

# Carter's inflation speech

## 'We must face a time of national austerity... This is a standard for everyone to follow'

Following is an abridged text of President Carter's speech last night in which he told the nation of his plan to fight inflation.

I want to have a frank talk with you tonight about our most serious domestic problem. That problem is inflation. Inflation can threaten all the economic gains we have made, and it can stand in the way of what we want to achieve in the future.

For the last 10 years, the annual inflation rate in the U.S. has averaged 6½ per cent, and during the three years before my inauguration it had increased to an average of 8 per cent.

Inflation as, therefore, been a serious problem for me ever since I became president. We have tried to control it, but we have not been successful. It is time for all of us to make a greater and a more coordinated effort.

Inflation is obviously a serious problem. What is the solution?

I do not have all the answers. Nobody does.

There are two simplistic and familiar answers which are sometimes proposed — simple, familiar and too extreme. One of these answers is to impose a complicated scheme of federal government wage and price controls on our entire free economic system.

The other is a deliberate recession, which would throw millions of people out of work.

Both of these extreme proposals would not work and they must be rejected.

What we have, instead, is a number of partial remedies. Some of them will help, some may not. But we have no choice but to use the best approaches we have — and to maintain a constant search for additional steps which may be effective.

I want to discuss with you tonight some of the approaches we have been able to develop. They involve action by government, business, labor, and every other sector of our economy.

Some of these factors are under my control as president — especially government actions — and I will insist that the government does its part of the job.

But whether our efforts are successful will finally depend on you as much as on me.

I will concentrate my efforts within the government. We know that government is not the only cause of inflation. But it is one of the causes, and government does set an example. Therefore, it must take the lead in fiscal restraint.

● We are going to hold down government spending, reduce the budget deficit and eliminate government waste.

● We will slash federal hiring and cut the federal workforce.

● We will eliminate needless regulations.

● We will bring more competition back to our economy.

● And we will oppose any further reduction in federal income taxes until we have convincing prospects that inflation will be controlled.

Let me explain what each one of these steps means.

The federal government deficit is too high. Our people are simply sick and tired of wasteful federal spending and the inflation it brings with it.

We have already had some success. We have brought the deficit down by one-third since I ran for president — from more than \$66 billion in fiscal year 1976, to about \$40 billion in fiscal year 1979 — a reduction of more than \$25 billion in just three years.

It will keep going down. Next year, with tough restraints on federal spending and moderate economic growth in prospect, I plan to reduce the budget deficit to less than one half what it was when I ran for office — to \$30 billion or less.

The government has been spending too great a portion of what our nation produces. During my campaign I promised to cut the government's share of our total national spending from 23 per cent to 21 per cent in fiscal year 1981.

We now plan to meet that goal one year earlier.

Reducing the deficit will require difficult and unpleasant decisions.

statutes to improve social and environmental conditions. We must and we will continue progress toward protecting the health and safety of the American people.

But we must also realize that everything has a price — and that consumers eventually pick up the tab. Where regulations are essential, they must be efficient. Where they fight inflation they should be encouraged. Where they are unnecessary, they should be removed.

Early this year, I directed federal agencies to eliminate unnecessary regulations and to analyze the costs and benefits of new ones. Today, for instance, the Occupational Safety and Health Administration eliminated nearly 1000 unnecessary regulations.

Of all our weapons against inflation, competition is the most powerful. Without real competition, prices and wages go up — even when demand is going down.

We must therefore work to

agricultural policies to sustain farm production, to maintain stable prices and to keep inflation down.

Rising interest rates have always accompanied inflation. They add further to the costs of business expansion and to what consumers must pay when they buy houses and other consumer items.

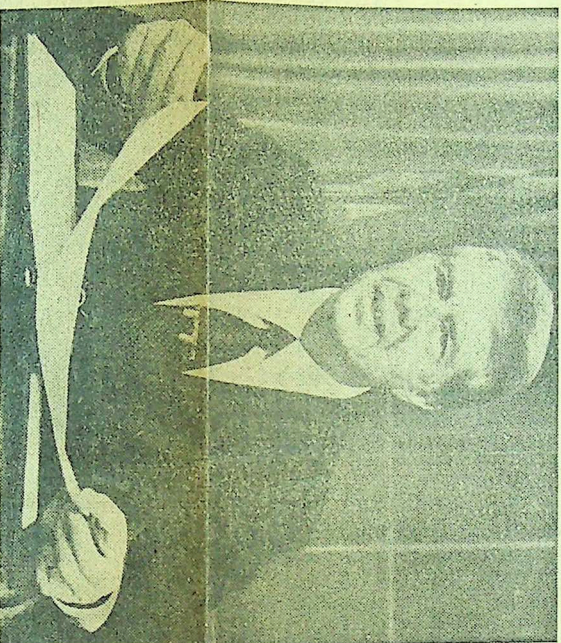
I will work for a balanced, concerted and sustained program under which tight budget restraint, private wage and price moderation and responsible monetary policy support each other.

As for medical care, where costs have gone up much faster than the general inflation rate, the most important step we can take is to pass our bill to control hospital costs.

Between now and January, when the new Congress convenes, I will be preparing a package of specific legislative proposals to help fight inflation.

The government will do its

### A solemn President Carter addresses the nation from the Oval Office last night



allow more competition wherever possible so that powerful groups — government, business, labor — must think twice before abusing their economic power.

We will redouble our efforts to put competition back into the American free enterprise system.

Another reason for inflation is the slowdown in productivity growth. More efficient production is essential if we are to control inflation, make American goods more competitive in world markets, add new jobs and increase the real incomes of our people.

We have made a start toward improving productivity. The tax bill just passed by the Congress includes many of the investments incentives that I recommended last January. Federal support for research and development will continue to increase, especially for basic research. We will coordinate and strengthen federal programs that support productivity improvements throughout our economy.

Our government efforts will attack the inflation that hurts most — inflation in the essentials: food, housing, and medical care. We will continue to use our

part, but in a country like ours, government cannot do the job alone. In this effort, the success or failure of this effort will also rest on whether the private sector will accept — and act on — the voluntary wage and price standards I am announcing tonight.

These standards are fair. They are standards that everyone can follow. If we do follow them, they will slow prices down — so that wages will not have to chase prices just to stay even.

In the last ten years, in our attempts to protect ourselves from inflation, we have developed attitudes and habits that actually keep inflation going once it has begun. Most companies raise their prices because they expect costs to rise. Unions call for large wage settlements because they expect inflation to continue. Because we expect it to happen, it does happen, and once it's started, wages and prices chase each other up and up.

Except for our lowest paid workers, I am asking all employees in this country to limit their total wage increases to a maximum of seven per cent per year. From tonight on, every con-

tract signed and every pay raised granted should meet this standard.

My price limitation will be equally strict. Our basic target for economy-wide price increases is 5½ per cent. To reach this goal, I am tonight setting a standard for each firm in the nation to hold its price increases at least one-half of a percentage point below what they averaged during 1976 and 1977.

Of course, we have to take into account binding commitments already in effect which will prevent an absolute adherence to these standards.

But this price standard is much lower than this year's inflation rate — and more important, it is less than the standard for wage increases. That difference is accounted for by rising productivity — and it will allow the income of America's workers to stay ahead of inflation.

The difficulty with a voluntary program is that workers fear that if they cooperate with the standards while others do not, then they will suffer if inflation continues.

To deal with this concern, I will ask the Congress next January to enact a program providing that workers who observe the standards would be eligible for a tax rebate if the inflation rate is more than 7 per cent. In other words, they would have a "real wage insurance policy" against inflation which might be caused by others.

Because this is not a mandatory control plan, I cannot stop an irresponsible corporation from raising its prices, or a selfish group of employees from using its power to demand excessive wages. But if that happens the government will respond — using the tools of government authority and public opinion.

We will also make better use of the \$80 billion worth of purchases the government makes from private industry each year.

We will require firms that supply goods and services to the government to certify their compliance with the wage and price standards.

The government now extends economic privileges to many parts of the private economy — special franchises, protected wages and prices, subsidies, protection from foreign competition. If wages or prices rise too fast in some industry, we will take that as a sign that those privileges are no longer needed — and that this protection should be removed.

Nearly 40 years ago, when the world watched to see whether his nation would survive, Winston Churchill defied those who thought Britain would fall to the Nazi threat. Churchill replied by asking his countrymen, "What kind of people do they think we are?"

There are those today who say that a free economy cannot cope with inflation, and that we have lost our ability to act as a nation rather than as a collection of special interests. And I reply, "What kind of people do they think we are?"

I believe that our people, our economic system, and our government are equal to this task. I hope that you will prove me right.

TODAY  
Sunny, low 60s  
TONIGHT  
Fair, near 50  
TOMORROW  
Partly sunny, 70s  
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METRO  
TODAY'S RACING



# NEW YORK POST

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## Inflation crisis: Carter's program

President Carter's message to fight inflation, his third since taking office, was a direct response to the gut issue in the country. It must be seen in that context.

Inflation was running at a rate of 5.8 per cent when Carter took office, hit a 10 per cent rate last spring, and is now undermining everyone's standard of living at 9.5 per cent annually. The latest public opinion polls report it is the overwhelming national obsession. While the President's Camp David success raised his job performance rating from a low of 29 per cent to 39 per cent, continuing anxiety over inflation has cut it back quickly to 35 per cent.

How he fares now will crucially depend on how the measures he announced last night are received — and whether they can be made to work voluntarily.

We found them largely predictable and anticlimactic but that was because of the Carter Administration's inevitable leaks about everything important that is important. On this subject the advance stories were especially unfortunate.

What was needed was precision; instead, for days we got confusion. At one point over last weekend even senior economic officials conceded they neither understood nor could explain some of the proposals.

The basic approach is a package deal of voluntary wage and price controls, combined with a threat of government sanctions against firms which don't cooperate. The weapon is withholding rich government contracts.

That, in turn, is to be accompanied by the promise of at least a partial freeze on government hiring and cuts in government spending aimed at producing a budget deficit next year trimmed to about \$30 billion from the present \$38.8 billion.

That would be a real beginning towards realism in our affairs. It would have been even better if Carter had announced he would make the demonstrated sympathy in Congress for reversing the tax and budget fixing processes his own — so that we got a system whereby we decide what the money available for spending is before spending it.

The voluntary wage limit is to be 7 per cent a year, but there will be the usual exceptions — for the lower paid, of course, but also for those with contracts allowing increases, a loophole that will benefit the highly paid and invite union attacks.

The voluntary limits for price increases is the area of most complexity. Instead of the early indications of a 5 per cent limit, a complicated three-part formula allows for increases in the cost of businesses and Social Security — and these will promote continuing skeptical union resistance.

Further, some companies deemed to be more equal than others will be allowed to exceed the price guidelines for "special reasons" such as soaring

cost increases and will be asked to stick within 9.5 per cent. Similarly, there will be a quid pro quo for unions that agree to changes in work rules resulting in cost savings to their companies. So much for equity.

All government controls, even voluntary ones, involve policing and Carter's will be a bonanza for bureaucrats. While he talks of freezing federal hiring, last night's package will certainly inflate the White House staff.

A new Regulatory Council of inflation-fighters and representatives of key regulatory agencies is to be formed to discuss new regulations before they're issued to try to keep down their costs. Why doesn't the President simply tell the present agency heads to do that automatically? Better still, tell them to follow the lead of Civil Aeronautics Board head Alfred Kahn, who has reorganized our airlines in one move simply by scrapping excessive controls.

The Council on Wage and Price Stability, dormant since the Nixon Administration, will be increased from 30 to 100 staffers. There will be time-consuming and presumably job-consuming, day-by-day monitoring of wage-price increases by all these new Big Brothers and they'll get extra manpower to help their sleuthing.

There will also be an increase in the staffing of the President's Office of Management and Budget to manage the government sanctions — that is, its withholding of contracts from firms branded as uncooperative. But how will sanctions be applied to unions?

There will have to be some new jobs among the 400 biggest companies, too: special staffs to compute their weighted price indexes, covering all that they manufacture — and if they don't comply they'll get a subpoena. Large corporations will be reviewed every six months.

Carter approached his TV speech last night with the by-now familiar hyperbole he reserves for good friends and major legislation. It was going to be, he told his Cabinet, "one of the most important speeches I'll ever make while I'm President."

It was the same way that he approached the Panama Canal treaty, ratified by the Senate by one vote; the F-15 arms deal for Saudi Arabia, passed after the most intense pressures on some Senators; and, of course, the energy bill, announced as a declaration of the moral equivalent of war but emerged from Congress as something quite different.

We wish the President well with his exhortations, his virtual pleading for support. All our lives are being affected by inflation. We have already indicated here our view that neither voluntary nor mandatory wage and price controls are the right approach. The road back involves a curb on printing so many dollars. In this connection, at least, we are glad to note that the President may now be confronting that much larger task. It is a formidable one.

### By ERIC FETTMANN

Alfred Kahn, former state Public Service Commission chairman, will be named today by President Carter as the head of his newly-announced anti-inflation effort.

Kahn, currently chairman of the Civil Aeronautics Board, served three years as PSC chairman under the Wilson and Carey Administrations before joining the federal government last year. It was not immediately known, however, whether



## LETTERS

Write to: The Editor, New York Post, 210 South Street, New York, New York 10002. Please sign and include your complete address.

## The private school edge

IN YOUR EDITORIAL, "Matters of education" (Oct. 20), you praised the education provided in the Catholic schools of New York City.

With regard to non-public schools, you neglected to mention two basic facts which are at the heart of the results you praised. First, the parents of students who attend such schools have a deeper concern for their children's education and take more of an interest in their children's schools. If all parents of public school students took such an interest, our public schools would do equally well. (Have you ever attended a PTA meeting where six parents showed up?)

Second, non-public schools have a very simple method of dealing with troublesome students — they kick them out. The school, therefore, does not have to deal with such students or their problems. If they did, the public schools would run equally well.

DAVE BUSHMAN  
Bronx

### Absentee legislators

THE NEW YORK State Legislature is guilty of misleading voters into thinking that incumbent Assemblymen and Senators rarely miss legislative votes.

At the present time, members of the State Legislature are counted as voting for a proposed piece of legislation even if they were absent when the non-roll call vote was taken. All a legislator has to do is be present for five minutes at the beginning of the day's session and sign in. He or she can then leave the legislative chambers confident that voters back home will have no evidence to prove that the legislator is goofing off.

This legislative practice should be brought up during this election season because many legislators are claiming a better voting record than they deserve.

PAUL FEINER  
Scarsdale, N.Y.

### Someone who cares

THE NEWS item entitled "Abortion penalty" (The Post, Oct. 10), which cited the results of a study by the New York State Health Dept. and the National Institutes of Health indicating that women who have undergone abortions had a 35 per cent higher incidence of subsequent miscarriages and a 25-50 per cent higher incidence of other problems related to pregnancy, was a most useful informational service to women who find themselves with an unwanted pregnancy.

We commend The Post for its genuine concern for women facing unwanted pregnancies in publishing this information. We would further like to inform your readers that the State of New York, on Sept. 28, allocated a million dollars for assistance to pregnant teenagers who choose to have their babies. These funds cover the whole spectrum of medical, educational and social services, both before and after the birth, and are administered by private as well as public agencies. In addition, there are in New York City

produced to the President's Cabinet yesterday, but refused to officially confirm the appointment.

He praised Carter's speech for its "long range goals," but conceded that the programs "ain't gonna solve all our problems tomorrow."

Kahn brings with him a reputation as one of the more dynamic figures in government. Unlike most agency heads, for example he publicly advocates the abolition of his own department, claiming the federal

several agencies, such as Birthline, Birthright and Birthcare which, individually or jointly stand ready to provide pregnant women with assistance in a variety of areas, such as medical care, housing, clothing and emotional support. Regrettably, the existence of both this allocation and of these agencies providing positive alternatives to abortion is far too little known.

HUGO C. KOCH  
Project Coordinator  
Catholic Defense League

### Off-duty police . . .

STATISTICS ARE on the rise of police who shoot and oftentimes kill fellow officers, kill unarmed civilians, and even commit an occasional stickup. Fortunately, in some instances, their misjudgment matches their marshallism.

Hopefully more stringent screening techniques will be employed so that cops do not have to face the guns of brother officers. A step in the right direction would be the imposition of a rule whereby all off-duty police must carry their weapons unloaded in a locked container, just as target pistol licensees must, in spite of our superior record of safety and compliance.

Since most off-duty police scrupulously avoid trouble while in plain clothes, law enforcement will not suffer, and police misuse of firearms will diminish.

GERALD PREISER  
President  
Federation of Greater New York Rifle & Pistol Clubs

### ... Enforce gun laws

IN ANSWER to your opinion article on gun control (Oct. 17), instead of having more controls, we should enforce the laws we already have.

Do not try to hinder or stop law-abiding citizens from having guns — just to prosecute the criminals when they are caught. New York City has the most stringent gun control laws in the country, and they haven't stopped or even slowed down gun-related crimes.

While I was serving in the U.S.M.C. in South Carolina, I was surprised at how easy it was to buy a handgun. The reason why gun related crime is low there (and it is) is because if a person is caught committing a crime with a handgun he will go to jail for a mandatory seven years. Now that is a way to bring down the crime rate across the country.

SALVATORE S. INTIERI JR.  
Mount Kisco, N.Y.

### Sunday edition fan

THE POST Sunday's edition is out of this world. Please keep up the good work.

KARL JANY  
Queens

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**Inflation  
fighter who  
doesn't  
care if he**