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**Address, Before the 82nd Annual Meeting of the American
Institute of Certified Public Accountants, Los Angeles Hilton,
October 7, 1969**

Maurice H. Stans

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ADDRESS

BY THE

HONORABLE MAURICE H. STANS
UNITED STATES SECRETARY OF COMMERCE

Before the
82nd Annual Meeting
of the
American Institute of Certified Public Accountants

-Los Angeles Hilton
October 7, 1969

Address
by the
Honorable Maurice H. Stans
United States Secretary of Commerce
before the
American Institute of Certified Public Accountants
Biltmore Hotel
Los Angeles, California
October 7, 1969
1:00 P. M.

I am indeed honored to be here today. It is a genuine pleasure to meet with so many old friends--and so many new ones who speak the same language.

First, let me read a telegram I have just received.

"It pleased me to know that you will be addressing the 82nd Annual Meeting of the Institute of Certified Public Accountants.

"As their former colleague, you have a first-hand insight into their important role in our national life. I hope that you will convey to all their members my personal admiration for their achievements. I look forward to working with them--through you--toward the kind of

understanding and cooperation between the government and business community which will bring national progress, prosperity and new opportunity for all our people.

"May this convention be a most productive one, and may it usher in another successful year of public service for those who participate in its deliberations. Richard Nixon."

I, of course, echo those sentiments. I know you will respond to the problems I will discuss today and address yourselves to the nation's ledger.

You know as well as I do that any assessment of current position must begin with an examination of the numbers involved. In this case, the numbers are there for us all to see:

THE NUMBERS

203 million Americans

Living on 3 percent of the earth's surface.

Producing nearly one trillion dollars in goods and services.

Earning 756 billion dollars.

Spending more than half a trillion dollars.

83 billion of it on recreation and leisure.

Saving 33 billion.

Driving 100 million cars.

Watching 75 million television sets.

Those are the assets of the most advanced, prosperous society in the history of the world. But there are liabilities.

The same 100 million cars befoul the atmosphere and strangle city streets and suburban highways.

Prices have risen 24 percent in the last eight years, 5.6 percent in the last year.

The amounts of goods America sold to the rest of the world are up 14 percent from two years ago, but foreign goods sold to this country are up 30 percent.

The more than 40 million Americans between the ages of 15 and 24 ~~usually~~ are ~~usually~~ querulous and defiant, cynical, restless, challenging. Some of them are anarchistic.

The 30 million Americans who are Black, of Spanish origin, or American Indians seethe restlessly outside the system, owning only 2 percent of it.

And, of course, half a million American troops struggle honorably 7,000 miles away in a twilight war while their role and their presence is undermined and villified by many here at home.

All of which shows a contradictory balance sheet in which liabilities threaten to smother such enormous assets.

It seems to me that first of all you could be of very direct help to the country, to the troops and to the President by discouraging any erosion of support for the Vietnam effort. The President is very diligently trying to wage peace instead of war and that is always more difficult. He needs support now more than ever.

The President is approaching the Vietnam problem in much the same way you would--by careful analysis and systematic planning. I think you can appreciate that perhaps better than any one.

President Nixon's approach to the whole array of our problems is to deal with fundamentals. He doesn't buy the nostrums that have cost billions of dollars in the past eight years--and that do more harm than good. Neither do the American people buy them! They want durable solutions to our problems--real cures, not panaceas or fake cures.

That's why the President has chosen to attack the basic causes of inflation instead of vainly trying to grapple with its effects. He is going after the roots instead of hacking at the branches.

President Nixon has combined prudent fiscal policies with the Federal Reserve Board's policy of monetary restraint. The reckless spending of the past four years has ended; the Budget has been turned

around from a deficit to a surplus, and the surtax has been extended.

In combination, these moves constitute a prudent program, a selective program. It will be deadly to the jungle growth of inflation. And it will clear the way for a full, orderly growth of the economy.

There are signs that these moves are beginning to take effect. I don't mean that we won't continue to have rising costs, rising prices for some time to come. We will, because there is always a time lag in this process when inflation is so deep-rooted. But there is no question that we are eliminating the basic causes of inflation, and in the end our actions will eliminate inflation itself.

TRADE BALANCE

In addition to inflation, this Administration inherited another honey of a problem.

I refer to an international trade balance that has plummeted to the lowest level in ten years.

This is of vital concern to every American businessman whether or not he is engaged in trade, because our trade balance is the mainstay of our balance of payments. And our balance of payments in turn measures stability of the dollar.

The sudden critical nature of the problem can be stated very simply.

Through the 1960's we sailed blithely along with a trade surplus of \$5 billion or more annually. And then suddenly in 1968, the roof caved in. There was a tremendous surge of about 24 percent in imports, while exports were rising only about 10 percent. On the balance of payments basis the trade surplus dropped to the lowest point in ten years, to about \$600 million.

It will not be much better this year, in 1969. It will not be much better in 1970. It will not be much better by 1973--unless we find new ways to stimulate exports and to reduce overseas barriers to our exports.

I am confident we can do it. Some countries export up to 30 and 35 percent of their Gross National Product. We export only 4 percent of ours. If we could raise this, as the GNP increased, to only $4\frac{1}{2}$ percent, we would have solved almost all our problems.

GOVERNMENT ASSISTANCE

But government is no longer going to sit idly by on the sidelines and just act as a cheering section in this game--as it has been for the past eight years.

Today, we're right there on the playing field with our exporters who are carrying the ball. We're running interference against every obstacle in sight--and we're out to win!

Let me tell you some of the things we're doing.

We're improving credit facilities for our exporters.

They have been losing sales because they haven't been competitive on financing terms for exports. This has to stop. We have in this Nation the greatest accumulation of capital in the world, the greatest system of credit, the best developed money markets. Why we haven't been using our financial muscle to make our exporters competitive in this field is beyond me.

So we're going to enable them to meet the financing terms of any country in the world. We're going to do it through the Export-Import Bank, whose job is to spur exports.

Second, we're going to strengthen our commercial representation abroad, provide better intelligence and more sales opportunities for our exporters.

Third, we're going to strengthen our export promotion activities, increase our commercial exhibitions, sponsor more industry-government trade missions, and help small and medium-sized firms develop markets.

Fourth, we've streamlined export documentation procedures, cutting paperwork to the bone. I can tell you that taking a toy away from a four-year-old child is a lot easier than taking paperwork away from a bureaucrat, but we've done it. This will bring substantial benefits to business and government alike in time and efficiency, and will save us all millions of dollars.

Fifth, we're going to rebuild the American merchant marine, with a highly productive fleet of high-speed containerized ships with quick turn around time. We need them for our national security and we need them to assure us access to foreign sources of raw materials and to markets for our manufactured goods.

NONTARIFF BARRIERS

Sixth, we are working to reduce the trade restrictions imposed on our exports by other countries--in Europe, Japan, and around the world.

We have some of these restrictions too, but we are convinced that we are the victim more than we are the culprit.

Technicians call them nontariff barriers, and they are worldwide.

But Japan is the worst offender of all. It is almost a closed economy, with many restrictions on our exports, especially in consumer goods. Yet Japan has a favorable trade balance with us of \$1.5 billion annually.

We are working with the Japanese government to remove these restrictions. At the request of the President, I went there and to other countries in the far East, in May and I was back again in July. And I have met with representatives of the Japanese government in Washington on a number of occasions.

The situation is simply that Japan now has the second largest Gross National Product in the Free World. Yet it has the protectionist devices of the small developing countries.

So we contend that it's time for Japan to accept the responsibilities of other major nations in the Free World--and one of these is trade reciprocity. And I'm confident that in the end it will.

On my trip to Europe, we discussed a number of restrictions on American imports. One was the difficulties American companies have in doing business with the entities owned and operated by the government of those countries. They are very restrictive, very prejudicial to our exports, and certainly not reciprocal at all to our Buy American Act.

VALUE-ADDED TAX

We also discussed their value-added tax systems and the resulting border taxes which operate against American exports. These taxes are rebated on exports from those countries and take away American markets in third countries. It may be that we ourselves will have to come to a value-added tax in order to be able to compete. We are conducting a thorough study of the matter.

We also are studying other tax matters that relate to exports. We hope we can find some way to add incentives for our exporters under our tax laws, with the help of Congress. I know this is going to be difficult and we can promise nothing concrete at the present time. But we want to develop incentives in the form of tax benefits, tax relief, that will increase the profit on exports, and cause business to want to increase its exports.

On the nontariff barriers, we are challenging the European countries to meet with us in an Open Table discussion. We want all these things brought out into the open and dealt with on a reciprocal

basis. The trouble is not so much with the laws and regulations as with the invisible means by which our exports are restricted--the under-the-table decisions that make it difficult for American countries to operate in this area.

MINORITY ENTERPRISE

Still another liability to which we must address ourselves is the inaccessibility of free enterprise to the members of America's racial minorities.

To my mind, the fact that Blacks, Puerto Ricans, Mexican-Americans and Indians have not been a part of the system is at the heart of our troubles in this country today. If 15 percent of the population owns 2 percent of the business, that is a prima facie inequity. Beyond correcting the inequity, a higher percentage of minority-owned businesses means more jobs, less unrest and an economy that is much healthier.

Here's what the government is trying to do about it. President Nixon considered the matter of such importance that he wasn't in office more than six weeks when he set up in the Department of Commerce the Office of Minority Business Enterprise.

Its assignment was to oversee and coordinate all the diffuse public and private efforts in this field.

The President and the Department of Commerce are absolutely committed to the proposition of minority opportunity, a chance for a piece of the action in the free enterprise system.

Our people in the Department have been meeting with officers and members of the Institute, to solicit your help. Technical assistance is as important to a new enterprise as capital, and your capacities in record-keeping, reporting and tax matters is vital. We look to thousands of CPA's around the country to serve on a volunteer basis, as needed, to provide this kind of help to those aided by our financial programs.

Doing so is a matter of self-interest. At stake is the development of a harmonious society, in which members of the minority can have their "piece of the action", a sense of participation, an opportunity to be an employer, a chance to succeed. From this can come the success stories that will cause others to want to aspire to the same opportunity, to emulate success.

After all, isn't this the American dream? Isn't prosperity for the minorities a key to their satisfaction with our way of life?

LONG-RANGE PROBLEMS

But beyond these immediate concerns, I want to tell you about some of our thinking for the years ahead. Some of you may remember that a few years ago I spoke to the 75th anniversary meeting of the AICPA. At that time, I posed the question, When the Institute reaches its 100th anniversary will those who are there honoring the occasion look back and wish we had done things differently?

Today, I want to build on that theme, and suggest that in the interests of the economic system of which you are a part we consider a number of vital concerns that will affect the American economy in the coming years. And I'm thinking about 1990, which is only 20 years away, and about the year 2000 which is only 30 years away.

It seems to me that it is incumbent upon us in Washington and upon you in the business community to begin to wonder what we are doing, what we must do, to preserve the American system for a long period ahead.

For instance, what about the problems of our labor organizations, and our understanding between business and labor? How do we get both to agree on common yardsticks for the economics of production and consumption?

What about our foreign trade patterns, the fact that our trade is shifting so much from consumer goods to high technology items which depend

so much on scientific development? Are we going to be able to hold this technological lead, so that we can provide for future markets throughout the world?

How much can we afford to buy from other countries that have extremely low wages that compete with our high wage industries in the U.S.?

What about the discussion of that great movement, consumerism? Are we going to apply the recommendations of some people to such an extent that it standardizes our goods and eliminates freedom of choice for the consumer? Would this be good for the consumer and good for business?

What about minorities? What can we do besides helping them get into business? What can we do to see that they have the same job opportunities as all others in our society?

How can we create a unified society in the United States instead of a divided one?

What about antitrust? Are we proceeding in the best way in our antitrust activities? Should there be changes? What kind of an economy will we have in 1990 or 2000 if the antitrust laws are enforced as they are now?

What about the developing countries of the world? What can we do to help them? How can we build them up so that they become markets for our goods and so that they become prosperous members, full participants in the society of nations?

How do we combat the unwillingness of some developing nations to allow freedom of enterprise in their economies? How do we get them to understand that the confiscation and nationalization of business seriously jeopardizes their development?

In our own economy, how do we cope with the Galbraith theories? Will we have an "industrial state" 20 or 30 years from now--or will we continue to have an opportunity state?

What can we do to bring youth into a better understanding of the American society?

There are some of the things to which we in both government and business should be addressing ourselves.

We know what this system has meant to us. By any yardstick, it is superior to any other in the world.

COMPARISONS

Just look at a couple of simple statistics. To buy a suit of clothes in Soviet Russia takes 183 hours of work. In France a comparable suit

takes 75 hours; in Great Britain 40 hours; and in the United States only 24 hours of work is needed for the same item. Or if you prefer to judge by another standard, in the United States one worker on a farm now produces enough to feed 42 people. In France, one worker can feed only approximately 6. The figure is about 5 in Italy, and it is one farm worker for only one other person in China.

These are not boastful figures. They are simple illustrations that what we have works better than what anyone else has. They show that our way delivers more for mankind than that of any other country.

We have built the greatest system in the world. We don't claim perfection, but we know we have the freedom to improve on it, and to make it more nearly perfect.

This system has given us everything we have. It can give us everything we want. And it can lighten all the roads of human society if we work on it.

We in government must address ourselves to the problems of the future, just as far down the road as we possibly can, just as you in the business community must address yourselves farther down the road than you have been in the past.

BASIS OF SYSTEM

The American free enterprise system succeeds because it is based on fundamental instincts of motivated people. It is predicated

on the most basic human urges--beyond those of love and affection in family life: the desire to compete, the desire to own, the desire to acquire.

There are the hippies and radicals who would like to destroy what we have. But where can they find anything better to build on?

I submit to you that these are the kind of long-range concerns we must all address ourselves to. These are the concerns through which we can resolve for all time man's eternal dream of a world in which every country can be wealthy enough to provide comfort and well being for all its people and strong enough to be forever free.

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