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## Remarks by Senator Edmund S. Muskie on Economic Policy in Bath, Maine

Edmund S. Muskie

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REMARKS BY SENATOR EDMUND S. MUSKIE  
BATH, MAINE  
OCTOBER 30, 1970

Thank you for inviting me here this evening.

Let me tell you a story about the head of a local chamber of commerce -- a good booster of his community.

He was asked if his town was experiencing hard economic times.

"Not at all," he replied. "But I must confess -- we have been going through the worst boom I can remember."

That kind of boom is affecting us here in Maine -- and it is affecting every workingman in this country.

In plain terms, a paycheck worth \$100.00 a year ago is worth only \$94.35 today.

The President -- in his last campaign -- promised prosperity.

That promise has not been redeemed.

In this campaign, the President says, "Inflation has been checked."

But the fact is that the rate of inflation is still three times as much as the average level of price stability we enjoyed from 1962 to 1965.

The fact is that consumer prices in September jumped another one-half of one percent.

The fact is that wholesale industrial prices this month showed the greatest monthly increase in 14 years.

In Maine -- by the end of 1968 -- real purchasing power was 31 percent greater than it was in 1960 -- a yearly average increase of almost 4 percent.

In 1969, that increase was only 1 percent.

The 6.4 percent rise in incomes was almost matched by a 5.4 percent increase in the cost of living.

Maine has experienced steady growth under Governor Curtis' leadership -- but it has also experienced the nationwide effects of inflation.

As if inflation were not enough, the Administration's economic policies have contributed to a substantial increase in unemployment...and a substantial decrease in overtime work, which many people have relied on to make ends meet.

When this Administration took office almost two years ago, it promised to eventually add 15 million people to the ranks of the employed.

Since then, two million have been added to the ranks of the unemployed.

That puts the Administration 17 million behind.

At the beginning of 1969, substantial unemployment existed in 6 major industrial areas.

Now, it exists in 38 major industrial areas.

In 1961, when President Kennedy took office, unemployment in Maine stood at 8.4 percent.

At the end of 1968, that figure had dropped to 4.1 percent.

By August of this year -- after more than 18 months of deliberately restrictive economic policy by this Administration -- unemployment in Maine was back up to 6.3 percent.

And why?

Why has the performance of our economy fallen so far behind its potential?

Why has the word "prosperity" dropped out of our vocabulary?

The reasons are not hidden.

They are not mysterious.

They are not unknown.

Our problems began in 1966 -- after more than four years of substantial economic progress.

They began with our expanded involvement in Vietnam -- when military spending was multiplied...but not the revenues to finance that spending.

As a result, budget outlays for the war increased faster than the available supply of goods.

And prices -- which had been remarkably stable since 1961 -- started to climb.

Even so, the economy continued to prosper through 1968.

Indeed, during the 1961-1968 period --

-- America's real production grew by 50 percent and the average household's real after-tax income grew by 33 percent;

-- unemployment was reduced to 3.5 percent of the labor force -- the lowest since 1953;

-- and corporate profits before taxes exceeded \$90 billion for the first time in history.

Still, inflation was worrisome.

By the beginning of 1969, it had reached an annual rate of 4 1/2 percent.

Certainly -- in trying to bring inflation under control -- a new Administration in Washington could not be blamed for the mistakes of earlier administrations.

But the new Administration did have a responsibility to correct those mistakes as well and as quickly as it could.

Indeed, it promised to do so in a matter of months.

A rapid end to the war could have been of immense help to our economy.

Even without that, however, restraint was called for -- restraint on prices... and on wages.

But the Administration failed to ask either business or labor to exercise such restraint. Instead, it adopted a "hands off" policy...a policy of avoiding responsibility.

Is it any wonder that 19 important industries -- whose prices rose an average of 1.7 percent annually between 1966 and 1968 -- increased their prices 6 percent in 1969 alone?

The Administration also adopted a "tight money" policy calculated to "cool off" the economy.

That policy succeeded --

-- in raising interest rates to their highest levels since the Civil War;

-- in restricting credit;

-- in reducing business activity.

But it did not succeed in halting inflation...or in keeping people from losing their jobs.

As a result, we developed an economic situation never before achieved in this country -- less production and more inflation at the same time.

Our economy has practically stopped growing.

And what are the consequences?

Fathers have to stand in line for unemployment checks in order to feed their families.

Housewives have to pay more money for less groceries.

Young couples can no longer afford homes of their own.

No one is pleased by these conditions -- neither Democrats nor Republicans.

But what can we do?

What direction can we take?

What approach can we adopt?

I suggest we start pursuing a policy of responsible economic growth.

From 1961 through 1965 -- before we began our enormous military involvement in Vietnam -- we were pursuing just such a clear-cut economic policy.

We were even able -- in 1965 -- to cut Federal taxes and still obtain greater revenues.

Why?

Because businesses were encouraged to expand.

Production was stimulated.

And people were able to find work.

What does a policy of economic growth mean?

It means a change from the "tight money" approach --

-- by encouraging lower interest rates;

-- expanding the money supply;

-- and supporting increased business activity.

It means a change from the "hands off" approach --

-- by enlisting the support of business and labor;

-- by developing a sensible wage-price yardstick;

-- and responsibly protecting the public interest.

It means a new direction in our national priorities --

-- by allocating sufficient money for domestic needs;

-- by revitalizing our civilian economy;

-- by investing a greater share of our Federal budget in programs such as housing and health care and pollution control, which are designed to improve people's lives.

We know what our problems are.

We know they have not vanished during this campaign...no matter what the Administration would like us to believe.

And we know it is time we start solving those problems -- by directing our aim -- and our votes -- toward a policy of renewed economic growth.

Indeed, if we do not adopt such a policy now, we can expect that the Presidents' campaign speeches of 1972 will once again hold out the promise of prosperity, and not its performance.

John Kennedy once said, "Change is the law of life. And those who look only to the past or the present are certain to miss the future."

Thank you.