

The Economic Club of New York

Gerald R. Ford
Vice President,
United States of America

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Introduction

Chairman George R. Vila

Our guest of honor carries at this point in the history of our country a frightful burden of responsibility which is as delicate as it is heavy. He is carrying it with all his strength and giving it all its care in order to preserve our political system, that is, to protect all of us. We're aware that foremost among the reasons why he occupies the second most important position in the nation today, the reasons why he is the country's first instant vice president, as he likes to call himself, are his generous nature coupled with his ability to understand, to feel compassion, and to help. He did not have to come here tonight to woo us, to make us like him. We do. Even the Democrats among us do, even those of us who read the *New York Times* (Laughter) and the *Washington Post*, if anybody up here reads it. Thus, I can see only one reason why duty brings him here tonight despite the pressure of so many other calls. He must have a crucial message for us and he should be given the floor immediately to communicate it. Ladies and gentlemen, I am very honored to introduce the Vice President of the United States. (Applause)

Gerald R. Ford

Vice President of the United States of America

Thank you very much George. Members of the Economic Club of New York, distinguished guests, gentlemen, it's really a great privilege and a very high honor to have the opportunity of

again appearing before the Economic Club of New York. Earlier in the reception we were discussing when I was here before and we seemed to agree that it was sometime in 1969.

A lot has happened in that interval, including my unexpected elevation, if that's what you call it, to be the first instant vice president of the United States. But it's nice to be here and I apologize for being late. I had anticipated being here several hours earlier but I find that my duties as vice president put me one leg in the Legislative Branch and the other in the Executive. Interestingly enough and I suspect that few, if any, in this audience know that one way the United States Senate makes sure that their vice president has some respect for them and attends their meetings periodically is that they provide in their appropriation bill for his pay. I don't get it through the Executive Branch appropriation bill.

But we have today, in the United States Senate, a very important vote on what they call the Supplemental Authorization Bill for the Department of Defense. It was a question whether or not, after all the sacrifice and all the money and all the interrelated international economic and related matters in the Southeast Asian area, we were going to make a cutback, we were going to retreat to some extent at least in our commitment to be involved internationally. I've never yet had the opportunity to break a tie. So I stayed and stayed and stayed. The final, or the crucial vote, was 39-41. So it was about as close as you could get and yet they wouldn't let me have that opportunity.

I regret to say that the indication in the Senate was that we are losing our perspective that we must be internationally-minded, and that we are unfortunately doing a slow retreat to a policy of isolationism. And I think it's bad, and to the extent that I can, I intend to fight it. I think it's wrong. (Applause) I don't say this was the total picture or the total determining factor, but you see these little symptoms that come up in one vote or another. And when you add them all up, they're wrong in my judgment.

Now should a vice president rush in where economists fear to tread? Let me assure you, it's a terribly difficult subject and, of course, I refer here on this occasion to the topic of inflation. And I raise this question because of warnings that economists have been wrong, that their credentials are being challenged, and that a vice president daring to address the issue of inflation would be charged with inflating his own ego.

Benjamin Franklin was – I've read a little history – among other things, an economist. He was also against having a vice president included in the table of organization of the federal government. Franklin said, and I quote, "If they insist upon having one, I shall address him as 'your superfluous excellency'." Vice President, Alben Barkley, who was the first vice president I knew, upon assuming office commented, and again I quote, "Inasmuch as I'm about to enter upon the discharge of duties that require four years of silence, I will be very brief." Theodore Roosevelt thought the vice presidency was, as he put it, really a fifth wheel. He said it's not a stepping stone to anything but oblivion. And he went on to comment that he would rather be

anybody, say a professor of history, than vice president. With all respect to Theodore Roosevelt, I am not seeking to become a professor of history and certainly not a professor of economics. But I am honored to serve as vice president.

Our institutions today face a sweeping challenge and the office of the vice presidency is in a new context charged with very important responsibilities. When I became vice president, I pledged to use whatever reputation I had acquired in the House for truth and honesty along with whatever capacity for reasonable compromise that I might possess to make this government work better for the good of all our citizens. And I believe the vice president, or vice presidency at this point presents a very unique opportunity. Its perspective is both legislative and executive, making possible both communication and compromise. In my role as vice president, I seek reconciliation, not recrimination.

While this might not be very spectacular for the next three years, and this is one Ford that has a three-year warranty (Laughter), it is the way I see it. I do not share the pessimism or withdrawal syndrome of some of my predecessors. I envisage a vice presidential function involving responsible work for the future – mediating, moderating differences, remaining open and flexible to keep America great as we build up both the Executive and the Legislative Branches.

It is in this spirit that I speak tonight...today at an issue that I think transcends all branches of government and all political parties and affects every one of 211 million Americans. I refer again

for emphasis the problem of inflation. You, in the capacities that you occupy in business, profession, and otherwise, know that inflation has become world public enemy #1. If atomic war could be portrayed as a sudden heart attack destroying all humanity, then inflation might be seen as a cancer that could cause a lingering death for the industrialized world. Unless something is done, the cancer of inflation will inevitably prove fatal.

The inflation rate in our country last year was roughly 10%, the highest rate since 1950. Higher food prices accounted for 50%, energy prices for 25%. Last month, the rate was running in excess of 13% per annum. Naturally, if you're in politics you expect a better result toward the end of the year. But it's still a global plague that we have to do something about. Whether you look at Communist countries or conservative Switzerland, the disease is rampant today. The United States has done better than most countries, but all of us are affected.

Now some people view this without very great alarm. They seem to feel that inflation is like the famous or infamous description of sin, and I quote, "When first seen, viewed with terror. When next seen, the terror is gone, and after many exposures, viewed with affection." I don't think we should resign ourselves to inflation at current rates. They suggest we get used to the inevitable. Good authority has proposed indexing so that inflation can be neutralized by adjusting a lot of numbers. I think this is a potentially very dangerous game.

Obviously those of us who are in Washington know that the indexes could become a very

attractive political football. Fairness to all by any standards in the political arena would be totally impractical. And worst of all, in the words of Arthur Burns, and I quote, “If a nation of our traditions attempted to make it easy to live with inflation, we would slowly but steadily lose the sense of discipline needed to pursue governmental policies with an eye to the permanent welfare of our people.”

Inflation, such as we have in today’s world, must be viewed with continuous alarm because inflation hurts. And if you haven’t traveled the length and the breadth of the country as I have, you have no comprehension of the broad concern about inflation. I don’t care whether you’re on the west coast, the north, the south, the middle west, rich, poor, otherwise, this is the number one issue and problem we face in America. And obviously it hurts some 20 million-plus American pensioners. It hurts the poor who spend the largest share of their income on food. It hurts the middle class by reducing the value of their savings and their ability to provide fully for themselves. It hurts because it gives reason to hoard things, to spend, and not to save, and to live for today and forget tomorrow. It hurts because it disrupts our capital markets and many in this audience are infinitely more knowledgeable in this area than I. Who will lend money? At what interest rate with an unknown but increasing inflation rate on the horizon? What is the proper return on equity when inflation strikes? No one knows for sure.

Thus, inflation threatens our ability to obtain capital investment, the basic ingredient needed for increased production and lower prices. The US spends, according to the experts, far too small a

portion of its gross national product on investment. Based on 1969-'71 averages, gross private and government investment was but 18% of gross national product in the United States. Only the United Kingdom has a lower percentage. For example, Italy spent 22%, France 27%, Japan 38%.

Inflation hurts because it causes us, and many of you are more involved than I, to overstate the profits of industry. Paper gains due to inflation provide a false sense of prosperity. One of the reasons, I suspect, for the low market, the low market multiples, certainly is doubt about what is not reported, is now reported as profit. Furthermore, depreciation allowances based on old historical costs add to our problem of obtaining increased capital for investment. Cash flow provided by such depreciation will not begin to replace equipment at new, higher cost. As a result, a very substantial amount of capital erosion is now going on, and you know that better than I. Economist George Terborgh estimates that in 1973 American non-financial corporations were under-depreciating their plant and equipment by more than \$7 billion.

Finally, inflation hurts because it ultimately could destroy our confidence in the ability of government to govern. The question then arises what must be done to stop the pain of inflation? I believe there's no easy way, and I honestly believe there's only a hard way. It will be a long, and let's be frank, difficult period, and a difficult effort. It will require public support and a willingness to go the hard way. And I mean across the board, not just among the affluent. But it must be done. The hard way means resisting the easy road of a quick fix by a tax cut that means more, not less inflation.

Resisting in addition the temptation to treat the symptoms by reinstating overall price and wage controls. We had a bitter struggle in the Senate last week. After much pulling and hawing, the Senate finally came up with what is virtually no action. Not much substance, unfortunately, and the consequence is it doesn't appear that we're to have any wage and price controls on the statute books during this session of the Congress. It was close, I might add, but there wasn't any action that would lead anybody to believe there will be wage and price controls on during this session of the Congress.

Also, I think we've learned that since controls were in effect from August of '71 to the last of the last month they weren't very successful. Maybe on a temporary basis, but certainly not on a long range program. And I certainly hope in peace time we don't fall into that pit in the future. Our experience with controls clearly indicates they do not prevent inflation; they merely shift it around from one area to another. Controls cause shortages, both by interfering with the efforts to increase production and by stimulating exports. They create inequities, and I've gotten letters from many of you, or many like you, they create the kind of inequities that are hard to explain and they certainly develop unfairness in executive decisions in the federal government. They're inefficient, they're costly. And in extreme cases, they are limited and specific but not very useful as trying to solve the basic problem.

Now let me speak very candidly about the hard way, and I have no apologies for it. I've lived

through the Korean War, the Vietnam War, and the post-Vietnam War as a member of the Legislature or the Congress. And after a lot of experience in this forum, I've come to the conclusion that we don't want any palliatives. We want some hard decisions. And it may mean a little belt-tightening and a little courage, but I think it's the only answer.

We've got to, for example, reduce wasteful consumption. I think one result of the energy crisis has been a discovery of the virtues of reduced gasoline consumption by many of our fellow citizens. We've learned that less driving resulted in fewer accidents, more home life, more use of our city parks and museums, and other unforeseen benefits. A conscious effort by all citizens to avoid wasteful use of our resources will help to control inflation. It might incidentally improve the quality of our lives.

Also, the hard way will mean a refusal to panic or to hoard. We must guard against the temptation to buy for quick gain and beyond our need. The hard way will require us to retain our confidence in the free market system. Its ability to increase production and restrain prices has been proven in the past. Much of our history reflects our capacity to produce far more than we can consume. Our free economy system can do this again in '74, '75. The turnaround in the United States agricultural production is the best recent evidence of this position. Wheat prices have fallen from a high of around \$6 to the neighborhood of \$3.80 – still a good price for the farmer by any recent standard.

And government too, and I want to emphasize this, must take the hard way. It has an obligation as much as individuals, business, or otherwise to control expenses. Inflation is a problem where governmental action is absolutely critical, where our national government must be in effect the prime mover. This includes both the Legislative and the Executive Branch. We get a lot of criticism back and forth but if we're going to solve the problem of federal expenditures, you have to do it in conjunction with one another.

A much needed governmental action that I think is encouraging is the passage in both the House and the Senate but not final action yet of what we call a new budget act to update the capability of the Congress to deal with a \$300 billion annual appropriation budget and an expenditure budget of some \$10 or \$15 billion more than that in a 12-month period. If the Congress doesn't pass this legislation, the finger can be realistically pointed at the Congress for failing its responsibility.

It's not well publicized. It's not well understood. But having spent 14 years on the Committee on Appropriation ten years ago, I know how inadequate today the congressional consideration of a budget of that magnitude is. And this is an effort in a bipartisan way to find an answer. And if you can do anything from this meeting tonight, you should put the pressure in addition on the Congress to do something on this legislation.

Now the administration must and will continue its efforts to reduce, delay, and to cut back

expenditures. It's not an easy job and I don't mean to come up here in a Pollyannaish way, when so many desirable programs are suggested, promoted, and there are so many unmet needs that seem so perfectly clear to one or many people or communities or states, and believe me the political pressure is on at the present time. The hard way also means some sound monetary policy. I hate to tread in this area because it's beyond my expertise, but I think you know as well, if not better than I, we've got to have a rational, constructive policy as to the supply of money and credit.

For a while this conceivably will mean higher interest rates, hopefully only temporarily. But as we reduce inflation, hopefully interest rates will fall. Now we all have our pet whipping boy when it comes to inflation. I can go to the factory or to the supermarket at home, or I can go to the farmer or the businessman, everybody has a simple answer. The real culprit, I think, is excessive demand. Double digit inflation is a result of double digit increases in money supply and double digit budget deficits. I think those are the prime causes right today.

Sound monetary fiscal policies are an essential part of the answer. Government's hard way also includes some hard thinking on some new and innovative ways to meet the problem. The first quarter of '74 with a 5% drop in GNP and a 10% inflation rate makes it imperative that we, both the Executive and the Legislative Branches come up with some new answers. We've got to find a way to increase production, and yet not create an unacceptable unemployment problem. New avenues for worldwide action to control commodity markets and prices are needed. Henry

Kissinger, among other things, is working in this area.

I think we've got to be alert in government, in both the Executive and Legislative Branches, to fight monopoly power, whether in labor or in management. You know as well as I that monopoly in either case creates problems. Alternative and innovative financing methods must be developed to prevent high interest rates which according to history reduces housing production.

Productivity, if I could emphasize again, must be increased. And it's disappointing to see according to the latest statistics some loss in this area. The regulatory systems must be used to increase production in industries where shortages exist, a review of regulations affecting pricing, environmental needs, and restrictive production requirements to determine their effect on supply. We will not give up our gains in this area, but they must be carefully balanced against the need to stop inflation through increased supply. Tax changes are another route to provide incentives for increased production.

The Trade Reform Act of 1974 hopefully must be passed to permit the president the flexibility to negotiate for better terms for us and hopefully overall better terms for the world at large. We need to develop a common understanding and an agreement that inflation is a worldwide disease. Inflation unchallenged, here at home, is a major threat to free economies and free peoples. I think basically the American people understand that. And I hope to work with those who want to solve the problem. With the determination to go the hard way, not the superficial, I think we can make some headway and can win the necessary victory. We certainly are going to try. Thank you very

much. (Applause)

QUESTION AND ANSWER PERIOD

VICE PRESIDENT GERALD R. FORD: I'm delighted to try and answer the questions from several interrogators. I enjoy this part of it much better than the other.

QUESTIONER: Mr. Vice President, despite those delightful stories about Alben Barkley and Theodore Roosevelt, I imagine we can assume that every vice president from John Adams on has probably lived with a continuing awareness that the responsibilities of the presidency might suddenly become his. And that implies an obligation to be as ready as possible to meet that eventuality if it should arise, and in turn that implies a need for pretty intense study of a variety of national economic problems. In the specific case, I know that you're being briefed by Secretary Kissinger and the CIA and a number of things, but in the specific case of economic policy, I wonder if you could give us an idea of how a vice president goes about deepening and broadening his knowledge of key issues? And perhaps, I'm sure that many of the people in this audience would be very curious as to what economists, if any, you seek advice from, and perhaps give us an indication of whether there are some that you think, whose value judgments are of particular value to you? (Laughter)

VICE PRESIDENT GERALD R. FORD: Well, shortly after I was nominated and confirmed, the

president invited me to participate in the periodic meetings of the Quadreat(?) and I'm sure Bob Roosa used to participate in those. That's a group of the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Director of the Federal Reserve Board, the President, and he included me. I felt very, somewhat self-conscious in such an elevated group the first time I attended, but I found they discussed things very pragmatically just like we lowly politicians did. And I think with good judgment because the decisions they make in this high ranking group more dramatically affect 210 million, not 211 million people. So this has been a great experience to have the opportunity to not only listen, but to participate. And this is the group that really makes economic policy in the United States as far as government is concerned. In addition, of course I took a few economics courses at the University of Michigan. I was out there last Saturday for the Commencement Address and I got booed a bit. In the course of my remarks I said I was an amateur economist and that I hadn't bragged about that much in Washington because I thought there were too many of them there already. But to be honest and truthful, I think people like Herb Stein, I think Paul McCracken, and some that were in previous administrations – I didn't always agree with them – Arthur Okun and others. But if anybody can find me three economists that could be put in any administration who would forecast accurately and unanimously, I would welcome those recommendations. (Applause)

QUESTIONER: I guess as long as you don't have a hotline to John Kenneth Galbraith, this audience can relax. I probably don't have to tell you that an awful large number of businessmen are very concerned about the anti-business sentiment that appears to exist in the Congress. Now

there have been times in the past when we've had similar episodes and I guess it was Huey Long who said once that corporations are, and said appreciatively, that corporations are the finest political enemies a politician can have. But yet there are some economic theorists and some economic historians who think that there may be something more fundamental that's involved here. There are theoreticians who reason that business institutions, capitalistic institutions, by their very success are in a sense creating conditions that make them especially vulnerable to detractors and even to vindictive legislation. This is an involved argument, I realize, and I don't want to get into that. But I do want to ask you, from your long experience in a quarter of a century in Washington, if you sense that there is something special and new in the antipathy toward the business community? Or if this is just one of many tides that will ebb before we have permanent punitive legislation?

VICE PRESIDENT GERALD R. FORD: Well, I hope that in 1974 and 1975 and '76 we don't go down to the depths of anti-business that existed in the '32, '33, '34 and so forth when as a student in college I used to read of the kind of treatment that businessmen in that era got from Congress when they were hauled up and abused and castigated. I hope we don't get down to that level. But let me be honest in another sense. If you think business people are getting a hard time in '74, if you get the wrong kind of Congress in '75 and '76, this is the minor league this year. (Applause) Businessmen in '75 and '76 will be scorched compared to '74 if you get the wrong kind of Congress. And you can read it any way you like it. That's a cold, hard fact, and you might as well understand it. And don't come around wringing your hands and seeking pity in '75

and '76 if you don't do something to make sure that your friends have a fair shake in the election of 1974. (Applause)

CHAIRMAN GEORGE R. VILA: We're going to shift now to NBC News on the other side of the room here.

VICE PRESIDENT GERALD R. FORD: I get along with all three networks. (Laughter)

QUESTIONER: Mr. Vice President, many of us have been reading the papers in recent weeks and there's a bestseller that's going to be published this week. We'd like to know – I know a lot of my colleagues in the press and many people here – we'd like to know this: historically the vice president has been a heartbeat away from the presidency. And there's a very good possibility that now you are going to be only a few votes away from the presidency. There may be a vacancy. And I'd like to know, many people would, are you prepared for this contingency? (Laughter) How are you planning for it? Who will you ask to work with you? What will your policies be in various areas? (Laughter)

VICE PRESIDENT GERALD R. FORD: Well, fortunately I've answered that question before. (Laughter) I can send you an extension and revision of my remarks in that regard. The truth is having spent 25 years in the Congress, 16 as an ordinary member of the House, but 14 of those 16 years on the Appropriations Committee where I had about as broad exposure to all aspects of

government as anybody could, ending up as the top Republican on the full committee and the senior Republican on the defense, foreign aid, and CIA subcommittees, I had some exposure that gave me some background in the field of foreign policy, diplomatic, military strategy. I've listened over the years to a good many secretaries of state, Democratic as well as Republican, secretaries of defense, Joint Chiefs of Staff who come and go like sort of Greyhound buses before the committee. So in the process of 25 years you acquire some background if you work at it, you know, and pay attention. (Laughter and Applause) And I learned in nine years as the Minority Leader, when we were always in the Loyal Opposition working under Presidents Johnson and Nixon, how to get along and to try and achieve your results. I think I've had a reasonable training ground and I have no fear if a contingency arises. I don't sit around worrying about who will be the next Cabinet. I'll do the best I can with the background that I have and I have no apologies for it. (Applause)

QUESTIONER: When was the last time you sat down with President Nixon and discussed the business of state and for how long? Do you see him on a regular basis or just occasionally?

VICE PRESIDENT GERALD R. FORD: Let me explain how it actually works. The president and I have been personal friends for 25 years, not only personal in a legislative, political, but a social and a family way. I have great admiration, great affection for him personally. Since he nominated me, I have had the privilege of sitting in as Vice Chairman of the National Security Council, Vice Chairman of the Domestic Council. I attend as Vice Chairman, the Emergency

Action Energy meetings. I attend all the Joint Leadership meetings, Democrat, Republican, and so forth. He has assigned me as the chairman of a sub-committee to make an in-depth study of this very serious matter of privacy. And this is an area where I must admit I wasn't very knowledgeable but it's a terribly important and very intriguing area. But in addition, he's given me a lot of other personal responsibilities. And any time I've called over to talk with him, there's been an open door. And on a number of occasions, he calls me far more often or asks me to come and see him far more often than I do the reverse. So I see him frequently in these meetings or personally and talk to him frequently. But it isn't 9:00 every morning or 4:30 or some rigid schedule. That isn't the way Washington works as I'm sure you know. But there's no barrier, there's no lack of communication. And I might say that my experience with the president is if I think he's wrong, I tell him, and he doesn't object. And if he disagrees, he argues with me. I can't tell you who always wins, but we still are friends and work together.

QUESTIONER: Well, one double-barrel question, did you voice any opinion on the Watergate situation?

VICE PRESIDENT GERALD R. FORD: I sure did. I have persistently and consistently said, Mr. President, you've got to get whatever evidence you have out and the quicker, the better. I happen to believe in your innocence but the quicker you get that evidence out, the better for you and the better for the country. And I'm unhappy that it didn't come out earlier. But be that as it may, I think it's all hung out now and I don't think it confers sainthood on anybody. But

nevertheless, I think it's there and I think it's healthy. And when you evaluate it plus and minus and there are many sentences and phrases and conversations that you can interpret one way or another, but when you add it all up, I haven't lost my faith in the capability of the president to do a great job. (Applause)

QUESTIONER: One more question in the genre of Watergate. (Audio stops...then resumes again)...but not two-thirds vote against to convict the president of malfeasance in office. Should he resign since he does not have that greater support?

VICE PRESIDENT GERALD R. FORD: Well, the only other person in the history of the country that had that situation presented to him was President Johnson, not Lyndon but the other Johnson. And he didn't resign, and I understand he ran the country fairly well during the remaining of his time. I think, in the first place I don't think it's going to get that far, but be that as it may, if it does, I don't think the president, unless there's some unusual extenuating circumstances which I can't foresee from your question, I don't think he should.

QUESTIONER: Mr. Vice President, all price and wage controls on everything but energy ended last week. You mentioned the effort that the Senate has made its consideration and the fact that they voted against, and it was, as I believe by about a 20-vote margin...

VICE PRESIDENT GERALD R. FORD: Well, there were several very crucial one or two-vote

margins in the process, but in the final analysis...

QUESTIONER: But they did vote against continuing the kind of thing that we had in Phase 2 and Phase 4. However, there is, as I understand the legislation, a provision for the continuation of something like the Cost of Living Council that would continue as a watchdog agency to call attention to business behavior, labor behavior, even government behavior where in the judgment of that council they deem this to be inflationary.

VICE PRESIDENT GERALD R. FORD: And to monitor agreements that were made prior to the termination on April 30 that they would live within certain guidelines.

QUESTIONER: And I believe in your remarks this evening you characterized that as something of relatively little substance. And I suspect that given the history of price and wage controls and how they evolve, there are some people in this room who might not regard that kind of watchdog agency as necessarily being of little substance because we did begin in a small way, with our guidelines and our steel admonitions, we blundered into something much more severe and limiting. I wonder if you could make a judgment now about whether that watchdog agency is likely to be approved by this Congress? And I wonder beyond that if you couldn't go on and indicate whether we really shouldn't be making a clean break with controls because of the dangers they involve in the same sort of spirit that President Eisenhower broke cleanly with them in 1953. And if we do get a watchdog agency, if that wouldn't be an appropriate matter for a

presidential veto? (Applause)

VICE PRESIDENT GERALD R. FORD: It's my judgment that the House of Representatives will not pass the kind of bill that did pass the United States Senate. If such legislation comes to the floor of the House, I would speculate that it would have a multitude of amendments and I can't anticipate the imagination of 435 members, but there will be plenty. And the net result, in my opinion, will be no legislation. Now that, I think, has merit. But it only has merit providing in labor and management in the next 12 months there is labor and management statesmanship. Because the quickest way I know to get Congress to act is to have abuses, and I don't define that at the present time, but Congress will respond, not always right, but they'll respond in an emotional way. They oftentimes complicate rather than solve the problem as they did in the summer of '73 when they forced the president to put the 90-day freeze on meat prices. I think Congress, as a result of that unwise action, learned a little bit about how pigs and hogs and cattle are produced. But the Congress will react, as I said, not always wisely, but they'll react. So I hope we don't pass anything, or the Congress doesn't, but I hope just as fervently that business and labor, and I include both, not just one, don't take advantage of a current situation. Because the quickest way to get retaliatory action legislatively is to have somebody try to get a bigger piece of the pie than what's good for the national interest.

QUESTIONER: On another subject, the quadrupling of the OPEC oil prices during the past year is obviously going to have very adverse consequences for this country's balance of trade. Now

that kind of adverse consequence could be offset if we had a substantial inflow of investment funds from the oil-producing countries to the United States. But during the last half year or so, and I particularly think since January, there has been a great deal of talk in the Congress about placing restrictions on investment from Arab countries and elsewhere in the United States reflecting worry that perhaps too large a part of American industry will become subject to control by foreigners. If that comes to pass, we have a lot more to lose perhaps than the foreigners generally because our investments abroad are so much larger. What is your assessment, as somebody who takes pretty close soundings in the Congress, as to seriousness of this restrictive move? Will we, in fact, have restrictions on foreign investment in the United States? Or will we continue our traditional open door policy?

VICE PRESIDENT GERALD R. FORD: As far as I can detect in talking with members of the House and Senate on both sides of the aisle, I don't think this restrictive policy will get any legislative implementation. There's lots of talk, but I don't see any groundswell that will result in restrictive legislation in this area, and I personally hope it doesn't. (Applause)

QUESTIONER: In your speech you stressed the importance of having trade legislation this year. And last December, the House did pass a trade bill giving the president broad authority to negotiate mutual trade, reduction in mutual trade barriers with other countries. But that legislation has been hung up over the question of banning both trade and credit concessions to the Soviet Union. And as a matter of fact, there are restrictive provisions in the House legislation

and apparently there will be in the Senate legislation the way things are going. Mr. Kissinger has indicated that if they do contain those provisions, he thinks that the bill ought to be vetoed. We would then have a Tokyo Round. How do you assess the promise here or the possibility of a compromise that will give us a trade bill and enable us to go on with some meaningful international trade negotiations?

VICE PRESIDENT GERALD R. FORD: I believe that a trade bill is one of the most important things that Congress can do this year. And I think it is very unwise that we have, not we, but the House – I can't help but refer to a place you lived with 25 years – that the House, I think it's unwise that the House put this restriction on in what's called the Vanik Amendment and the Jackson Amendment in the Senate, that denies in effect most favored nation provisions and credits to any country – the Soviet Union is the one that's been picked out as the example, but it's across the board, it's not just the Soviet Union – any country that has a restrictive immigration policy. Now I think that's wrong. I think it ties the hands of our Executive Branch. I think it is a serious impediment to the development of detente, the expansion of our trade overseas. I would hope that the United States Senate, through the Committee on Finance and the Senate as a whole, will find some modification. I suspect that it'll be a very close question. If this provision continues in the bill in its final form, limitation on the most favored nation provision and the limitation on credits, I suspect if it stays as it is, the trade bill will be vetoed. And it'll be a paradox really because most, not most, but many of the votes that'll come to sustain the veto will be organized labor – members of the House and Senate. Not business people like you. It'll

be organized labor that will provide most of the veto strength to sustain the president. Because what's been done in the House so far and what will be done in the Senate to pass the bill will be primarily stimulated by people in the business community, over George Meany's and other people's objections, including Leonard Woodcock's. But if and when the Vanik-Jackson Amendment is approved in its final analysis, without some qualifying, modifying language, I think the odds are the president will veto it. But then the votes to sustain the veto will come from many elements of organized labor which is sort of a reverse twist here. If I was giving any advice to a group such as this, I would say find some honest answer to the question of a provision in the Senate version which would hopefully survive in conference that would permit the president to have discretion in the implementation of any denial of most favored nation predicated on how immigration policies, etc., operate in another country. And the capability of the Executive Branch to permit credits should also be in the hands of the Executive with some flexibility. If you tie the hands of a president, as the Vanik provision does, I think you are hurting the United States inestimably. And I believe that you're not only hurting us from an industrial point of view but I think you're hurting us as a country from the point of view of detente and building a peace for the next several decades. So it's a very serious matter that you can't just pass off and say, on an emotional basis, we don't really care. I think we ought to. (Applause)

QUESTIONERS: Mr. Vice President, many of the business executives here who have had the sorry misfortune to have some subsidiary not make money will find a way to dump it, to get rid of it, to take their losses and invest whatever they have left in something else. Well, tomorrow is

the 20th anniversary of the French defeat at the Dien Bien Phu. And twenty years ago last March I was in Hanoi and I was asked to leave by the French for predicting this defeat. And twelve years later, I returned to Vietnam – that part of Indochina we currently know as South Vietnam – and I spent three years in Asia. And it seems to me that we've taken our losses, and isn't it about time we get out of there? It seems to me that we're still involved, too much so. What are your comments on that?

VICE PRESIDENT GERALD R. FORD: Well, my feeling is you can't be a partial internationalist. You can't divide the globe and say I'm an internationalist in the Middle East and I'm an internationalist in Western Europe and say that the vast regions of the Pacific, I'm an isolationist. I think it's a total integrated world. And to try and divide it, as some of my friends in the Congress do, and say the Middle East is more important than anything and NATO is more important, and forget 800 million people in China and Laos, Cambodia, Vietnam, Thailand, Philippines, etc., I think is unrealistic. I sit there and, I used to sit there in utter amazement in the House of Representatives and see my Manhattan hawks in the Middle East talking like doves in Southeast Asia. (Applause) And I never understood that. And I happen to think it's in our best interest, and I'm a converted internationalist, that we better take the leadership, the responsibility, and the burdens to see what we can do on a global basis and not pick and choose. (Applause)

QUESTIONER: Well, many of the gentlemen here have the option of picking and choosing. In

light of our recent experience with the Middle East oil embargo, do you have any thoughts about how diplomacy should be conducted in that part of the world, because we had a very sad experience here over this past winter?

VICE PRESIDENT GERALD R. FORD: Well, I couldn't improve upon Henry Kissinger's performance. (Applause) The last person I'm going to advise or undercut is Henry. And he's done so fabulously well that I just think all I can do to help America and help the world is to support Henry, so that's where I stand. (Applause)

QUESTIONER: Well, we have another part of the world called Latin America. And many of these gentlemen are involved in business activities there and it's become quite troublesome for their executives down there as we noted last week when this...

VICE PRESIDENT GERALD R. FORD: Fourteen million dollars worth.

QUESTIONER: \$14.2 million. But how do you view our so-called new spirit of hemispheric relations? And is there any reason why Cuba should not be included in the very near future? How can we ignore a country just a few miles beyond our own shores?

VICE PRESIDENT GERALD R. FORD: Well, I thought that Dr. Kissinger's extraordinary efforts at the recent conferences; I thought his efforts were productive. But I must say that I've

seen other secretaries of state and other presidents start these efforts over the years, and I think it's tragic that we've never done better. I remember the dramatic presentations of President Kennedy. I thought they had great flare and looked like they had potential of great dividends, but we had some disappointments. And perhaps maybe we've learned something from these past failures. You know with all the things that have been done while I was in Congress – money, diplomacy, and otherwise – my recollection is, and I could be wrong, we have more so-called dictatorships in Latin America now than when I came to Congress. Despite everything America has tried to do, maybe we've done it wrong. But I think I'm right. We have more dictatorships, if that's the right word, in Latin America today than we had when I came in 1949. Is that correct? I suspect it is. Now isn't a very good scorecard for America. And I think we've got to work at it. That doesn't mean we should give instantaneous recognition to Cuba. I think that Henry Kissinger's observation, as I recall, was a good one. He said, if there's a little turn of attitude and atmosphere in Havana we'll be glad to sit down and talk to them. I think that makes sense under the current circumstances. (Applause)

QUESTIONER: You had mentioned your familiarity with defense affairs. This is also the 25th anniversary of NATO. And NATO has cost us. Do you think that the NATO community is carrying its fair share of the burden, that we should be making these great expenditures to keep half a million troops over there?

VICE PRESIDENT GERALD R. FORD: We have roughly 190,000 ground forces out of

roughly 600,000 or thereabouts total NATO forces, ground forces, there. Germany has roughly 300,000 or in that magnitude. The rest of them are made up of NATO forces from other countries. I was glad to see that Secretary Schlesinger was able to negotiate a very much more favorable treaty with West Germany – the West Germany representative to the UN is here some place – but that is a new agreement that was signed by Secretary Schlesinger, and I think it's Secretary or Minister Schulz from West Germany, that was helpful in adding to the contribution by West Germany in relieving our extra assessment. Now I strongly believe that it's beneficial for the Western Alliance, NATO primarily, and the Warsaw Pact countries to negotiate a Mutual Balanced Force Reduction Treaty. And I had about a five-hour briefing on that just about four days ago. And it's not an easy matter. And the Soviet Union and its allies has one approach and we and our allies have another. I don't think the differences are insoluble. There are enough areas of overlap that I think it would be beneficial for both them and us to do something about it. There's no reason in the present atmosphere of detente for them to have the kind of forces – and I think they have around 450,000 out of 800,000, in that magnitude – for them to have that many troops in East Germany, Poland, Czechoslovakia. There's no more reason for that and for us to have as many as we have in Western Europe. But there ought to be some agreement between the Warsaw Pact nations and ourselves to relieve them of this abnormal burden and for us to do the same. And I know that Stan Resor and other negotiators are in Europe now working, I think they're going back the 7th or 8th of May, this week, to begin renegotiations on second propositions. And I hope something beneficial to both sides will come out of it. It's in our mutual interest. (Applause)

QUESTIONER: Mr. Vice President, this evening and on other occasions you put a great deal of emphasis on the importance of congressional budget reform, and I believe urged, or warned people that that wasn't a certainty as yet, that the legislation, a bill is still pending in conference. And I'm sure that many people here share your sentiment and agree with you that this is a very hopeful sign that if only we could end the piecemeal consideration of appropriations bills and get a coordinated look at tax matters and spending matters, that there's hope. But I wonder if this really is something we can take for granted. Whether institutional changes alone of this kind are really going to do the job, whether there isn't more a question here of political will and specifically whether it isn't absent. And there was a very similar, although not nearly as detailed effort, to do precisely this kind of thing with the Legislative Reform Act of 1946 and that failed woefully. I wonder if you could tell us why we should be more hopeful this time around.

VICE PRESIDENT GERALD R. FORD: I don't mean to give you a snow job that just because Congress passes this legislation that automatically you're going to have better control over expenditures. I'm simply saying to you that this legislation, as I think it will be approved, gives to Congress better tools, better tools than they've had ever since I've been in the Congress. Now, of course, how the members of the House and Senate use that tool will be the ultimate result. If you don't have the right people there to use this mechanism or this tool, it doesn't do any good at all. But it is, as I look at it from the experience I had in the Committee on Appropriations, the best mechanism to achieve fiscal responsibility in the Congress which we haven't had for a long,

long time. And if you don't pass this, you won't have the mechanism, and I don't think you'll have the people so you're really in trouble. If you pass this, then you've got the mechanism and hopefully you'll get the people, because I think between the people and the mechanism Congress can do a good job and I certainly hope so. (Applause)

QUESTIONER: In this fiscal area, you've made a couple of suggestions this evening about tax policy, one, opposing the tax cut that is meant to stimulate consumption, but at the same time you indicated that you would like to see the tax system used to stimulate investment and production, particularly in those areas where we have serious material shortages today. And that's pretty nearly everywhere in the materials area. And I presume here that you would use the tax credit device and perhaps extend to industries that have very short capacity problems and materials problems something higher than the standard 7%. I don't know whether that is what you're thinking about but if it is, and logical as it may be in the context of our investment shortfall, is that the kind of thing that given the mood of Congress, we can hope to see enacted? Or do you have to, at the same time, give some relief on income taxation?

VICE PRESIDENT GERALD R. FORD: I happen to believe in the investment tax credit which currently is at 7%. I think it would be catastrophic if that were eliminated as some people are advocating in the Congress. I hope that it will be retained without any coupling, with its retention, a tax reduction in the personal income area. I think the worst tax action that I can imagine right today, with all deference to some economists, it would be for the Congress to pass

a tax cut. (Applause) It would be short-range, politically beneficial and expedient, but in the long run it would be, I think, very unwise from the point of view of our country's economy. And I hope anything like that isn't coupled with deletion of an investment tax credit.

QUESTIONER: You made a reference in your comments to the under-depreciation that we're getting as a result of inflation – the fact that our depreciation allowances fall short of giving us enough money to replace worn-out capital equipment. But I noticed that you stopped short of recommending a change in the tax law that would afford some compensation for that under-depreciation. It's something that a few people are beginning to talk about. Is there within either the administration or in the Congress any serious consideration of this particular issue?

VICE PRESIDENT GERALD R. FORD: I have heard none either in the Executive or Legislative Branches of any magnitude so I wouldn't count on it.

QUESTIONER: Various federal officials have said different things recently about the amount of money that will be available in years to come about mass transit. Here in the northeast it's an important factor, especially in this Greater New York area. And what does the administration recommend?

VICE PRESIDENT GERALD R. FORD: The administration recommended about three months ago an urban transit proposal that over a three-year period would amount to roughly \$18 billion

which would be federal funding at the local level with the option given to the local authorities to decide whether they wanted to utilize it for procurement of operating equipment or whether they wanted to use it for operating subsidies. The majority party in the Congress has adopted a different viewpoint. They passed what's called a Minish-Williams Bill, I think it is, which would provide, I think it's \$300 million a year for three or four years with about 70% of the money going to seven communities in the United States. Well, if anybody is realistic about the Congress, don't ever expect a bill to pass where 70% of the money goes to seven communities. You might as well forget it. There just aren't that many votes. So what you ought to do is to take the administration bill which gives more flexibility, actually more money, but local option. It doesn't give as much to New York. It doesn't give as much to LA, Chicago, and what are the other four communities, I've forgotten, probably Pittsburgh, Cleveland, etc. But it gives them plenty. And they'll, if they buy this, they'll get something. If they don't buy this, there will be a veto and it'll be sustained. It's just that pragmatic. So if you have any input into the city fathers in New York City, they ought to buy something like the administration's bill and not try to get 70% of \$300 million a year for seven communities. That will never sell. I can tell you that right here and now.

QUESTIONER: All they want to buy is the retention of a \$.35...

VICE PRESIDENT GERALD R. FORD: I know it, but you've got a real profitable state legislature, and you got lots of tax money here in New York.

QUESTIONER: Do you see any way to continue economic growth without the extensive use of nuclear power in the future?

VICE PRESIDENT GERALD R. FORD: Energy growth?

QUESTIONER: Nuclear energy, right, and economic growth, which is based, predicated on energy growth.

VICE PRESIDENT GERALD R. FORD: Well, I certainly, is my memory correct that today roughly 2 to 4% of our total energy is produced by nuclear power? I think that's reasonably accurate. I believe we have to substantially increase that percentage for nuclear energy, substantially increase it. (Applause) And if we don't move into the fast breeder reactor program, or is it the liquid breeder reactor...the fast breeder, that's right, we're in the liquid breeder reaction program. We've got to move with accelerated research and development. Now that isn't going to come tomorrow or next year. It's probably ten years off according to the experts that I have listened to. But we've got to move into it, if we're going to have any degree of self-sufficiency in energy by 1980 or 1985; we have to tremendously increase our nuclear research, development, procurement, and production. (Applause)

QUESTIONER: Well, I have another question here and that is regarding the elections coming up

in November. There's a lot of talk about a public _____ because of Watergate. And many people wonder how you can defend the administration whereas your colleagues, former colleagues on the Hill, many of them who are Republicans, had taken an awful beating in '72 when they got no support from the President's Committee, Re-Election Committee. And I have spoken to many of them on the Hill and they're going around with long faces. One close personal friend of mine, a Republican congressman, has decided to run for governor of his state with his fingers crossed. And they're just wondering, they're apprehensive. And they're wondering how perhaps you can defend an administration or an organization that did not support them and they're looking forward to defeat.

VICE PRESIDENT GERALD R. FORD: Well, let me say I did not approve of the attitude of CREEP for many reasons. And I've rather vocally expressed my attitude about CREEP as to the organization of the committee and I strongly objected to their lack of support for members, or candidates for members of the House or Senate. But I think it's unwise for a Republican candidate in 1974 to sit back in '74 and wring his hands about the lack of support he didn't get in '72. After all, he won. And he can say I won despite the lack of support you gave me. And these people, and they're all my friends, I say to them, if you really want to survive in '74, you'd better start talking about the issues and not let it be a referendum about what's going on in Washington, and defend what's been done in foreign policy which I happen to think is the best record of peace, diplomatic negotiation in my lifetime, and maybe in the history of the United States. (Applause) And a Republican candidate ought to talk about domestic policy where there are

more pluses than minuses. They've had a lot of trouble but there are more pluses than minuses. And then I turn around and talk to my good friends in the business community and professional groups and say I just think before you make a moralistic decision in Senatorial and House races, just bear in mind what you faced as businessmen in 1965 and 1966 when there were 295 people on that side of the aisle and 140 of us on this side of the aisle. You had a tough time as business people. And that would be the case if my friendly opposition got 50 more in a net gain. If they got 100 net gain, then it's 350 to 87 or thereabouts. Those are tough odds. They were awful bad when I was the Minority Leader for the first two years when the odds were 295 to 140. You don't have much flexibility when you're in the minority to that extent. So all I am cautioning my good friends in the business community is don't take out your moralistic attitude vis-a-vis the Executive Branch on elected members of the House and Senate. You judge them on how they vote and not whether they're Republican or Democrat. That's what you ought to do. (Applause)

CHAIRMAN GEORGE R. VILA: Gentlemen, that concludes the meeting. Thank you.