURDEN.

AND WE NEED TO LOOK TO SEE IF WE'RE BEING FAIR TO THE MILLIONS OF SINGLE HEADS OF HOUSEHOLDS IN OUR COUNTRY.

SURELY THE BUSINESS OF GIVING TAX BREAKS FOR BUILDING FACTORIES IN FOREIGN COUNTRIES SHOULD BE ENDED.

IT WOULD BE FAR BETTER TO SEND OUR GOODS ABROAD AND KEEP OUR JOBS AND OUR CAPITAL AT HOME.

AND WE SHOULD STOP USING OUR TAX LAWS TO ENCOURAGE FOREIGN OIL AND GAS PRODUCTION.

WE SHOULD HAVE LEARNED FROM THE GASOLINE SHORTAGE EARLIER THIS YEAR THAT IF THE NATION IS TO BE SECURE AND SELF-SUFFICIENT, WE MUST PRODUCE MORE ENERGY HERE AT HOME, AND DEPEND LESS ON FOREIGN COUNTRIES WHO CAN TURN THE TAP ON OR OFF AT THE SLIGHTEST WHIM.

FINALLY, THE GOVERNMENT MUST PUT ITS OWN ECONOMIC HOUSE IN ORDER AND THIS APPLIES NOT ONLY TO DEFICIT SPENDING BUT SOME OTHER ACTIVITIES AS WELL.

THE RUSSIAN WHEAT DEAL AND THE ENERGY CRISIS ARE PRIME EXAMPLES OF THE GOVERNMENT'S FAILURE TO PROTECT OUR ECONOMIC SECURITY.

THE WHEAT DEAL, SUBSIDIZED BY YOUR TAX DOLLARS, SHARPLY RAISED THE PRICE OF BREAD AND CEREAL PRODUCTS FOR YOUR FAMILIES.

AND THE GOVERNMENT'S FAILURE TO FORESEE AND FORWARN US ABOUT THE PETROLEUM SHORTAGE HELPED PUT US IN THOSE LONG GASOLINE LINES LAST WINTER.

THE FEDERAL EXPORT-IMPORT BANK, AS ANOTHER EXAMPLE, BORROWS FROM THE MONEY MARKETS TO LEND RUSSIA \$180 MILLION FOR A FERTILIZER PLANT.

YET HERE AT HOME A SHORTAGE OF FERTILIZER HINDERS EFFORTS TO PRODUCE MORE FOOD AND INCREASES THE COST OF RAISING CROPS AND THE COST IS EVENTUALLY PAID BY THE HOUSEWIFE IN THE GROCERY AND CHECKOUT LINE.

AND TO PUT THE ICING ON THE CAKE, THE EXPORT-IMPORT BANK OFFERS THESE LOANS AT ABOUT ONE-HALF THE INTEREST RATE A U. S. COMPANY WOULD HAVE TO PAY.

THESE ARE MISTAKES WE SHOULD STOP MAKING.

THERE ARE MANY MORE AVENUES TO EXPLORE IN TRYING TO FIGHT OUR WAY BACK TO FISCAL SANITY IN THIS COUNTRY.

TO ME, THE ONE CERTAIN STEP WE SHOULD TAKE IS TO SEE THAT THE GOVERNMENT LIVES WITHIN ITS INCOME AND BALANCES ITS BUDGET. THIS IS CRITICAL TO OUR SUCCESS.

THE OPPOSITION PARTY BOASTS OF ITS FISCAL CONSERVATISM BUT I NOTE THAT SINCE THEY TOOK OFFICE IN 1969, THE COST OF GOVERNMENT HAS GROWN AT AN ALARMING RATE. DURING THIS PERIOD WE HAVE HAD OUR FIRST \$200 BILLION BUDGET AND ALSO OUR FIRST \$300

BILLION BUDGET. AND DURING THIS PERIOD WE HAVE ENGAGED IN MORE DEFICIT SPENDING THAN AT ANY TIME SINCE WORLD WAR II.

THE FACT OF THE MATTER IS THAT WE HAVE HAD SIX YEARS OF COMPLETE ECONOMIC NEGLECT. WE HAVE FOCUSED OUR EYES ABROAD AND MADE TREMENDOUS STRIDES IN INTERNATIONAL RELATIONS WHICH I APPLAUD. BUT AT THE SAME TIME WE AWAKENED TO FIND THE ECONOMIC WOLF HOWLING AT OUR DOOR. OUR PEOPLE ARE FRIGHTENED, AND ONLY NEW PROGRAMS, NEW IDEAS, AND NEW AND EFFECTIVE ACTION WILL ALLAY THEIR FEARS, AND SOLVE THE ECONOMIC CRISIS WHICH FACES US.

I FOR ONE AM READY TO CUT FAT FROM THE BUDGET WHEREVER WE CAN FIND IT. THERE ARE NO "SACRED COWS" AS FAR AS I AM CONCERNED.

THE PRESIDENT SAID RECENTLY THAT HE IS IN FAVOR OF A STRONG, SECOND-TO-NONE NATIONAL DEFENSE. SO AM I.

ALL OF MY ADULT LIFE I HAVE BELIEVED WE SHOULD BE STRONG MILITARILY, BUT THAT DOESN'T MEAN THERE IS NO WASTE THAT CAN BE ELIMINATED IN THE PENTAGON BUDGET.

AS SOMEONE HAS POINTED OUT, AN ARMED FORCE THAT HAS MORE COLONELS THAN SECOND LIEUTENANTS SEEMS TO BE OUT OF BALANCE SOMEWHERE.

SO I SAY WE SHOULD SEEK OUT ANY WASTE IN ANY PLACE AND ELIMINATE IT.

WE SHOULD TAKE STRONG STEPS SUCH AS THE ONES I HAVE MENTIONED TODAY TO BRING THE NATION BACK TO ITS FISCAL SENSES.

THIS IS A GREAT COUNTRY WITH THE STRONGEST ECONOMY IN THE WORLD.

BUT TO MAINTAIN THAT STRENGTH, WE NEED LEADERSHIP AND WE MUST HAVE A PUBLIC THAT BELIEVES IN THAT LEADERSHIP.

WE HAVE A NEW PRESIDENT WHO I THINK ALREADY HAS FOUND A TREMENDOUS SPIRIT OF COOPERATION AND CONFIDENCE AMONG THE PEOPLE OF THIS COUNTRY. HIS PSYCHOLOGY HAS BEEN GOOD THUS FAR AND I'M SURE WE HAVE ALL WELCOMED THE FRESHNESS WHICH HE HAS BROUGHT TO THE FEDERAL LEVEL. BUT PSYCHOLOGY ALONE WILL NOT GIVE NEW DIRECTION TO OUR ECONOMY -- IF IT WOULD, WALL STREET ALREADY WOULD HAVE REFLECTED IT AND AS YOU KNOW, THE MARKET IS IN WORSE SHAPE THAN EVER.

SIX YEARS OF ECONOMIC NEGLECT CAN BE REMEDIED ONLY BY A PERIOD OF INTENSIVE ECONOMIC ATTENTION. IT'S GOING TO BE A LONG STRUGGLE TO BRING RISING COSTS UNDER CONTROL AND THERE IS NO USE FOR ANY CANDIDATE OR ANY POLITICAL PARTY TO MAKE ROSY PROMISES THAT THINGS ARE GOING TO BE BETTER JUST AROUND THE BEND. THEY WANT PLAIN TALK AND DETERMINATION BY EVERY PUBLIC OFFICEHOLDER TO JOIN IN A BI-PARTISAN EFFORT TO MEET OUR PROBLEMS HEAD-ON WITH PROGRAMS THAT WILL WORK REGARDLESS OF ANY PAINS THEY MIGHT PRODUCE TEMPORARILY.

I HOPE TO BE A PART OF THAT EFFORT AND TO
DEVOTE MY FULL ENERGY TO BATTLING INFLATION AND GETTING OUR
NATION'S ECONOMIC HOUSE IN ORDER.