

SPEECH BY: ROBERT MORGAN
To: DURHAM ROTARY CLUB
DURHAM, NORTH CAROLINA
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I APPRECIATE YOU INVITING ME TO VISIT WITH YOU TODAY
AND GIVING ME A CHANCE TO TALK WITH YOU ABOUT SOME OF THE PROBLEMS
FACING THIS COUNTRY IN THIS ELECTION YEAR.

IT'S NOT DIFFICULT TO PINPOINT THE ONE SINGLE THING
THAT IS CONCERNING OUR CITIZENS. I KNOW FROM TRAVELLING ALL OVER
NORTH CAROLINA BEFORE THE PRIMARY ELECTION AND FROM ALL THE POLLS
I HAVE SEEN THAT INFLATION IS THE ONE THING THAT PEOPLE ARE
WORRYING ABOUT.

PRESIDENT FORD HAS CALLED INFLATION THE NUMBER ONE
PUBLIC ENEMY, AND I AGREE.

HE HAS CALLED THE PETROLEUM SITUATION, WHICH IS
THREATENING OUR ENERGY SUPPLY AND OUR BALANCE OF PAYMENTS, PERHAPS THE
PRINCIPAL CAUSE OF OUR CURRENT INFLATIONARY PROBLEMS. AND I AGREE.

BUT IN THEIR SEARCH FOR A WAY TO HELP MEET THE ENERGY PROBLEM, THE NATIONAL ADMINISTRATION CONSIDERED A TAX INCREASE FROM 10 TO 30 CENTS A GALLON ON GASOLINE.

I DISAGREED WITH THAT AND DISAGREED VIOLENTLY.

THIS WOULD HAVE BEEN GROSSLY UNFAIR AND IT WOULD HAVE POURED GASOLINE ON THE FIRES OF INFLATION.

ONE BIG REASON FOR THE HIGHER FOOD PRICES WE HAVE BEEN AFFLICTED WITH HAS BEEN THE INCREASE IN THE COST OF TRANSPORTATION. ADD 20 CENTS A GALLON TO THE FUEL TRUCKS USE AND IT WOULD HAVE BEEN FELT IMMEDIATELY AT THE GROCERY CHECKOUT COUNTER.

APPARENTLY THE NATIONAL ADMINISTRATION HAS BACKED OFF FROM THAT APPROACH BECAUSE, AS PRESIDENT FORD SAID ON ANOTHER OCCASION ABOUT ANOTHER MATTER, "THE PEOPLE WOULDN'T STAND FOR IT." THAT WAS WHEN HE WAS ASKED ABOUT PARDONING A FORMER PRESIDENT.

BUT THE VERY FACT THAT SUCH A TAX WAS GIVEN SERIOUS CONSIDERATION MAKES ME WONDER WHETHER THE PEOPLE WHO ARE MAKING POLICY DECISIONS IN WASHINGTON HAVE LOST TOUCH WITH THE PUBLIC'S NEEDS COMPLETELY.

WE ARE ALL SEEKING SOLUTIONS TO THE INFLATION PROBLEM.

I HAVE PROPOSED SOME MEASURES MYSELF AND I AGREE THAT BALANCING THE FEDERAL BUDGET AND ENDING DEFICIT SPENDING IS THE FIRST STEP THE GOVERNMENT ITSELF MUST TAKE.

FOR 18 OF THE LAST 20 YEARS, THE FEDERAL GOVERNMENT HAS SPENT MORE MONEY THAT IT HAS COLLECTED IN TAXES, THUS CREATING A HUGE NATIONAL DEBT. IN TURN, THE DEBT REQUIRES INTEREST PAYMENTS WHICH MUST BE PAID EACH YEAR FROM REVENUE COLLECTIONS.

PERIODICALLY, IN ORDER TO REFINANCE PORTIONS OF THE DEBT, THE FEDERAL GOVERNMENT MUST GO INTO THE MONEY MARKET AND BORROW MORE MONEY BY OFFERING SECURITIES FOR SALE AT INTEREST RATES WHICH ARE NOW NINE PERCENT. THIS IS WHERE A MAJOR PROBLEM HAS DEVELOPED WHICH IS HELPING DEAL A DEATH BLOW TO THE HOME BUILDING INDUSTRY.

NINE PERCENT 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.

YOU CAN SEE THEN THAT TALK ABOUT BALANCING THE BUDGET IS MORE THAN JUST WORDS. PUTTING AN END TO DEFICIT SPENDING IS A MUST AND THE GOVERNMENT SIMPLY MUST START CUTTING ITS SPENDING.

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WHEN I SAY CUTTING I MEAN EVERYWHERE THAT WASTE IS FOUND. WE MAY HAVE TO DENY OURSELVES SOME OF THE GOVERNMENT SERVICES WE HAVE GROWN ACCUSTOMED TO, BUT THIS MUST BE DONE IF THINGS ARE TO RETURN TO NORMAL.

NOT ONLY MUST THE DEFICIT BE ELIMINATED, BUT THE CUT SHOULD BE DEEP ENOUGH SO THAT THERE IS A SURPLUS.

THE RESULT OF THIS WOULD BE A RETURN OF CONFIDENCE IN THE GOVERNMENT'S ABILITY TO KEEP ITS AFFAIRS IN ORDER. AND WE NEED CONFIDENCE BADLY TODAY.

IF THE SURPLUS WERE APPLIED TO PAYING OFF THE NATIONAL DEBT, IT WOULD HAVE A DRAMATIC EFFECT ON INTEREST RATES.

IF THE FEDERAL GOVERNMENT GOT INTO THE BLACK, AND DIDN'T HAVE TO GO INTO THE MONEY MARKETS TO COMPETE FOR FUNDS, THEN THERE WOULD AGAIN BE MONEY FOR MORTGAGES AND THE HOUSING INDUSTRY, WHICH IS HURTING TO THE POINT OF DEPRESSION, WOULD BE REVIVED.

PEOPLE MAKING UNDER \$18,000 A YEAR, WHO ARE NOW PRICED OUT OF THE HOME BUYING MARKET, COULD AGAIN PLAN ON OWNING A HOUSE OF THEIR OWN.

TAKING THE GOVERNMENT OUT OF COMPETITION IN THE MONEY MARKETS WOULD CUT THE RATES THAT UTILITIES AND OTHER HARD PRESSED SEEKERS OF CAPITAL WOULD HAVE TO PAY.

THIS ISN'T ANY SIMPLE, INSTANT CURE. THERE ISN'T ANY SUCH REMEDY FOR THE INFLATION THAT IS HURTING US ALL.

WE MUST REMEMBER THAT WE SPENT MANY YEARS OF DEFICIT SPENDING — OF PAYING OUT MORE THAN WE TOOK IN — TO GET TO THIS POINT WHERE WE NOW FIND OURSELVES.

THE ROAD BACK WILL BE UPHILL AND IT WILL BE LONG.

BUT WE HAVE TO START AND THE SOONER THE BETTER BECAUSE WE CANNOT LONG ENDURE THE SITUATION IN WHICH WE NOW FIND OURSELVES. THE AMERICAN CONSUMER CAN STAND ONLY SO MUCH SHRINKAGE OF HIS WEEKLY PAYCHECK.

I THINK THE TIME TO START IS NOW.

WE MUST BALANCE OUR 1975 FEDERAL BUDGET, WHICH IS THE NEXT ONE THAT THE CONGRESS WILL BE CALLED UPON TO APPROVE.

AND THE 1976 BUDGET MUST HAVE A SURPLUS, AND THE SURPLUS, IF REAL NATIONAL EMERGENCIES ARISE, SHOULD BE APPLIED TO THE NATIONAL DEBT.

THIS IS ONE WAY TO ATTACK THE ROOTS OF OUR ECONOMIC TROUBLES. AND IT MUST BE DONE.

DEFICIT SPENDING BY THE FEDERAL GOVERNMENT IS NOT THE ONLY CAUSE OF INFLATION. MANY OF OUR WOES DATE BACK TO THE SUMMER OF 1972 WHEN THE GOVERNMENT ANNOUNCED THE NOW FAMOUS "RUSSIAN WHEAT DEAL," ALLOWING THE SOVIET UNION TO PURCHASE 700 MILLION BUSHEL OF GRAIN IN SUCH A WAY AS TO PREVENT AMERICAN FARMERS FROM CAPITALIZING ON THE SALE.

YOU KNOW THE RESULT OF THAT TRANSACTION.

THE GRAIN SALE CREATED A SHORTAGE IN DOMESTIC SUPPLIES. (IT REPRESENTED 25% OF THE TOTAL AMERICAN WHEAT CROP.) THE SHORTAGE DROVE UP THE PRICE OF BREAD AND FLOUR-BASED PRODUCTS. MORE IMPORTANTLY, THE SHORTAGE RESULTED IN INCREASES IN THE PRICE OF FEED GRAINS.

THE COST OF RAISING AND FEEDING LIVESTOCK THEN SHOT UP AND THE INCREASED COSTS WERE IMMEDIATELY

REFLECTED AT THE MEAT COUNTER. WE SAW PRICES AT LEVELS WE NEVER BELIEVED THEY COULD REACH AND WE HAD ONLY THE INCOMPETENCE AND SHORTSIGHTEDNESS OF THE FEDERAL GOVERNMENT AND THE UNITED STATES DEPARTMENT OF AGRICULTURE TO BLAME.

THEN CAME THE FINAL ECONOMIC BLOW ... THE ENERGY CRISIS ... AND INFLATION REALLY WENT ON THE RAMPAGE.

HOW DID WE EVER GET INTO THE SITUATION THAT THE ECONOMY OF THIS NATION COULD BE SENT REELING BY A BLOW FROM A HANDFUL OF SMALL OIL-PRODUCING NATIONS?

IT IS INTERESTING TO NOTE THAT IN SLIGHTLY MORE THAN TWO DECADES THE UNITED STATES HAS BEEN TRANSFORMED FROM A NET EXPORTER OF ENERGY TO AN IMPORTER OF 15% OF OUR ENERGY REQUIREMENTS.

THE ARAB NATIONS WATCHED AS WE BECAME MORE AND MORE DEPENDENT ON PETROLEUM IMPORTED FROM THEIR WELLS. THEY WATCHED AS THE TOTAL IMPORTS OF ARAB OIL JUMPED FROM 6% IN 1972 TO 30% OF OUR TOTAL OIL IMPORTS IN 1973. THEN THEY TIGHTENED THE NOOSE.

I EXPECT THAT THE "ENERGY CRISIS" WAS AN EDUCATION FOR ALL OF US. NO ONE REALIZED HOW MANY PRODUCTS HAD A PETROLEUM BASE UNTIL THEY SAW THE PRICE OF EACH SUDDENLY SHOOT SKY HIGH.

WE IN FACT HAD AN ENERGY SHORTAGE, BUT THE SHORTAGE WAS CONTRIVED. AND WE KNOW THAT NOW THERE IS NO SHORTAGE AT ALL, BUT THE PRICES ARE UP AND THERE IS NO WAY TO BRING THEM DOWN UNLESS THE ARABS AGREE TO DO SO.

SOME SAY THE OLD LAW OF SUPPLY AND DEMAND WILL BRING THE PRICES BACK DOWN. WELL THAT'S A GOOD THEORY BUT IT DOESN'T WORK WHERE THE SUPPLY IS TIGHTLY CONTROLLED, WHERE THE SUPPLY IS MONOPOLIZED. YOU CAN SEE THAT ILLUSTRATED BY THE FACT THAT INSTEAD OF RELEASING MORE OIL FROM NOW OVERFLOWING RESERVES AND LETTING THE PRICE DECLINE, THEY HAVE CUT BACK PRODUCTION TO SUSTAIN THE INFLATED PRICES WE ARE PAYING.

THE LONG AND SHORT OF THE MATTER IS THAT WE ARE BEING SUBJECTED TO THE LOWEST FORM OF INTERNATIONAL ECONOMIC BLACKMAIL. THERE IS CONSIDERABLE DEBATE ABOUT WHETHER WE OUGHT TO "GET TOUGH" WITH THEM. FRANKLY, I THINK WE HAVE NO CHOICE.

IT IS ESTIMATED THAT THE OIL-PRODUCING NATIONS THIS YEAR WILL ACCUMULATE MORE THAN \$75 BILLION FROM OIL IMPORTING COUNTRIES. THE UNITED STATES' OWN BALANCE OF PAYMENTS IS GETTING DANGEROUSLY OUT OF HAND AND SOME NATIONS ARE TEETERING ON BANKRUPTCY.

THROUGH ALL OF THIS, AS A NATION, WE HAVE SHOWN RESTRAINT AND TRIED TO BE REASONABLE. BUT, IN MY OPINION, IT IS TIME THAT WE TOOK OFF OUR GLOVES AND USED EVERY PEACEFUL MEANS AVAILABLE TO CAUSE THE ARAB OIL-PRODUCING NATIONS TO ADOPT A REASONABLE POSTURE TOWARD OIL IMPORTING NATIONS, TO BRING OIL PRICES DOWN, AND GET THE WORLD ECONOMIC PICTURE BACK IN FOCUS.

THE OIL EXPORTING NATIONS, WHILE MEETING TO EXTORT EVEN A HIGHER RANSOM FOR THEIR OIL, HAVE SAID TO US AND OUR ALLIES, "DON'T YOU DARE THREATEN US."

WELL, I AGREE WITH THEM. THE TIME HAS PASSED FOR THREATS. THE UNITED STATES AND THE OTHER NATIONS WHOSE ECONOMIC LIFEBLOOD IS BEING DRAINED MUST ESTABLISH A FIRM POLICY, ANNOUNCE IT AND ABIDE BY IT.

THIS MAY MEAN A JOINT EFFORT TO WITHHOLD EXPORTS FROM THE OPEC COUNTRIES. IT MAY MEAN SEVERELY LIMITING FOREIGN INVESTMENTS BY OIL EXPORTING COUNTRIES THUS ELIMINATING SOME OF THE INCENTIVE TO MAINTAIN CURRENT OIL PRICES.

AT THE SAME TIME WE MUST WORK TOWARD BECOMING SELF-SUFFICIENT IN ENERGY SOURCES HERE AT HOME. NATURALLY THIS MEANS EXPLORING NEW ENERGY SOURCES AND MAKING IT ECONOMICALLY FEASIBLE TO TURN TO FORMS OTHER THAN PETROLEUM.

I WAS GLAD TO SEE THAT THE PRESIDENT HAS SIGNED A BILL FUNDING A CRASH PROGRAM TO DEVELOP SOLAR ENERGY FOR HOME HEATING AND COOLING. THIS IS A GOOD FIRST STEP.

I DON'T THINK WE OUGHT TO LOOK AT THE IDEA OF BECOMING SELF-SUFFICIENT IN ENERGY AS AN IMPOSSIBLE TASK. THE UNITED STATES HAS ALWAYS MET ALL ITS OWN FUEL REQUIREMENTS OTHER THAN OIL AND IT IS JUST IN RECENT YEARS SINCE FUEL CONSUMPTION HAS MUSHROOMED THAT WE HAVE BECOME DEPENDENT ON FOREIGN SOURCES FOR A SUBSTANTIAL PORTION OF OUR OIL. IN FACT, BY OUR TAX LAWS, WE HAVE ENCOURAGED FOREIGN DEPENDENCY.

I, FOR ONE, AM PREPARED TO REDUCE FOREIGN TAX CREDITS FOR THE OIL COMPANIES. ALLOWING THE OIL COMPANIES TO CREDIT TAX PAYMENTS TO FOREIGN GOVERNMENTS AGAINST UNITED STATES TAX LIABILITY HAS CLEARLY BEEN AN ENTICEMENT TO INVEST IN FOREIGN, RATHER THAN DOMESTIC, OIL EXPLORATION AND PRODUCTION AND IN TURN HAS ROBBED THE UNITED STATES OF TAXES ON OPERATIONS IN THIS COUNTRY.

AGAIN WE FIND THOSE MOST ABLE TO PAY TAXES
PAYING NONE, WHILE THE MAN ON THE STREET SHOULDERS THE
MAJOR PORTION OF THE TAX BURDEN. IF THE PEOPLE OF THIS
NATION ARE TO HAVE ANY CONFIDENCE IN THEIR GOVERNMENT,
THEY HAVE TO BELIEVE THEY ARE BEING TREATED FAIRLY.
TAX FAIRNESS IS A GOOD PLACE TO START AND I'M FOR SHIFTING
THAT BURDEN.

IT SHOULD BE NO SURPRISE TO ANYONE THAT THE
PEOPLE OF THIS NATION ARE OUTRAGED THAT WHILE THEY
MADE SACRIFICES TO CONSERVE ENERGY AND MEET A NATIONAL
CRISIS, THE OIL COMPANIES MADE PROFITS IN 1973 AT THE
RATE OF OVER 50% HIGHER THAN THE YEAR BEFORE. AND THEY
SKYROCKETED AGAIN THE FIRST QUARTER OF THIS YEAR.

IT SHOULD BE NO SURPRISE THAT PEOPLE ARE
OUTRAGED WHEN THEY SEE THE PERCENTAGE OF THEIR INCOME
BEING PAID TO THE FEDERAL TREASURY AND THEN HEAR THAT
EXXON PAYS TAXES AT THE RATE OF 6.5%; TEXACO AT 1.7%;
AND MOBIL AT 1.3%.

IT CAUSE ME NO GREAT PAIN THEN TO SUGGEST THAT
THE PERCENTAGE OIL DEPLETION ALLOWANCE BE REDUCED OR
ELIMINATED AS I PROPOSED IN THE PRIMARY. IT HAS BEEN
ESTIMATED THAT IT WILL BE CAUSE OF A \$2.7 MILLION LOSS TO
THE FEDERAL TREASURY IN 1975. LET'S LET THE MAJOR OIL
COMPANIES DO THEIR SHARE TO BALANCE THE BUDGET. LET'S
LET THE MAJOR OIL COMPANIES TAKE THEIR FAIR SHARE OF THE
TAX LOAD.

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