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APR 7 1975

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

March 29, 1975

FOR:

DICK CHENEY

FROM:

DON RUMSFELD

The President gave me this WALL STREET JOURNAL
and said he wanted it saved -- this article on Muskie
and the Panel.

Handwritten: Jms

Heavier Outlays For Fiscal 1976 Backed in House

Panel Adopts Tentative Plan With \$21.8 Billion Wider Gap Than Ford Budget

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON—The House Budget Committee tentatively adopted a budget for the coming year that packs far more economic stimulus than the one President Ford sent Congress last month.

Increased spending on various social programs would swell federal spending to \$366.7 billion during the fiscal year that starts July 1, \$17.3 billion more than the President's budget. But receipts would total only \$293 billion, \$4.5 billion less than Mr. Ford estimated.

Thus, the House panel is willing to accept a deficit of \$73.7 billion in fiscal 1976, that's \$21.8 billion more, red ink than the \$51.9 billion deficit contained in the February Ford budget.

The committee will vote formally on these numbers after Congress returns from its Easter recess, and the budget resolution is due to go to the House floor about May 1. The Senate Budget Committee has yet to come forward with its figures.

New Procedure

This exercise in congressional budget-making is something new. In the past, the President's spending plan was chopped into little pieces when it reached Capitol Hill and parcelled out to the various committees, which then proceeded to work their individual wills. Unlike the President, Congress never looked at the budget as a whole.

Last year, however, Congress set up an elaborate mechanism for getting control of the budget and setting spending priorities. When fully effective, it will require Congress to set its own spending and revenue targets in the spring to guide the individual committees. In the fall, Congress will take another look at the budget, set firm spending and revenue targets and try to figure out where to cut and where to add to hit those marks.

This year, however, Congress got started too late to go through all the required paces and meet all the deadlines. Thus, it's too early to tell what effect the Budget Committee's decisions will have.

Indication of Direction

Nevertheless, the targets approved yesterday by the House committee are the clearest indication to date of where the Democrats, with their two-to-one advantage in the House, are taking the budget.

Twelve Democrats voted for the committee's spending resolution, while three Democrats joined two Republicans in voting against it. Six Republicans and two Democrats were absent.

Muskie Urges Restraint on New Spending To Hold Down Fiscal '76 Budget Deficit

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON — Sen. Edmund Muskie, chairman of the Senate Budget Committee and a leading Democratic liberal, called on his congressional colleagues to go slow on new spending programs.

He warned that many programs "seem to have gained an express-train-like momentum" and that "it is time to stop, look and listen" and make some difficult choices.

Outlays that are now "all but absolutely certain" will put federal spending at \$358.4 billion in fiscal 1976, which starts July 1, Mr. Muskie estimated, while a perhaps optimistic projection of federal income is \$280 billion. Thus, he said in a Senate speech, there is "a virtually unavoidable deficit of \$68.4 billion" for fiscal 1976.

Senators should keep in mind, he said, that these figures don't include about \$20 billion of other, highly attractive spending programs, many of which "appear to be well on their way to passage" or are being wide-

ly advocated in Congress—including emergency aid to railroads, emergency public works, new housing assistance, higher federal pay and higher Medicare-Medicaid payments. Still other proposals could push the fiscal 1976 spending figure as high as \$410 billion, the Maine Senator cautioned.

Congress wants to take strong action to reverse the recession, Sen. Muskie said, but "the fact is that the elbow room is extremely limited if we want to remain within the bounds of what economists tell us is prudent economic policy. The prospective (fiscal 1976) deficit at this point is very close to the \$70 billion range the Joint Economic Committee has said is desirable for purposes of economic stimulus."

Last week, Treasury Secretary William Simon told Congress that a realistic estimate for the fiscal 1976 deficit is about \$80 billion, compared with the \$51.8 billion estimate in the President's February budget message. This week, the Office of Management and Budget warned that the deficit could widen to \$100 billion if Congress enacted too large a tax cut and also voted various other new spending programs.

Sen. Muskie said he believes the Senate Budget Committee would reject any \$100 billion deficit, yet his calculations indicated that the \$100 billion figure really isn't completely out of the question. To avoid it, even he conceded, "will require restraint as we examine our spending priorities."

"The White House estimate of a \$100 billion deficit isn't impossible, were we to exercise no restraint whatsoever, but neither is it inevitable," he said. "What these figures mean is that Congress is going to have to exercise great restraint to avoid overshooting the mark as we try to get our economy moving again."

Sen. Muskie said his revenue projections assumed a \$20 billion revenue loss in fiscal 1976 from the proposed tax bill. The estimates also are based on a 7% average unemployment rate for the year, a figure he said could be optimistic.

Congress' decisions affecting federal revenue will mostly have been made when it completes action on the tax bill, Mr. Muskie said. He added, however, that most decisions on federal spending still lie ahead. "Having in mind the momentum for tax cuts we saw on the Senate floor last week," he continued, "and the pressure for emergency, antirecession spending programs we feel building, I think it would be wise to take stock."

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This year, however, Congress got started too late to go through all the required paces and meet all the deadlines. Thus, it's too early to tell what effect the Budget Committees' decisions will have.

Indication of Direction

Nevertheless, the targets approved yesterday by the House committee are the clearest indication to date of where the Democrats, with their two-to-one advantage in the House, are taking the budget.

Twelve Democrats voted for the committee's spending resolution, while three Democrats joined two Republicans in voting against it. Six Republicans and two Democrats were absent.

Actually, liberal Democrats enjoy about a one-vote advantage over Republicans and conservative Democrats on the 25-member committee. Thus, yesterday's 12-5 vote belies committee sentiment, although it probably reflects more accurately sentiment in the House as a whole.

The Ford administration has been warning that a Democratic spending spree threatens to balloon the deficit to \$80 billion or even \$100 billion in the coming year. But Budget Committee Republicans, who might have been expected to go on record against a bigger deficit, stayed away, figuring perhaps that if the recession ends, they will share the credit, and if more red ink brings fiscal disaster, they can still blame the Democrats.

Defense Out

In addition to setting overall spending, revenue and deficit targets, the committee attempted to set priorities by increasing or decreasing various budget categories. For example, the committee cut defense outlays \$5.4 billion below the \$94 billion Mr. Ford has requested. Part of the reduction results from assuming a lower inflation rate than the President projected.

But the budget panel shied away from eliminating individual weapons programs, leaving that to the Armed Services and Appropriations committees. Whether those committees will comply remains to be seen.

On the other hand, the Budget Committee increased outlays for education, manpower and social-service programs by nearly \$6 billion above the \$14.6 billion of the Ford budget. Half of this increase represents more federal aid to states and localities to hire unemployed workers in public-service jobs.

Likewise, the panel added nearly \$6 billion to Mr. Ford's \$13.7 billion request for commerce and transportation. Much of the extra money would go to finance road-building and other emergency job-creating programs.

The committee rejected Mr. Ford's proposed 5% cap on increases in Social Security benefits and pensions for retired federal workers. Under the committee plan, Social Security benefits would be allowed to rise as much as the cost of living, and federal pensions could go up 7%.

For federal workers—civilian and military, the committee retained the 5% limit on boosts proposed by the President.

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