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3/28/75

Eleven weeks ago, in mid-January, I requested the Congress to pass, as its first priority, a simple \$16 billion reduction in Federal income taxes in order to stimulate economic activity and put people back to work. I asked for a one-time rebate to individual 1974 taxpayers, up to a maximum of \$1,000, and for increased investment tax credits to businessmen and farmers for improvements and expansions to make more jobs. I urged Congress to have such a bill on my desk before Easter in order to restore some of the buying power which American families had lost through the inflation of 1973 and 1974 which had reached a dangerous high of 12%(?), contributing to the recessionary slowdown.

Last Wednesday, before recessing, Congress passed not only a tax reduction bill totalling \$22.8 billion -- about \$6.5 billion more than I proposed but otherwise reasonably close to my recommendation, except that it places an unfair

burden on middle income taxpayers who already contribute the biggest share of federal revenues. (?)

Unfortunately, however, the Congress added to these stimulative tax cuts many undesirable and extraneous measures, transforming the bill into a hodgepodge of welfare experiments and revenue revisions that received little or no consideration and debate in committee hearings or by the Members as a whole.

I am willing to accept the somewhat larger dollar figure fixed by the Congress, since the need to support economic recovery is greater now. But I am deeply concerned by some of the ill-considered precedents set in other sections of this bill. For example, it provides for the first time a negative income tax with government checks going automatically to people with incomes below a certain level. It changes the basic principles of the social security system by providing for payments out of general revenues instead of from the social security fund. It creates an earned income credit to

lower income taxpayers, reducing their contributions to social security but adding a still heavier future burden on young and middle income workers. It would remove six million taxpayers from the tax rolls altogether, widening the unhealthy division that already exists between those who support government and those the government supports.

Further it contains several basic changes in the tax system affecting special interests rather than the general population, which require much more analysis of their overall effect on the economy and should have been considered carefully as part of a comprehensive tax reform program.

However, under our system I cannot accept part of this bill and reject the rest. Congress has replied to my request for a simple emergency tax cut bill to combat the recession with a complicated tax package on a take it or leave it basis.

Because I believe the benefits of a significant increase in purchasing power and of a certain climate for job-producing

and improvements on the farms and in the factories are essential to ensure the economic recovery we all want this year, I have decided to sign the bill promptly so that its economic benefits can begin to work.

But I am deeply troubled, not only by the drawbacks of this bill and the additional amount it contributes to the already huge budget deficit, but also because of the actions and attitudes shown by the Congress so far in this session.

When I spoke to you in January I voiced continuing concern over the high rates of inflation of the past two years and pledged that I would initiate no new federal spending programs this year, except in the critical field of energy.

Furthermore, I said I would not hesitate to veto such new spending by the Congress, recommended Congressional assent to reductions totalling some \$17 billion in programs already funded, and a 5% ceiling in 1975 cost of living increases in federal pay and pension systems.

If Congress had accepted my January economic recovery plan as presented in my State of the Union and Budget messages, the estimated federal deficit for fiscal year 1976 would have been about \$57 billion as represented by this column.

This kind of a deficit is far too high but most of it was brought about by mandatory federal payment programs already on the statute books, by increased unemployment compensation costs and reduced tax revenues due to the recession.

Since January Congress has rejected most of my requested spending cuts, adding about \$13 billion (?) to the contemplated 1976 deficit. This, plus the \$6 billion in reduced revenues resulting from larger tax cuts than I recommended, bring the perspective deficit as of this moment to about \$75 billion. (?)

As I look at the new spending legislation which committees of the Congress are already seriously considering, I can easily estimate another \$20 billion to \$25 billion added to the fiscal 1976 deficit which would bring it to the enormous total of

\$100 billion. Even the most expansive economists agree that deficits of this magnitude are too dangerous to permit and threaten another vicious spiral of runaway double digit inflation which could well ruin our future economic leadership.

Interest rates, now starting down, would again soar to double digit level as the federal government borrowed from the private money market to finance its \$100 billion deficit. Individual citizens would be unable to borrow money for new homes, cars, and other needs. Businesses, despite increased tax credits would delay investment and expansion to put the unemployed back to work. The momentum of this new inflationary surge would be almost impossible to check as the economy recovers and huge deficits would continue on into future years. I am, therefore, serving notice now that this is as high as our fiscal 1976 deficit can safely go. I will resist every attempt by the Congress to add another dollar to the deficit by new spending programs, however worthy they may appear. I will make

no exceptions except where our long-range national security interests are involved as in the attainment of energy independence.

I will not only veto new spending bills but will return to the Congress whenever economic warning signals indicate a need for a readjustment of tax reductions or new revenues to head off runaway inflation.

In short, in signing this bill I am keeping my promise to reach a reasonable compromise with the Congress and to provide a needed stimulant to the economy. But I warn that this is as far as I will go. If we exercise prudence in our fiscal affairs for the rest of this year, I am confident that the present recession will soon retreat into history. If Congress returns from its recess with new awareness of the deep concern of the American people for economic caution and care in steering our difficult economic course, we will reach our 200th anniversary back on the broad highway of increasing productivity and prosperity for all our people.

THE WHITE HOUSE

WASHINGTON

March 28, 1975

Mr. President:

Here is a compilation of editorial opinion on whether you should sign or veto the tax bill:

<u>IN FAVOR OF SIGNING</u>	<u>VETO</u>	<u>NO DEFINITE POSITION BUT LEANING TOWARD VETO</u>
Washington Post Washington Star-News Baltimore Sun Christian Science Monitor Los Angeles Times Detroit Free Press Kalamazoo Gazette Boston Globe San Diego Tribune	Wall Street Journal San Diego Union	New York Daily News Chicago Tribune Detroit News

Ron Nessen

A24

FRIDAY, MAR

3/28/75

The Washington Post

AN INDEPENDENT NEWSPAPER

The Tax Bill

BY THE TIME Congress finally passed the massive tax reduction, it is doubtful that six members of either house knew exactly what they were voting on. Most of them had no opportunity even to read the con-

verges, and where the runs are scored. But in this case, some of the amendments hung onto the tax bill were such wanton mischief that they seemed a deliberate attempt to provoke a veto and, one may speculate, pre-

Chicago Tribune

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8 Section 1 ▽ Friday, March 28, 1975

THE NEWSPAPER is an institution developed by modern civilization to present the news of the day, to foster commerce and industry, to inform and lead public opinion, and to furnish that check upon government which no constitution has ever been able to provide.

--THE TRIBUNE CREDO

A tax break for everyone . . .

Well, Santa Claus has come early this year. There is a little something for everyone in the antirecession tax cuts that have been approved by Con-

rels of oil a day, but it will be phased down to 15 per cent by 1984.

Perhaps the worst part of the bill is the tax credit of 5 per cent of the cost of a new home, up to a maximum of

Chick
3/2/47

And subsidies for farmers

Since it is incumbent on the government to find ways to cut excessive spending, one of the worst things the country could be saddled with now is the irresponsible farm bill approved 57 to 25 by the Senate. The three-year Senate bill contains even more economic horrors than the one-year bill approved recently by the House.

The cost to taxpayers of the Senate measure is estimated by the Depart-

the economic health of American agriculture.

The same objections apply to the House bill. Tho it would cost less, it would still be inflationary and would mean renewed government intrusion into the farm business. Fortunately, the vote for the House bill was 22 short of the number needed to sustain a Presidential veto.

That would seem to indicate that

3/28/75

4 Wall Street Journal TH

REVIEW & OUTLOOK

A Mickey Mouse Tax Cut

In pondering whether or not to veto the Mickey Mouse tax-cut legislation that Congress is sending him, President Ford should not trap himself into looking at it in terms of whether it does more good than harm. If he does so, we could easily see how he could rationalize putting his name to the bill: The country has been waiting for a tax cut. He himself has said that "speed" was

included a provision saying the credit could only apply if the seller certified the house had not previously been listed at a lower price. Of course, this can be circumvented if the house is not yet listed or if the selling price is lower than the list price, a circumstance that happens now and then in house sales. All this in the name of stimulating the economy.

DAILY NEWS

NEW YORK'S PICTURE NEWSPAPER

229 East 42d St.

(212) MU 2-1234

MARCH 28, 1975

Published daily except Sunday by New York News Inc. 220 East 42nd St., New York, N.Y. 10017. W. H. James, President and Publisher; Floyd Barger, Editor and Sr. Vice President; V. E. Palmer, Secretary, and R. J. Rohrbach, Treasurer.

Mail subscription rates per year: U.S. Daily and Sunday \$79.50. Daily \$53.50. Sunday \$25.00. Armed Forces Special Rates: Daily and Sunday \$53.50. Daily \$36.00. Sunday \$17.50. Foreign and short term rates upon request.

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THE EASTER-BASKET BILL

Congress rammed through its \$25 billion catch-all package of tax reductions and rebates on Wednesday, but the millions of potential beneficiaries had better wait a bit before planning how to spend their gift.

There is a distinct possibility as of now that President Gerald Ford will dash dreams of a quick dividend by vetoing the scheme.



THE



SUN

A12

BALTIMORE, FRIDAY, MARCH 28, 1975

WILLIAM F. SCHNICK, JR., Publisher • PAUL A. BANKER, Managing Editor • J.R.L. STERNE, Editorial Page Editor

The Easter Basket Tax Bill

The Easter tax basket the congressional bunny sent the President contained some rotten eggs, but Mr. Ford, despite some grimaces, may have to accept it. He was the one, after all, who put the em-

mark is a 5-percent home-purchase credit, up to a maximum of \$2,000, on new houses built or under construction as of last Tuesday and purchased between March 12 and December 31, 1975. Merely

Friday, March 28, 1975

CSM

The Monitor's view

Tools for recovery

Congress deserves kudos for hammering out and stoutly pushing through a tax-cut bill. The \$22.8 billion package to fight recession is, on balance, good and it is to be hoped the President will soon sign it into law.

With unemployment still running at more than 8 percent and the economy sagging, a speedy tax relief is in order. It is un-

is a long-overdue and welcome move. A phase-down of the allowance to 15 percent for smaller companies by 1984 is better than keeping the allowance altogether. But it is still an unnecessary subsidy to so-called "small" producers, many of whom are sizable businesses whose return on equity capital last year exceeded 25 percent.

J. A. Times

3/28/75

The Tax Bill: Better Now Than Later

The \$228 billion tax-cut bill is not as good as it should be, but it isn't as bad as it could be, either. The President should not veto but sign it. The country's economy needs the quick kick it will give.

creases in the higher minimum and regular standard deductions permitted to taxpayers.

So far, so good. But the bill has one utterly cynical feature, and another for which unconscionable is barely too strong a word. The first is a one-time

The Washington Star

JOE L. ALLBRITTON, *Publisher*

JAMES G. BELLOWS, *Editor*

SIDNEY EPSTEIN, *Managing Editor*

FRIDAY, MARCH 28, 1975

An Acceptable Tax Bill

There is no way of knowing precisely how big a tax reduction is needed to get the economy back on its feet, while at the same time avoiding new inflationary pressures. The legislation that arrived on President Ford's desk Wednesday night certainly is of massive size, and contains some objectionable features. But on balance, we

income by multi-national corporations; but the moderate hike approved by the conferees is a far cry from the heavy jolt the Senate bill would have administered. While these provisions will cost the oil industry about \$2 billion a year, the overall measure provides a substantial (\$4.8 billion) tax break for business in general, mainly

SIGNING STATEMENT, TAX REDUCTION ACT OF 1975 -- H.R. 2166

On January 16, 1975, I proposed a \$16 billion reduction in taxes to help initiate economic recovery at the earliest possible date.

On March 26, 1975 -- approximately 10 weeks later -- the Congress passed the Tax Reduction Act of 1975 (HR 2166) providing a tax cut of \$22.8 billion -- more than \$6-1/2 billion higher than my original proposal.

In the two and one-half months that the country has waited for Congressional action, the need for economic stimulus has lessened -- not increased.

The legislation is weighted down with extraneous and undesirable provisions.

The bill increases the standard deduction. It approves welfare legislation in the language of a tax cut. The housing credit is nothing but a bonanza.

The "extras" in the Congressional legislation add up to about \$15 billion. It further eliminates six million persons from the tax rolls. The bill provides a serious obstacle to real tax and welfare reform. Except for independent producers, the measure eliminates the oil depletion allowance. It thus reduces capital available for energy programs.

These new burdens imposed on the taxpayers by the Congress raise these serious questions: (1) how to turn off the stimulus later on and (2) how to prevent large inflation-inducing deficits in later years?

Apart from the considerations which I have listed, there is another factor that must be weighed. It became apparent to me in recent weeks that the Congress would not enact the \$17 billion expenditure deferrals and recissions that I proposed in my February budget.

The action of the Congress in passing this bill threatens to place the economy in even greater danger than before. It is on the way to creating a massive budget deficit of \$100 billion for fiscal 1976. That figure is double my budget proposals.

I have deliberated long and hard and even anguished about this legislation. I had hoped for much more restraint and moderation by the Congress. On balance, my decision is based on what is best for the American people. Let me elaborate on my reasons:

-- I promised the American people and the Congress that I would -- to the best of my ability -- conciliate, compromise and cooperate with the Congress. That is the spirit in which I have approached the legislation.

-- For ten long weeks, I have publicly insisted that the Congress act on tax cut legislation. I chided inaction. The Congress has finally acted -- even overreacted, I might add.

-- Although I am confident that the Congress would sustain a veto of this bill, I am not so sure it would quickly enact a more responsible bill.

It is essential that we initiate the economic recovery process at once.

-- Action will help greatly in restoring the confidence of the American people in the economy and in government. The climate for recovery will be better.

-- This is a one-year bill. It provides an opportunity for change.

New tax reform and welfare legislation for the long haul can be accomplished in a more deliberate manner. Further disagreements and differences may be worked out during this time.

-- Agreement on the tax cut -- particularly a reduction greater than the Administration proposed -- must provide the basis for further agreement and conciliation between the President and the Congress:

There must be no new spending programs.

In short, the Congress must draw the line on new spending now.

Or I must do it.

I will veto all new spending legislation. I will veto any significant overruns in my appropriation requests. It is imperative that the deficit not rise higher. New inflation must not be inflicted on the people and the economy. Instead of less unemployment, more spending will dig a bigger hole of unemployment in the economy.

In whatever actions taken, the American people must be secure in the knowledge that their government has acted in their best interests.

I know the Congress had this in mind in enacting HR 2166.

For that reason, I sign this legislation, confident that the Congress will join me in holding additional spending in check in the best long-range interests of all the American people.

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Bill S

THE WHITE HOUSE

WASHINGTON

March 28, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN

SUBJECT: TAX CUT BILL

I recommend you sign the tax bill with a statement making the following points:

1. A tax cut is economic action of the right type-- stimulus through taxes rather than expenditures-- at the right time--now.
2. It is a measure which will help to restore confidence.
3. It is the first step in your economic program as set forth in your State of the Union Message. Passage of the tax bill indicates that Government is not stale-mated but can act. We should take credit for the tax cut initiative.
4. It provides a foundation for the second step in your economic program--NO NEW SPENDING PROGRAMS. Signing the tax cut should be accompanied by a call for a least three month observation period to permit us to see the effects of the stimulus. Your veto power should be used in the real battle--holding down Federal spending.
5. The defects of the bill are not fatal because:
 - (a) It is a one year bill. Renewal of provisions in the bill should be meshed with overall tax reform. You can call for such an approach on the basis of the need for more deliberate decision making than was evidenced by Congress in their passage of the tax bill.
 - (b) The earned income credit, while undesirable, does have several good points:

- (1) It requires work in order for individuals to qualify for payments. In this sense it does not represent a straight welfare program.
- (2) It does not entail the creation of a new agency or additional bureaucracy. It is simply a tax provision.

I find these difficulties in writing a convincing veto speech;

1. Size - A veto based on the size of the tax cut would be effective only if we really want to argue that there should be not tax cut. The amount is close to that recommended by your Labor-Management Committee.
2. Bad provisions - A veto based on bad provisions in the bill would be difficult to explain to the public.
3. Permanence - A veto on the basis that the bill contains permanent provisions would be hard to make since technically virtually all the provisions (except for the investment credit which we support) are for one year.
4. No longer necessary - There is no compelling existing evidence that a tax cut is no longer necessary.
5. Prevents reform of tax and welfare systems - This is the most serious defect but it can be met by a challenge to the Congress to act responsibly in dealing with these issues when the provisions in the tax bill are up for renewal.

Date: MAR 28 1975

MEMORANDUM FOR: SECRETARY SIMON

From: Dale S. Collinson
Deputy Tax Legislative Counsel

Subject: Fifty Dollar Payments

*To Bill Seidman
for Monday
agenda*

Attached is a memorandum prepared in the Office of the General Counsel which confirms that a separate appropriation will be required to implement the Tax Cut Bill's provision for a \$50 payment to social security recipients. This raises the following problems and options:

-- To the extent that the payment provision can be nullified through lack of an appropriation, a veto grounded in part on the payment provision would be less credible.

-- Because of necessity to await appropriation, issuance of the \$50 payment checks could come much later than the rebate checks, with adverse public relations effects and delay of the desired stimulus.

-- In conjunction with the required further Congressional action, it is possible that provision will be made for payments to government and military retirees who are ineligible for social security, which would increase cost but would also arguably increase equity.

-- Necessity for further Congressional action creates option for President, if he signs the Tax Cut Bill, to indicate (1) that he will oppose implementation of the payment provision, or (2) that action on any appropriation measure will be considered in conjunction with the Congress' response to his proposal for a 5 percent ceiling on cost of living adjustments.

cc: Richard Albrecht
Ernest Christian, Jr.

	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Ex. Sec.
Surname	Collinson	Hegdahl				
Initials / Date	DC / 3/28/75	ghw / 3/28/75	/	/	/	7.2 / 3/28

UNITED STATES GOVERNMENT

Memorandum

TO : Richard R. Albrecht
General Counsel

FROM : Wolf Haber
Assistant General Counsel (ALFO)

SUBJECT: Responsibilities of the Secretary Pursuant to Section 702 of the
Tax Reduction Act of 1975

DATE: March 28, 1975

This responds to your oral request for a memorandum on the subject matter.

Section 702 of the Tax Reduction Act of 1975 (H.R. 2166, as set forth in H. Rept. 94-120, 121 Cong. Rec. H2355 at 2366, March 26, 1975) provides that the Secretary of the Treasury shall make a payment of \$50 to each individual who was otherwise entitled to a Social Security or Railroad Retirement payment during March 1975. Such payment is required to be made by check, issued no later than August 31, 1975, based upon entitlement information furnished by HEW and the Railroad Retirement Board.

Section 702(d) reads:

(d) There are hereby authorized to be appropriated, out of any funds in the Treasury not otherwise appropriated, such sums as may be necessary to carry out the provisions of this section.

Such language is typical language in substantive legislation which requires an appropriation to be made before the funds authorized to be appropriated may be expended.

The duty to make the payments is vested in the Secretary. He may, however, decide to assign the responsibility for carrying out this duty to any officer, agency or employee of the Department, pursuant to Reorganization Plan No. 26 of 1950 (31 U.S.C. 1001, note). While there is no current related function in the Department, it will be presumed that the Secretary will assign the duty to the Bureau of Government Financial Operations, since it is responsible for disbursing functions generally.

In view of the fact that an appropriation is necessary before payments can be made, it will be incumbent upon the Department to initiate an appropriation request. Presumably, such appropriation should be a one-time, special appropriation to B/GFO. While this Department initiates the appropriation request, it is transmitted to the Congress by the President after the Office of Management and Budget has reviewed such request.



The appropriation here in question is for the payments themselves. There appears to be no sum authorized for administration. Hence, the Department may use any appropriation, which is otherwise available and sufficient therefor (i.e., "Salaries and Expenses," Bureau of Government Financial Operations), to take all actions necessary to make the payments, short of actually making them, prior to the special appropriation being enacted.

The duty to make the payments is couched in terms not permitting discretion. Consequently, it will be necessary to obtain the information required to establish the funds needed to make the payments; to initiate a request for an appropriation in that amount; to take all steps necessary to permit making the payments by check issued no later than August 31, 1975; and then to make the payments prior to August 31, 1975, if an appropriation is enacted prior to that time.

The President may, of course, choose not to submit a request for appropriations to the Congress, or may choose to rescind or impound any amount appropriated. Discussion of this aspect is considered beyond the scope of this memorandum.

In closing, a quotation from the Conference Report may be in order.

The conferees emphasize that these [\$50] payments are not social security benefits in any sense but are intended to provide to the aged, blind, and disabled a payment comparable in nature to the tax rebates which the bill provides to those who are working. These payments, therefore, should be clearly identifiable as Treasury Department payments and not be included in or confused with social security benefit checks.

(H. Rept. 94-120, 121 Cong. Rec. H2355 at 2371, March 26, 1975; Bracketed material added)

TO THE HOUSE OF REPRESENTATIVES:

I am returning H. R. 2166 without my approval.

Although this bill provides needed economic stimulus, which I sought for so many weeks, it makes profound and probably lasting changes in the fiscal policies of this country. These proposed changes, in my judgment, were given wholly inadequate study by both Houses; some were not subjected to even cursory committee hearings.

The result of the hasty and ill-considered additions to the basic tax cut provisions make the present bill unacceptable in many respects.

First of all, the bill for the first time in history provides for payments from general revenues to Social Security recipients and others. This precedent-setting action might be justified as part of a thorough and carefully considered program to restructure the basic Social Security System. But it cannot be justified on the basis of the consideration given to it in the development of this bill.

(more)

Second, the bill clearly establishes for the first time in our history a negative income tax -- with government checks going automatically to those earning incomes below a certain level. This program, now disguised as a tax measure might, again, be either justified or found wanting if considered on its own merits. But I believe it has no proper place in a bill whose major purpose is a one-time effort to stimulate our lagging economy.

Third, the bill provides a massive tax cut to bail out the housing industry which, in my opinion, will invite demands for similar tax assistance to other depressed sections of the economy. Besides, there is no compelling reason for taxpayers to assist builders who have unsold houses. If this measure is proper and necessary, which I believe it is not, there is no evidence whatsoever in the record of the passage of H.R. 2166 to support such action.

Fourth, instead of a clean bill designed for a single imperative purpose, we have a bill in which the major purpose is held hostage to the

(more)

partial repeal of the long-controversial oil depletion allowance. This precipitate action cannot help but discourage exploring and drilling for oil for the near term at a time when we should instead, use every tool at our disposal to encourage such risk-taking.

The action can only be justified if it is considered as part of a total program designed to seek energy self-sufficiency. But it has no place whatsoever in a bill designed to give the economy temporary economic stimulus.

Fifth, the bill creates what are ostensibly temporary changes in the income tax law by providing for a larger standard deduction and a credit of \$30 per taxpayer. Together, these two items lose about \$8 billion in revenues. And the history of such "temporary" changes shows that they almost inevitably become a permanent part of the tax structure.

The first four specific objections I have to the present bill are less significant, overall, than my major objection. At a time when we

(more)

are trying to bring inflation under control, this bill, by its profound changes, is highly inflationary.

In addition, this Congress is showing evidence that it will not agree to the \$17 billion in expenditure deferrals I requested. The political attractiveness of additional spending programs continues to grow, meanwhile, and some of the most pessimistic estimates of the total budget deficits for this year and next are alarming. Fiscal realists see a sharply diminished hope that we can escape another ruinous round of inflation, throttled credit markets, and a new recession worse than the present one.

I ask the Congress to adopt instead of this bill a measure which hews to a single purpose -- a one-time tax cut for all taxpayers along the lines I have proposed.

Gerald R. Ford

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RTH - Draft - 29 copy
3/29/75



Fellow Americans and fellow taxpayers:

Eleven weeks ago, in mid-January, I requested the new Congress to pass -- as its first priority -- a simple \$16 billion reduction in Federal income taxes in order to stimulate economic activity and put people back to work.

I asked for a one-time rebate to individual 1974 taxpayers, up to a maximum of \$1000 -- enough to assist in the purchase of new cars, home appliances ^{or improvements} helping businesses and workers in areas that ~~and the products of hard-hit manufacturing industries~~ have been especially hard-hit by the recession. I also asked for ~~more~~ ^{bigger} investment credits to encourage all businessmen and farmers to expand and make more jobs.

Jobs were then and are now my main concern. Unfortunately, though some other economic signs are improving, the employment picture remains bleak. I want most to help those who want to get back to work in productive private jobs. This can best be done by ~~temporary~~ ^{temporary tax} incentives to ~~charge up~~ ^{charge up} our free enterprise system -- not by government handouts and make-work programs// that go on forever.

Therefore, over the past few months I have repeatedly urged Congress to get a simple tax cut bill on my desk before Easter -- one that would restore some of the buying power American families lost to inflation and rising prices in 1973 and 1974. My objective was to put money in the pockets of the American people promptly rather than having Congress dream up new schemes for more money to be spent by bureaucrats in Washington.

Last Wednesday, before recessing, Congress did pass a tax reduction bill which is here before me.

The tax cuts ~~recommended~~ ^{finally adopted} by Congress represent a compromise between the \$16. billion I recommended in January and the \$32. billion figure fixed by the Senate.

I said that I would accept a reasonable compromise and this
loss
increased ~~that~~ to the Treasury of some \$6 billion is within reason.

However, this bill/^{also}distributes the cuts differently and, in my
adequate relief
opinion, fails to give ~~adequate relief~~ to the middle-income taxpayers
who already contribute the biggest share of Federal taxes.

But the most troublesome defect of this bill is the fact that
Congress added to an urgently needed anti-recession tax reduction a
lot of ~~extraneous changes~~ ^{extraneous changes} in our tax laws, some well-intentioned
and some very ill-considered, which should have waited for deliberate
action in committee hearings and full debate by all Members. Instead
they were adopted in a hectic last-minute session before recessing.

This is no way to legislate fundamental tax reforms, and Con-
again
gress knows it. Upon their return, I will/ask the House and Senate to
work with me on a comprehensive review of our tax structure to eliminate
inequities and ensure adequate revenues in the future without crippling
economic growth.

I commend those Members of Congress who fought ^a for a clean
and uncomplicated tax cut to create more jobs and speed economic recovery.
If I were still in the House of Representatives I would have voted against
all amendments and to send ~~this~~ this bill back to committee for further
cleaning up.

As President, however, I cannot under the Constitution accept
part of this bill and reject the rest. It is before me on a take it or
leave it basis. Congress has gone home. I believe my veto would/ ^{eventually} be sus-
tained but I am by no means sure that this Congress would send me back
a better bill -- it might be worse.

The people of this country need to know, right now, how to plan
their financial affairs for the rest of this year. Farmers and businessmen

have already waited too long to find out what investments they can make to improve their production and put people back on the payroll. Confidence depends on certainty and uncertainty has clouded all financial planning I announced since ~~January~~ my January plan for economic recovery. Our economy needs the stimulus and support of a tax cut and needs it now.

I have therefore decided to sign this bill so that its economic benefits can begin to work.

I do this despite its serious drawbacks because most of them are only enacted for one year, and because I am hopeful the Congress ~~will~~ will upon calm reflection/have second thoughts about the worst of them. Any damage they do is outweighed, in my judgment, by the urgent necessity of an anti-recession tax reduction right now.

Even if I asked Congress to send me a better bill, it would take another month to get one back and I cannot in good conscience risk that delay. But I will use that time to work with Congress to remedy the deficiencies not only in this bill, but ~~in the dangerous~~ in the dangerous actions and attitudes toward huge Federal deficits some Members have already shown in other legislative decisions.

The first part of my economic recovery recommendations last January - a prompt tax cut of reasonable size -- has now become law. The second and equally-important part was to restrain Federal spending by cutting back \$17 billion in programs already funded, a one-year moratorium on all new Federal spending programs except in the critical field of energy, and a 5 percent ceiling on automatic 1975 cost of living increases in ~~the~~ government pay and pension systems.

So far, these have been either ignored or rejected by the Congress. Now that we have reduced tax revenues by some ~~\$6~~ ^{billion} more than

than I proposed, we must move to reduce Federal spending in every way we can. We cannot afford another round of inflation due to giant deficits that would cancel out all our gains in economic recovery.

Maybe I can show you the

situation better on this chart.



If Congress had accepted my January economic recovery plan as presented in my State of the Union and Budget messages, the estimated federal deficit for fiscal year 1976 would have been about \$52 billion as represented by this column. (chart)

This kind of a deficit is far too high but most of it was brought about by mandatory federal payment programs already on the statute books, by increased unemployment compensation costs and reduced tax revenues due to the recession.

This is where we are today. The tax cuts in the bill I have just signed bring the estimated FY 1976 deficit
 Since January Congress has rejected most of my requested

If Congress fails to make these reductions, or ignores them, it will add another
 spending cuts, adding about \$17 billion (?) to the contemplated

~~1976 deficit. This, plus the \$6 billion in reduced revenues resulting from larger tax cuts than I recommended, bring the perspective deficit as of this moment to about \$75 billion. (?)~~

As I look at the new spending legislation which committees of the Congress are already seriously considering, I can easily estimate another \$20 billion to \$25 billion added to the fiscal 1976 deficit. *This* would bring *the deficit* at to the enormous total of



The Congress has passed an economic recovery

bill as presented in my State of the Union and Budget messages.

The estimated Federal deficit for fiscal year 1975 would have

been about \$11 billion as represented by this column.

This kind of a deficit is far the high but most of it

was brought about by mandatory Federal payment programs already

on the statute books, by law.

$$\begin{array}{r}
 58 \\
 17 \\
 \hline
 75 \\
 25 \\
 \hline
 \end{array}$$

and reduced tax revenue.

Since January Congress

has increased spending cuts, and

1975 deficit. Total, however, the deficit is reduced somewhat.

Estimated from budget cut only is somewhat, being the

estimated deficit of \$11 billion to about \$10 billion.

As I look at the new spending legislation which committee

of the Congress are already seriously considering, I can easily

estimate another \$10 billion to \$12 billion added to the total

1975 deficit would bring to the enormous total of

\$100 billion. Even the most expansive economists agree that deficits of this magnitude are too dangerous to permit and threaten another vicious spiral of runaway double-digit inflation which could well ruin our future economic ~~leadership~~ ^{health.}

Interest rates, now starting down, would again soar to double-digit level as the federal government borrowed from the private money market to finance its \$100 billion deficit.

OK
Individual citizens would be unable to borrow money for new homes, cars, and other needs. Businesses, despite increased tax credits, would delay investment^s and expansion^s to put the unemployed back to work. The momentum of this new inflationary surge would be almost impossible to check as the economy recovers and huge deficits would continue on into future years. ¶ I am,

therefore, serving notice now that this is as high as our fiscal 1976 deficit can safely go. *If I am drawing the line right here, & this is as far as we dare to go,* I will resist every attempt by

the Congress to add another dollar to ^{next year's} ~~the~~ deficit by new spending programs, however worthy they may appear. I will make



no exceptions except where our long-range national security interests are involved as in the attainment of energy independence.

~~I will not only veto new spending bills but will return to the Congress whenever economic warning signals indicate a need for a readjustment of tax reductions or new revenues to head off runaway inflation.~~

In short, in signing this bill I am keeping my promise to reach a reasonable compromise with the Congress and to provide a needed ^{boost} ~~stimulus~~ to the economy. ~~I hope~~ ^{I must say again} that this is as far as I will go. If we exercise prudence in our fiscal affairs for the rest of this year, I am confident that the present recession will soon retreat into history. If Congress returns from its recess with new awareness of the deep concern of the American people for ~~economic~~ caution and care in steering our difficult economic course, we will ~~reach our~~ ^{soon get back} ~~200th anniversary~~ back on the broad highway of increasing productivity and prosperity for all our people.



PRESIDENT'S TELEVIS ED REMARKS

ON THE TAX BILL

SATURDAY, MARCH 29, 1975

FELLOW AMERICANS AND FELLOW TAXPAYERS:

ELEVEN WEEKS AGO, IN MID-JANUARY, I REQUESTED

THE NEW CONGRESS TO PASS -- AS ITS FIRST PRIORITY --

A SIMPLE SIXTEEN BILLION DOLLAR REDUCTION IN FEDERAL

INCOME TAXES IN ORDER TO STIMULATE ECONOMIC ACTIVITY

AND PUT PEOPLE BACK TO WORK.

I ASKED FOR A ONE-TIME REFUND TO INDIVIDUAL
1974 TAXPAYERS, UP TO A MAXIMUM OF ONE THOUSAND DOLLARS --
ENOUGH TO ASSIST IN THE PURCHASE OF NEW CARS, HOME
APPLIANCES OR IMPROVEMENTS, THUS HELPING BUSINESS AND
WORKERS IN AREAS THAT HAVE BEEN ESPECIALLY HARD-HIT BY
THE RECESSION. I ALSO ASKED FOR BIGGER INVESTMENT
CREDITS TO ENCOURAGE ALL BUSINESSMEN AND FARMERS TO EXPAND
AND MAKE MORE JOBS.

JOB WERE THEN -- AND ARE NOW -- MY MAIN
CONCERN. UNFORTUNATELY, THOUGH SOME OTHER ECONOMIC
SIGNS ARE IMPROVING, THE EMPLOYMENT PICTURE REMAINS BLEAK.
I WANT MOST TO HELP THOSE WHO WANT TO GET BACK TO WORK
IN PRODUCTIVE JOBS. THIS CAN BEST BE DONE BY
TEMPORARY TAX INCENTIVES TO CHARGE UP OUR FREE ENTERPRISE
SYSTEM -- NOT BY GOVERNMENT HANDOUTS AND MAKE-WORK
PROGRAMS THAT GO ON FOREVER.

4

THEREFORE, OVER THE PAST FEW MONTHS I HAVE
REPEATEDLY URGED CONGRESS TO GET A STRAIGHTFORWARD
TAX CUT BILL ON MY DESK BEFORE EASTER -- ONE THAT WOULD
RESTORE SOME OF THE BUYING POWER AMERICAN FAMILIES LOST
TO INFLATION AND RISING PRICES IN 1973 AND 1974.

MY OBJECTIVE WAS TO PUT MONEY IN THE POCKETS OF THE AMERICAN
PEOPLE PROMPTLY, RATHER THAN HAVING THE CONGRESS DREAM UP
NEW SCHEMES FOR MORE OF YOUR MONEY TO BE SPENT BY THE
GOVERNMENT IN WASHINGTON.

LAST WEDNESDAY, BEFORE RECESSING, THE CONGRESS
DID PASS A TAX REDUCTION BILL WHICH IS HERE BEFORE ME.

THE TAX CUT FINALLY ADOPTED BY THE CONGRESS
REPRESENTS A COMPROMISE BETWEEN THE SIXTEEN BILLION DOLLARS
I RECOMMENDED IN JANUARY AND THE THIRTY-TWO BILLION DOLLAR
FIGURE FIXED BY THE SENATE.

I SAID THAT I WOULD ACCEPT A REASONABLE COMPROMISE
AND THIS TWENTY-THREE BILLION DOLLAR TAX REDUCTION IS WITHIN
REASON.

HOWEVER, THIS BILL ALSO DISTRIBUTES THE CUTS
DIFFERENTLY AND, IN MY OPINION, FAILS TO GIVE ADEQUATE RELIEF
TO THE MILLIONS OF MIDDLE-INCOME TAXPAYERS WHO ALREADY
CONTRIBUTE THE BIGGEST SHARE OF FEDERAL TAXES.

BUT THE MOST TROUBLESOME DEFECT OF THIS BILL
IS THE FACT THAT THE CONGRESS ADDED TO AN URGENTLY NEEDED
ANTI-RECESSION TAX REDUCTION A LOT OF EXTRANEOUS CHANGES
IN OUR TAX LAWS, SOME WELL-INTENTIONED BUT VERY ILL-CONSIDERED,
WHICH SHOULD HAVE WAITED FOR DELIBERATE ACTION IN COMMITTEE
HEARINGS AND FULL DEBATE BY ALL MEMBERS. INSTEAD,
THEY WERE ADOPTED IN A HECTIC LAST-MINUTE SESSION BEFORE
RECESSING.

THIS IS NO WAY TO LEGISLATE FUNDAMENTAL TAX REFORMS,
AND EVERY MEMBER OF THE CONGRESS KNOWS IT. UPON THEIR
RETURN, I WILL AGAIN ASK THE HOUSE AND SENATE TO WORK WITH ME
ON A COMPREHENSIVE REVIEW OF OUR TAX STRUCTURE TO ELIMINATE
INEQUITIES AND ENSURE ADEQUATE REVENUES IN THE FUTURE WITHOUT
CRIPPLING ECONOMIC GROWTH.

I COMMEND THOSE MEMBERS OF THE CONGRESS WHO
FOUGHT FOR A CLEAN AND UNCOMPLICATED TAX CUT TO CREATE
MORE JOBS AND SPEED ECONOMIC RECOVERY. IF I WERE STILL
IN THE HOUSE OF REPRESENTATIVES, I WOULD HAVE OPPOSED
EXTRANEIOUS AMENDMENTS AND WOULD HAVE VOTED TO SEND THIS BILL
BACK TO COMMITTEE FOR FURTHER CLEANING UP.

- 11 -

AS PRESIDENT, HOWEVER, I CANNOT UNDER THE
CONSTITUTION ACCEPT PART OF THIS BILL AND REJECT THE REST.
IT IS BEFORE ME ON A TAKE IT OR LEAVE IT BASIS. THE
CONGRESS HAS GONE HOME. I BELIEVE MY VETO WOULD
EVENTUALLY BE SUSTAINED BUT I AM BY NO MEANS SURE THAT
THIS CONGRESS WOULD SEND ME A BETTER BILL -- IT MIGHT BE WORSE.

THE PEOPLE OF THIS COUNTRY NEED TO KNOW, RIGHT NOW,
HOW TO PLAN THEIR FINANCIAL AFFAIRS FOR THE REST OF THIS YEAR.
FARMERS AND BUSINESSMEN HAVE ALREADY WAITED TOO LONG TO
FIND OUT WHAT INVESTMENTS THEY CAN MAKE TO IMPROVE THEIR
PRODUCTION AND PUT PEOPLE BACK ON THE PAYROLL. CONFIDENCE
DEPENDS ON CERTAINTY -- AND WHILE THE CONGRESS DELIBERATED,
UNCERTAINTY HAS CLOUDED FINANCIAL PLANNING THROUGHOUT THE
COUNTRY. OUR ECONOMY NEEDS THE STIMULUS AND SUPPORT
OF A TAX CUT AND NEEDS IT NOW.

- 13 -

I HAVE, THEREFORE, DECIDED TO SIGN THIS BILL
SO THAT ITS ECONOMIC BENEFITS CAN BEGIN TO WORK.

I DO THIS DESPITE THE SERIOUS DRAWBACKS IN THIS
BILL. MOST OF THE DRAWBACKS ARE ENACTED ONLY FOR ONE YEAR.
I STRONGLY URGE MEMBERS OF THE CONGRESS TO CALMLY REFLECT
UPON THESE PROVISIONS AND LET THE WORST EXPIRE. HOWEVER,
ANY DAMAGE THEY DO IS OUTWEIGHED BY THE URGENT NECESSITY
OF AN ANTI-RECESSION TAX REDUCTION RIGHT NOW.

EVEN IF I ASKED THE CONGRESS TO SEND ME A BETTER
BILL, AND IT DID, IT WOULD TAKE TOO LONG A TIME TO GET
ONE BACK AND I CANNOT IN GOOD CONSCIENCE RISK MORE DELAY.
BUT I WILL WORK WITH THE CONGRESS TO REMEDY ^{NOT ONLY} THE DEFICIENCIES
~~NOT ONLY~~ ^{ALSO} IN THIS BILL, BUT ~~IN~~ THE DANGEROUS ACTIONS AND
ATTITUDES TOWARD HUGE FEDERAL DEFICITS SOME MEMBERS HAVE
ALREADY SHOWN IN OTHER LEGISLATIVE DECISIONS.

THE FIRST PART OF MY ECONOMIC RECOVERY

RECOMMENDATIONS LAST JANUARY -- A PROMPT TAX CUT OF
REASONABLE SIZE -- NOW BECOMES LAW.

(SIGN BILL)

THE SECOND AND EQUALLY-IMPORTANT PART OF MY
ECONOMIC PROGRAM WAS TO RESTRAIN FEDERAL SPENDING BY
CUTTING BACK SEVENTEEN BILLION DOLLARS IN EXISTING PROGRAMS
AND BY A ONE-YEAR MORATORIUM ON ALL NEW FEDERAL SPENDING
PROGRAMS EXCEPT IN THE CRITICAL FIELD OF ENERGY.

SO FAR, THESE PROPOSALS HAVE BEEN MOSTLY IGNORED
OR REJECTED BY THE MAJORITY OF THE MEMBERS. NOW THAT
WE HAVE REDUCED OUR TAX REVENUES BY SOME SEVEN BILLION DOLLARS
MORE THAN I PROPOSED, WE MUST MOVE TO REDUCE FEDERAL SPENDING
IN EVERY WAY WE CAN. WE CANNOT AFFORD ANOTHER ROUND
OF INFLATION DUE TO GIANT AND GROWING DEFICITS THAT WOULD
CANCEL OUT ALL OUR EXPECTED GAINS IN ECONOMIC RECOVERY.

MAYBE I CAN SHOW YOU THE SITUATION BETTER ON
THIS CHART.

IF CONGRESS HAD ACCEPTED ALL MY JANUARY ECONOMIC
RECOVERY PROPOSALS, BOTH FOR TAX CUTS AND SPENDING CUTS,
THE ESTIMATED FEDERAL DEFICIT FOR FISCAL YEAR 1976 WOULD HAVE
BEEN ABOUT FIFTY-TWO BILLION DOLLARS AS REPRESENTED BY THIS
COLUMN.

(CHART)

THIS KIND OF A DEFICIT IS FAR TOO HIGH BUT MOST OF IT
WAS UNAVOIDABLE AND WAS BROUGHT ABOUT BY MANDATORY FEDERAL
PAYMENT PROGRAMS ALREADY ON THE STATUTE BOOKS, BY INCREASED
UNEMPLOYMENT COMPENSATION AND REDUCED TAX REVENUES DUE TO
THE RECESSION.

THIS IS WHERE WE ARE TODAY.

(CHART)

THE TAX CUTS IN THE BILL I HAVE JUST SIGNED AND OTHER CHANGES
BRING THE ESTIMATED FISCAL YEAR 1976 DEFICIT UP TO APPROXIMATELY
SIXTY BILLION DOLLARS.

SINCE JANUARY, THE CONGRESS HAS REJECTED OR
IGNORED MOST OF MY REQUESTED SPENDING CUTS. IF THE CONGRESS
FAILS TO MAKE THESE REDUCTIONS, IT WILL ADD SOME TWELVE BILLION
DOLLARS TO THE CONTEMPLATED 1976 DEFICIT.

ON TOP OF THAT, AS I LOOK AT THE NEW SPENDING
ACTION WHICH COMMITTEES OF THE CONGRESS ARE ALREADY SERIOUSLY
CONSIDERING, I CAN EASILY ADD UP ANOTHER THIRTY BILLION
DOLLARS OR MORE OF SPENDING. THIS WOULD BRING THE
DEFICIT TO THE ENORMOUS TOTAL OF ONE HUNDRED BILLION DOLLARS.
DEFICITS OF THIS MAGNITUDE ARE TOO DANGEROUS TO PERMIT.
THEY THREATEN ANOTHER VICIOUS SPIRAL OF RUNAWAY DOUBLE-DIGIT
INFLATION WHICH COULD WELL CHOKE OFF ANY ECONOMIC RECOVERY.

INTEREST RATES, NOW STARTING DOWN, WOULD AGAIN
CLIMB AS THE FEDERAL GOVERNMENT BORROWED FROM THE PRIVATE
MONEY MARKET TO FINANCE ITS ONE HUNDRED BILLION DOLLAR DEFICIT.
INDIVIDUAL CITIZENS WOULD BE UNABLE TO BORROW MONEY FOR
NEW HOMES, CARS, AND OTHER NEEDS. BUSINESSES,
DESPITE INCREASED TAX CREDITS, WOULD DELAY INVESTMENTS
AND EXPANSIONS TO PUT THE UNEMPLOYED BACK TO WORK.

I AM, THEREFORE, SERVING NOTICE NOW THAT THIS
IS AS HIGH AS OUR FISCAL 1976 DEFICIT SHOULD GO.

I AM DRAWING THE LINE RIGHT HERE.

THIS IS AS FAR AS WE DARE TO GO.

I WILL RESIST EVERY ATTEMPT BY THE CONGRESS
TO ADD ANOTHER DOLLAR TO THIS DEFICIT BY NEW SPENDING PROGRAMS,
HOWEVER WORTHY THEY MAY APPEAR. I WILL MAKE NO
EXCEPTIONS EXCEPT WHERE OUR LONG-RANGE NATIONAL SECURITY
INTERESTS ARE INVOLVED AS IN THE ATTAINMENT OF ENERGY
INDEPENDENCE.

IN SHORT, IN SIGNING THIS BILL, I AM KEEPING
MY PROMISE TO REACH A REASONABLE COMPROMISE WITH THE CONGRESS
AND TO PROVIDE A NEEDED BOOST TO THE ECONOMY. I MUST SAY
AGAIN THIS IS AS FAR AS I WILL GO.

IF WE USE COMMON SENSE AND PRUDENCE, I AM
CONFIDENT THAT THE PRESENT RECESSION WILL RETREAT INTO HISTORY.

IF YOUR CONGRESSMEN AND YOUR SENATORS RETURN
FROM THEIR RECESS WITH A NEW AWARENESS OF YOUR DEEP CONCERN
AND DESIRE FOR CAUTION AND CARE IN STEERING OUR DIFFICULT
ECONOMIC COURSE, WE WILL SOON GET BACK ON THE BROAD HIGHWAY
OF INCREASING PRODUCTIVITY AND PROSPERITY FOR ALL OUR PEOPLE.

THANK YOU AND GOOD EVENING.

END OF TEXT

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

ADDRESS BY THE PRESIDENT
LIVE ON NATIONWIDE
RADIO AND TELEVISION

THE OVAL OFFICE

7:31 P.M. EDT

Fellow Americans, and Fellow taxpayers:

Eleven weeks ago, in mid-January, I requested the new Congress to pass as its first priority a simple \$16 billion reduction in Federal income taxes in order to stimulate economic activity and put people back to work.

I asked for a one-time refund to individual 1974 taxpayers up to a maximum of \$1,000, enough to assist in the purchase of new cars, home appliances, or other improvements, thus helping business and workers in areas that have been especially hard hit by the recession.

I also asked for bigger investment credits to encourage businessmen and farmers to expand and make more jobs.

Jobs were then and are now my main concern. Unfortunately, though some other economic signs are improving, the employment picture remains bleak. I want most to help those who want to get back to work in productive jobs. This can best be done by temporary tax incentives to charge up our free enterprise system, not by government handouts and make-work programs that go on forever.

Therefore, over the past few months, I have repeatedly urged the Congress to get a straightforward tax cut bill on my desk by Easter, one that would restore some of the buying power American families lost to inflation and rising prices in 1973 and 1974.

My objective was to put money in the pockets of the American people promptly rather than have the Congress dream up new schemes for more of your money to be spent by the government in Washington.

MORE

Last Wednesday, before recessing, the Congress did pass a tax reduction bill which is here before me.

The tax cut finally adopted by the Congress represents a compromise between the \$16 billion I recommended in January and the \$32 billion figure passed by the Senate. I said that I would accept a reasonable compromise and the \$23 billion tax reduction is within reason.

However, this bill also distributes the cuts differently and, in my opinion, fails to give adequate tax relief to the millions of middle income taxpayers who already contribute the biggest share of Federal taxes.

But the most troublesome defect of this bill is the fact that the Congress added to an urgently needed anti-recession tax reduction a lot of extraneous changes in our tax laws, some well-intentioned but very ill-considered, which should have waited for deliberate action in committee hearings and full debate by all Members. Instead, they were adopted in a hectic, last minute session before recessing.

This is no way to legislate fundamental tax reforms and every Member of the Congress knows it. Upon their return, I will again ask the House and Senate to work with me on a comprehensive review of our tax structure to eliminate inequities and to insure adequate revenues for the future without crippling economic growth.

I commend those Members of the Congress who fought for a clean and uncomplicated tax cut to create more jobs and speed economic recovery.

If I were still in the House of Representatives I would have opposed extraneous amendments and would have voted to send this bill back to committee for further cleaning up.

As President, however, I cannot, under the Constitution, accept a part of this bill and reject the rest. It comes before me on a take it or leave it basis.

The Congress has gone home. I believe my veto would eventually be sustained but I am by no means sure that this Congress would send me a better bill. It might even be worse.

MORE

The people of this country need to know right now how to plan their financial affairs for the rest of this year. Farmers and businessmen have already waited too long to find out what investments they can make to improve their production and put people back on the payroll.

Confidence depends on certainty, and while the Congress deliberated, uncertainty has clouded financial planning throughout the country.

Our country needs the stimulus and the support of a tax cut, and needs it now.

I have, therefore, decided to sign this bill so that its economic benefits can begin to work. I do this despite the serious drawbacks in the bill. Most of the drawbacks are enacted for only one year. I strongly urge the Members of the Congress to calmly reflect upon these provisions and let the worst expire. However, any damage they do is outweighed by the urgent necessity of an anti-recession tax reduction right now.

Even if I asked the Congress to send me a better bill -- and it did -- it would take too long a time to get one back, and I cannot, in good conscience, risk more delay.

I will work with the Congress to not only remedy the deficiencies in this bill, but also the dangerous actions and attitudes towards huge Federal deficits some Members have already shown in other legislative decisions.

The first part of my economic recovery recommendations last January -- a prompt tax cut of reasonable size -- now becomes law.

The second and equally important part of my economic program was to restrain Federal spending by cutting back \$17 billion in existing programs and by a one-year moratorium on all new Federal spending programs, except in the critical field of energy.

So far, these proposals have been mostly ignored or rejected by a majority of the Members of the Congress.

Now that we have reduced our tax revenues by some \$7 billion more than I proposed, we must move to reduce Federal spending in every way we can.

We cannot afford another round of inflation due to giant and growing deficits that would cancel out all our expected gains in economic recovery.

MORE

Maybe I can show you the situation better on this chart. If Congress had accepted all my economic recovery proposals, both for tax cuts and spending cuts, the estimated Federal deficit for fiscal year 1976 would have been about \$52 billion, as represented by this column.

This kind of a deficit is far too high, but most of it was unavoidable and was brought about by mandatory Federal payment programs already on the statute books by increased unemployment compensation and reduced tax revenues due to the recession.

This is where we are today. The tax cuts in the bill I have just signed and other changes will bring the estimated fiscal year 1976 deficit up to approximately \$60 billion.

Since January, Congress has rejected, or ignored, most of my requested spending cuts. If Congress fails to make these reductions it will add up to about \$12 billion to the contemplated 1976 deficit. On top of that, as I look at the new spending actions which committees of the Congress are already seriously considering, I can easily add up another \$30 billion of spending. This would bring the deficit to the enormous total of \$100 billion.

Deficits of this magnitude are far too dangerous to permit. They threaten another vicious spiral of runaway, double-digit inflation which could well choke off any economic recovery.

Interest rates, now starting down, would again climb as the Federal Government borrowed from the private money market to finance its \$100 billion deficit. Individual citizens would be unable to borrow money for new homes, cars and other needs. Businesses, despite the increased tax credit, would delay investments and expansions to put the unemployed back to work. I am, therefore, serving notice now that this is as high as our fiscal 1976 deficit should go.

I am drawing the line right here. (Points to \$60 billion on chart)

MORE

This is as far as we dare to go.

I will insist (resist) every attempt by the Congress to add another dollar to this deficit by new spending programs. I will make no exceptions, except where our long-range national security interests are involved, as in the attainment of energy independence or for urgent humanitarian needs.

In short, in signing this bill, I am keeping my promise to reach a reasonable compromise with the Congress and to provide a needed boost to the economy.

I must say again, this is as far as I will go.

If we use common sense and prudence, I am confident that the present recession will retreat into history. If your Congressmen and your Senators return from their recess with new awareness of your deep concern and desire for caution and care in steering our difficult economic course, we will soon get back on the broad highway of increasing productivity and prosperity for all our people.

Thank you and good evening.

END (AT 7:45 P.M. EDT)

TWO-FACTOR NEWS

April 1975

Bulletin of the Institute for the Study of Economic Systems

Volume III, No. 2

TRANSCRIPT

60 MINUTES

“A PIECE OF THE ACTION”*

With CBS News Correspondent Mike Wallace

Produced by Norman Gorin

Mike Wallace:

Buried in the Senate version of the massive tax cut bill the Congress is putting together to aid our sick economy is a little known, little understood provision that could significantly change the relationship between you and the company you work for. That provision would make some of you part-owners, along with your employers.

The author of the plan is a maverick economist who has caught the imagination of the Chairman of the Senate Finance Committee, Russell Long. Long believes the plan might just be the way to break the boom-and-bust cycle that periodically produces a depression in the United States. Here's how the plan would work.

The men who work on this dock in Oakland, California, work for the Matson Lines and they earn a good wage here. But if they lose their jobs they'll earn nothing or they'll go on welfare because all they own is the sweat of their brow, their labor.

But the folks who own the equipment on these docks—that crane, these ships—the stockholders of the Matson Company—they don't have to show up here, and yet they earn a yearly income just the same, because they own capital instruments. They own this equipment.

Well, there's a fellow across the bay in San Francisco who says that all the workers on this dock—indeed, all wage earners everywhere—should own a piece of the outfit that they work for; should own a piece of the action.

His name is Louis Kelso. He's a millionaire corporation lawyer who puts together multi-million dollar business deals. Kelso argues that if capitalism is good for the rich, then everyone should be able to play. Otherwise, warns

Kelso, our society as we know it will wither and die.

Louis Kelso:

The death of the economy is the first step in the death of a civilization. This economy has stopped growing.

Mike Wallace:

For years, Kelso has been hopping around the country like an itinerant preacher delivering his sermon. He tells anyone who'll listen what he told the economic leaders assembled by President Ford: that proposals for more tax cuts and more welfare will never solve the economic mess we're in. They don't go to the root of the problem, he said.

Americans, says Kelso, are a nation of industrial sharecroppers who work for somebody else and have no other source of income. If a man owns something that will produce a second income, says Kelso, he'll be a better customer for the things that American industry produces. But the problem is how to get the working man that second income.

Louis Kelso:

How do you use the logic of corporate finance, the logic that the corporation insists upon as minimal—that is, the logic of investing in things that will pay for themselves—how do you use it for the individual? How do you bring the economic gain down from the corporation to the human scale?

Mike Wallace:

Here is what Kelso would do. He would have every company set up something called an “Employee Stock Owner-

*From 60 MINUTES as Broadcast over the CBS Television Network on March 16, 1975. Copyright ©1975 CBS, Inc. All Rights Reserved.