

# 52 Radio Address About the State of the Union Message on the Economy. *February 21, 1973*

*Good afternoon:*

Tomorrow I will send to the Congress the economic section of my State of the Union report.

One fact stands out above all others in this report: For the first time in nearly 30 years, we can look forward to genuine prosperity in a time of peace.

For most people, talking about the economy brings to mind some vast, com-

plicated machine. Today, I want to talk about the economy in personal terms—about its impact on you and your family.

Basically the economy affects you in three ways.

First, it affects your jobs, how plentiful they are, how secure they are, how good they are. Second, it affects what you take home from those jobs and how much you can buy with your income. And

finally, it affects how much you can spend on your own and how much you have to pay back to the Government in taxes.

Let's look briefly at each of these elements.

To begin with, the job picture today is very encouraging. The number of people at work in this country rose by 2.3 million during 1972, the largest increase in 25 years. Unemployment fell from the 6 percent level in 1971 to 5 percent last month. This record is even more remarkable since so many more people have been seeking jobs than usual. Nearly 3 million Americans have been released from defense-related jobs since 1969, including over 1 million veterans. Women and teenagers have also been looking for work in record numbers. Yet jobs for all these groups have increased even faster.

The reason for this success is that the economy grew by 6½ percent last year, one of the best performances in the past quarter century. Our economic advisers expect a growth rate of nearly 7 percent in 1973. That would bring unemployment down to around the 4½ percent level.

The second great question is how much you take home from your job, how much it will buy for you. Here the news is also good. Not only are more people working, but they are getting more for their work. Average per capita income rose by 7.7 percent during 1972. That is well above the average gain during the previous 10 years. Most important, however, is that these gains were not wiped out by rising prices, as they often were in the 1960's.

The Federal Government spent too much too fast in that period, and the result was runaway inflation. Your wages may have climbed very rapidly during those years, but not your purchasing power. Now that has changed. The infla-

tion rate last year was cut nearly in half from what it was 4 years ago. The purchasing power of the average worker's take-home pay rose more last year than in any year since 1955. It went up by 4.3 percent, the equivalent of two extra weekly paychecks.

We expect to reduce inflation even further in 1973, for several reasons. The fundamental reason is the Nation's growing opposition to big spending. We have a good chance now, the best in years, to curb the growth of the Federal budget. That will do more than anything else to protect your family budget.

Other forces are working for us, too. Productivity increased sharply last year, which means the average worker is producing more and, therefore, can earn more without driving prices higher. In addition, the fact that real spendable earnings rose so substantially last year will encourage reasonable wage demands this year. Workers will not have to catch up from an earlier slump in earnings.

Finally, we now have a new system of wage and price controls, one that is the right kind of system for 1973. The idea that controls have virtually been ended is totally wrong. We still have firm controls. We are still enforcing them firmly. All that is changed is our method of enforcing them.

The old wage and price control system depended on a Washington bureaucracy to approve major wage and price increases in advance. Although it was effective while it lasted, this system was beginning to produce inequities and to get tangled in redtape. The new system will avoid these dangers. Like most of our laws, it relies largely on self-administration, on the voluntary cooperation of the American people. But if some people should fail to

cooperate, we have the will and we have the means to crack down on them.

We would like Phase III to be as voluntary as possible, but we will make it as mandatory as necessary. Our new system of controls has broad support from business and labor, the keystone for any successful program. It will prepare us for the day when we no longer need controls. It will allow us to concentrate on those areas where inflation has been most troublesome—construction, health care, and especially food prices.

Let me focus for a moment on food prices. They have risen sharply at the wholesale level in recent months, so that figures for retail prices in January and February, when they are published, will inevitably show sharp increases. In fact, we will probably see increases in food prices for some months to come.

The underlying cause of this problem is that food supplies have not risen fast enough to keep up with the rapidly rising demand. But we must not accept rising food prices as a permanent feature of American life. We must halt this inflationary spiral by attacking the causes of rising food prices on all fronts.

Our first priority must be to increase supplies of food to meet the increased demand. Your Government is already moving vigorously to expand our food supplies. We are encouraging farmers to put more acreage into production of both crops and livestock. We are allowing more meat and dried milk to come in from abroad. We have ended subsidies for agricultural exports, and we are reducing the Government's agricultural stockpiles. We are encouraging farmers to sell the stock they own.

Now, measures such as these will stop the rise of wholesale food prices and will

slow the rise of retail food prices. Unfortunately, they cannot do much about prices in the next few months, but they will have a powerful effect in the second half of the year. They will bring relief to the American housewife without damaging the prosperity of our farmers.

Farm income today is higher than ever, and it will go even higher as we increase farm production.

For all these reasons, we have a good chance to reduce the overall inflation rate to  $2\frac{1}{2}$  percent or less by the end of 1973. That means your dollars will go further at your local shop or supermarket.

The third important economic question concerns how much money you control for yourself and how much you pay out in taxes. Here the picture is also promising.

Since 1950, the share of the average family's income taken for taxes in the United States has nearly doubled, to more than 30 percent. The average person worked less than 1 hour out of each 8-hour day to pay his taxes in 1950. Today he works nearly 2 hours each day for the tax collector. No wonder someone once described the taxpayer as a person who doesn't have to take a civil service examination to work for the Federal Government.

In fact, if tax cuts had not been adopted during our first term, the average worker's pay increase last year would have been wiped out entirely by increased taxes. The only way to stop tax increases is to stop spending more than our present tax rates produce in revenue. That is why we are cutting back on Federal programs that waste the taxpayers' money—for example, on housing programs that benefit the well-to-do but shortchange the poor, health programs that build more hospitals when

hospital beds are now in surplus, educational bonuses that attract more people into teaching when tens of thousands of teachers already cannot find jobs.

These old programs may have appealing names, they may sound like good causes, but behind the fancy label often lies a dismal failure. Unless we cut back now on the programs that have failed, we will soon run out of money for the programs that can succeed.

It has been charged that our budget cuts show a lack of compassion for the disadvantaged. The best answer to this charge is to look at the facts.

We are budgeting 66 percent more to help the poor next year than was the case 4 years ago, 67 percent more to help the sick, 71 percent more to help older Americans, and 242 percent more to help the hungry and malnourished. Altogether, our human resources budget is nearly double that of 4 years ago when I came into office.

We have already shifted our spending priorities from defense programs to human resources programs. Now we must also switch our spending priorities from programs which give us a bad return on the dollar to programs that pay off. That is how to show we truly care about the needy.

The question is not whether we help, but how we help. By eliminating programs that are wasteful, we can concentrate on programs that work. Our recent round of budget cuts can save \$11 billion in this fiscal year, \$19 billion next fiscal year, \$24 billion the year after. That means an average saving of \$700 over the next 3 years for each of America's 75 million taxpayers.

Let me turn, finally, to one other major economic decision we made last week—

our proposal to change the relative value of the dollar in trading abroad.

We took this step because of a serious trade imbalance which could threaten your prosperity. America has recently been buying more from other countries than they have been buying from us. Now, just as a company cannot go on indefinitely buying more than it sells, neither can a country.

Changing the exchange rate will help us change this picture. It means our exports will be priced more competitively in the international marketplace, and they should, therefore, sell better. Our imports, on the other hand, will not grow as fast. But this step must now be followed by reforms which are more basic.

First, we need a more flexible international monetary system, one that will lead to balance without crisis. The United States set forth fundamental proposals for such a system last September. It is time for other nations to join us in getting action on these proposals.

Second, American products must get a fairer shake in world trade so that we can extend American markets and expand American jobs. If other countries make it harder for our products to be sold abroad, then our trade imbalance can only grow worse. That is why I will soon propose to the Congress new trade laws which would make it easier for us not only to lower our trade barriers when other countries lower theirs but also to raise our barriers when that is necessary to keep things fair.

Our overall goal is to reduce trade and investment barriers around the world, but they cannot decline for one country and remain high for others. My proposals will allow us to work more effectively for a

**new trading system which is equitable for all.**

**Even as we reduce the foreign barriers that keep us from competing abroad, we must also strengthen our ability to compete. This means working more efficiently as well as working hard, so that we can increase our productivity. It means taking greater pride in our work. It means fighting harder to slow inflation. And it means keeping Federal spending down.**

**If we do these things, 1973 can usher in a new era of prolonged and growing prosperity for the United States. Unlike past booms, this new prosperity will not**

**depend on the artificial stimulus of war. It will not be eaten away by the blight of inflation. It will be solid. It will be steady. It will be sustainable.**

**If we act responsibly, this new prosperity can be ours for many years to come; if we don't, then as Franklin Roosevelt once warned, we could be "wrecked on (the) rocks of loose fiscal policy." The choice is ours. Let us choose responsible prosperity.**

**Thank you and good afternoon.**

**NOTE: The President's address was recorded for broadcast at 12:06 p.m. on nationwide radio.**