

FOR IMMEDIATE RELEASE

NOVEMBER 8, 1974

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE
PRESS CONFERENCE
OF
ROY ASH
DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
THE BRIEFING ROOM

10:04 A.M. EST

MR. NESSEN: Roy Ash of the Office of Management and Budget is here to talk to you this morning, and as I explained to you, the purpose of this is for Mr. Ash to give you some broad outlines of the concepts and general ideas that President Ford is going to need to consider before he sits down to make specific budget decisions.

Some of you expressed an interest in this kind of educational process for your own background knowledge as you get into writing stories about the 1976 budget.

As I told you, the President expressed the feeling that Mr. Ash's presentation was a great educational opportunity for all of us, and you said you wanted to share that, and that is why we are doing it this morning.

I think in line with that, we ought to point out that it is a broad kind of educational and philosophical discussion that Mr. Ash will have with you and it is obviously much too soon to get into specific numbers with him.

Roy, if you will, just let me say one thing.

At 10:30 the President and Mrs. Ford will receive donations from the American Cancer Society from a group of school children in the Rose Garden. There will be photo coverage of that, and some of you who want to go to that can go around to the side door of the press room now and you will be taken out to that.

Roy Ash.

MORE

(OVER)

MR. ASH: Thanks, Ron.

Ladies and gentlemen, I am here by the popular demand of at least one of you, maybe only one. Attendance, as I understand, is optional. I wish mine were also optional. (Laughter)

There have been, as you know, a series of meetings and discussions with the President over the last few days covering the 1975 budget and the 1976 budget. I would like to share some of that discussion with you -- not all of it -- but some of the key parts of it that I think could be of use to you.

First, I should tell you exactly where we stand in the budget process, and there are two processes going on in parallel. One relates to the 1975 budget, and the other to the 1976 budget.

As to the 1975 budget where, as you know, the President has stated it is his intention to reduce the expenditures to less than \$300 billion, we have now gone to each department and agency asking them to prepare the particulars for a considerable number of programs by which they can each do their part in reducing expenditures below that level. They are working on those. We will be working on them this week and next week. And shortly after the Congress returns from recess, the President will be submitting his proposals, very specific proposals, for reductions of the 1975 budget.

As to the 1976 budget, we are now going through the process called Director's review. Director's review is an occasion where I, along with others in my organization, others of the White House staff, go over in considerable detail the proposals of each of the departments and agencies that have been worked on for the last two or three months for the 1976 budget.

This takes place daily. In fact, one of the reasons that I apologize for asking to meet with you earlier this morning is that as soon as I finish this meeting I go into one of those, and we deal with the new budget and scrub it over. That is called the bloodletting room over there in 248 where we do this work. But we have been doing it for the last few days. We will continue through the end of this month with an every day activity of dealing with the 1976 budget.

MORE

I don't intend at this time to put in front of you the specific 1975 cuts or the specific 1976 budget actions, but I do think it might be useful to provide some context to use when that information does become available because as you see the 1975 and 1976 budget action specifically, I think it is essential that you see it in the context that makes sense.

I want to make four points particularly to provide perspective, particularly to provide the kind of perspective that the President is applying when he looks at the 1975 and 1976 budget actions. These four points are quite interlinked, but it is essential that you rise above the specifics and look at these if truly you want to appreciate what is going on in both of these years' budgets.

The first point is the exponential growth, the Federal expenditures, to over \$300 billion this year and increasing at say \$30 billion a year is not at all what it seems to be. First, on a constant dollar basis -- that is what money will buy -- we are spending no more today than we were in 1968. In fact, if the Congress joins with us and we have expenditures below \$300 billion in this fiscal year we will be spending, on a constant dollar basis, less than we spent in 1968, and any years since.

But, even while we make that point that on a constant dollar basis that the Federal expenditures have been level now for six years, they did go up about 50 percent on a constant dollar basis from 1961 to 1968. This is hard to get used to, hard to get used to the fact on a constant dollar basis what money will buy. We have not been increasing the budgets for the last few years because we certainly see and hear all kinds of evidence that suggests to the contrary.

The second point, though, before we rest totally on this first one, not only have total expenditures on a constant dollar basis not been increasing since 1968, but the cost of what we picture as Government have been substantially decreasing. I think that is key.

What do we picture as Government? Running all of the departments and agencies, including Defense, that is Government. In effect, carrying out the Governmental functions in the land. Both defense and other than defense have been down, or are down one-third from what they were in 1968. Defense is down a third. All other, running all the other Government operations are down a third from what they had been in 1968.

MORE

Q That is in dollars, sir?

MR. ASH: On a constant dollar basis. Government as such has been going steadily down, so that is another point to keep in mind, that we need to dispel the shibboleth that Government spending implies that Government as such has been increasing.

Now the third point, what does this mean? If it doesn't mean that Government as such has been increasing but instead declining, what does it mean? It means that the main role of Government is no longer of governing, including defense as a part of the carrying out of the sovereign functions of the Nation. It means that the main role of Government these days is that of a redistributor of income and well, collecting cash from some groups of people and paying it out to other people. That is what has been going on. This is the function that has been substantially increasing.

I have said that defense and all other aspects of Government have gone down a third on a constant dollar basis since 1968. This other function of Government, that of income redistribution, has doubled since 1968. In effect, more than one-half of all of the cash money that passes through Government these days is merely on its way to somebody else. It isn't to carry out a governmental function, whether it be defense or anything. It is merely money passing through the till, counted up in Government expenditures and Government revenues, but passed out to somebody else to spend.

Now the fourth, and the real watershed issue -- and this is the key one that relates to policy-making -- is that over this last six years then, defense and all other governmental functions have been declining just about the rate that the transfer payments have been increasing. In effect, we have been able to hold total outlays at a level constant dollar basis because year after year for the last six years we have been reducing defense, reducing all others, and increasing transfer payments at the same rate, but -- and this is the real crux of it all -- now these decreases in defense and other operations of Government, at least at the rate they have been taking place, are no longer possible or even desirable.

Defense, as you know, is at the lowest percentage of Gross National Product since 1950. Yet, even as we can now no longer reduce those programs that have for the last six years been allowing us to increase others, those others, those income transfer programs have been increasing and have built into them through legislation such a fixed schedule of commitments that they have their own increase, their own momentum built squarely in the programs.

MORE

So these are the difficult decisions now. The ability to continue to cash in from the reductions of defense and governmental operations at a rate allowing us to pay for the income transfer programs is ending. It is ended, and because that is ended, we now have a whole set of new problems in front of us.

So, in summary, I guess, before taking your questions, I would make these points. First, Government expenditures on a constant dollar basis are not growing, and have not been for six years. They are not growing as a percentage of Gross National Product, or any other such measure.

Second, Government itself, the functions and roles of Government governing have in fact, been declining.

Third, the Federal Government has become a massive redistributor of income. A totally different kind of function than it has been engaged in at least on this scale in earlier years.

And fourth, we are at the crossroads. The decline in governmental operations, including defense, can no longer provide the increases that are built into these other programs.

So when we now consider the changes in budgets, 1975 and 1976, we mostly have to consider the changes in pattern of income redistribution. Of course, we will continue to reduce Government operations wherever possible, as we have been doing since 1968, but the game has changed, and this is what we are talking about with the President.

Thank you. I will take any questions you have.

MORE

Q Mr. Ash, in view of this, why was the President campaigning for the last several months on the grounds that big spenders were doing us in?

MR. ASH: This is not inconsistent at all with that proposition because the big spenders have most of all been spending for these income redistribution programs and have built into authorizing legislation -- not just annual appropriations -- built into fundamental legislation programs and rates of growth of those programs that can lead us to runaway expenditures if we really let them go as they are. We must re-examine them, and this is the key the President is making.

Q Then, sir, why have you been impounding all this money on projects that were certainly not income distribution? You have been impounding a lot of things -- water, sewer -- and a lot of other things, and why have you been doing this if less money has been spent for Government and less Government cost?

MR. ASH: We have been impounding it even for defense. We have been cutting back every place that we believe that expenditure represents a lower priority claim against the taxpayers than do the others. It has been across the board and will continue to be across the board.

I am suggesting that in terms of massive dollars there is a major shift in the composition of the Federal budget. And we will be impounding \$1 million here and \$100 million there, but when we want to talk about billions and billions and looking at Federal expenditures in their overview, at the billions and billions levels, then what we must be talking about these days is the whole set of programs that are income redistribution. But we will still be working across the board on big programs, little programs, Government operations and income redistribution.

Q Mr. Ash, do you describe your budget then for 1976 as kind of a bread and butter budget that will not have any exotic programs in it, any fat in it, so to speak?

MR. ASH: It won't have any fat in it if we can help it, if we can find it all and take it out. We are certainly working hard, and that is what these sessions are. In terms of exotic programs or not, the President hasn't made any decisions yet as to the 1976 budget and, therefore, we are not able to say what it will or will not compromise, finally.

Certainly we are working on a lot of options and possibilities for him of all kinds of programs, but this is too early to decide what will or won't be in the 1976 budget.

MORE

Q Mr. Ash, if the Pentagon or some other agency of Government lets a contract for a specific piece of hardware, I take it that is not income redistribution?

MR. ASH: That is not.

Q Could you give, then, a simple example of what income redistribution is?

MR. ASH: Let's take the simplest example of all -- social security. Let's take another one -- food stamps. Let's take others -- retirement programs of various kinds. AFDC is income redistribution; revenue sharing is income redistribution. In fact, we collect the cash from Federal taxpayers and pay it out to somebody else to spend.

Q Can you give us an example of where the Defense Department has cut back spending that was not income redistribution?

MR. ASH: None of the Defense Department is income redistribution. The Defense Department is carrying out a sovereign function of the sovereign Nation to provide for security --

Q You just said a while ago that most of the Defense Department was income distribution on laws that were established that they couldn't do anything else about.

MR. ASH: I didn't say that.

Q Give us an example of where the Defense Department has cut back on programs that you say we are spending less and the Defense Department has been spending less for years. Give us an example where it is not income distribution.

MR. ASH: None of the Defense Department activities are income redistribution. They are operations of a Federal Government.

Q Give us an example of this cutback, this beautiful cutback.

MR. ASH: I can tell you that the main example is to look at the total of defense expenditures and particularly see what they haven't done.

MORE

Q What they haven't done?

MR. ASH: What they haven't done where they save money.

Q Things that they didn't spend money on, are you saying that is a saving.

MR. ASH: That is right.

Q Give us an example where they did cutback.

MR. ASH: The cutting back is by what they don't do, that is how they cut back. That is the only way to cut back.

Q Give us an example of where they went backwards in saving money for the Government.

MR. ASH: They go forward in saving money.

Q You just said that we have been cutting back since 1968. I want you to tell me where the Defense Department has spent less, in what areas.

MR. ASH: In 1968 the Defense Department on a constant dollar basis, what money will buy today, spent about 50 percent more than it spends today. It has since 1968 stopped or reduced the level of operations, certainly by retreating -- retreating is not the word (Laughter) -- certainly by withdrawing from Vietnam has substantially reduced the level of operations.

It has reduced the level of research and development. It has reduced the level of procurement of products. It has reduced the level of employment.

Let's take military employment. Uniform military employment went from three and a half million people down to two million two. One million three hundred thousand former uniformed members of the military have gone into the private work force, having come out of the military.

There are examples -- in fact, the whole history of the Defense Department for the last six years is substantially --

Q How do you square that with the giant recruiting programs? We are paying millions of dollars each year --

Q Can I interrupt?

MR. ASH: Let's go to some other question.

MORE

Q You didn't answer that question, Mr. Ash. I said how do you justify that with giant recruiting?

MR. ASH: Let's go on and I will get back to it.

Q Are you saying that in the future transfer payment programs are going to have to increase in order to pay for the expense of Government?

MR. ASH: I am saying that as we look from here out in Government expenditures and any changes in their levels, whether it be upward or downward, we have to be especially mindful of those that are called income transfer programs because that today is the major function, expressed in dollars at least, of the Federal Government.

Therefore, if we are to reduce rates of growth of expenditures, we can't do it without looking at the programs we call income transfer; that is, where the money is spent. You can only reduce expenditures from where it is being spent.

Q Mr. Ash, you spoke about income redistribution factors versus the sovereign functions of Government. Isn't it a fact that most of your income redistribution takes place in the social services, or Health, Education and Welfare? In fact, there is nothing from redistribution in State, Defense or Justice?

MR. ASH: That is right.

Q What are you doing to cut some of those departments other than Defense?

MR. ASH: Well, I have already said let's take State. The State Department is down in personnel from what it was in 1968, more than any other department proportionately. There is a substantial reduction, and the State Department is largely a personnel cost department. So, that one is substantially down.

Q Do we tell the White House then that they are buying their striped trousers at Robert Hall rather than Brooks Brothers and that they are driving Plymouths rather than Cadillacs? How are we cutting specifically in these departments?

MORE

MR. ASH: I have already described in defense we have one million three hundred thousand people off of the armed services. We have substantially reduced the procurement of weapons for the military. In the State Department we have reduced the number of personnel because the State Department is basically a high personnel cost operation. That is the only kind you can reduce there.

Now, what other ones do you have in mind? We have reduced so many of them. The total employment of the Federal Government, civilian employment, is less today than it was in 1968.

Q At which point do you, as a budget writer, say there is no more fat, we are down to muscle and bone?

MR. ASH: We just keep working it over and over every single day, week, month and year. That is the essence of what we do.

Q Mr. Ash, to avoid this continual build-up of transfer of payments to go through the Government, are you reaching a conclusion that what is now necessary is a major tax reform initiated by the Administration to bring about, in fact, this transfer of redistribution of income?

MR. ASH: We are not reaching any conclusions in particular. Let me tell you -- because it is only a truism -- the alternatives that are available to the President as he makes his decision about the 1976 budget, if we are to bring closer together outlays in revenues toward a point of balance, we have got only three ways to do it. One is to reduce outlays, the other is to increase revenues and the third way is to not close the gap completely and have a deficit, or any combination of those three.

I am merely saying that has a truism that is the only thing to work on. I am not indicating any particular outcome of the 1976 budget because none has been decided. In fact, we are meeting this afternoon with the President to discuss this very thing about which you have asked.

Q But you are going to base those decisions on those three areas, is that right? I mean, the 1976 budget will come out from one of those three areas, right?

MR. ASH: In dealing with the 1976 budget and the objective to have that budget be noninflationary, it is necessary to reduce expenditures from what they otherwise would be, to raise revenues, or thirdly, to not fully close the gap or some combination. It is the only choices available, it is not suggesting policy. It is merely suggesting that is the universe and we have to look at the whole universe.

Q Do you expect to balance the budget in 1976?

MR. ASH: It certainly is the direction that we should be going because what we want to make sure is that the 1976 budget policy is one that best serves the economy as we would foresee it for 1976.

Inflation will not have fully disappeared by 1976, and the 1976 budget, therefore, should not be a contributor to inflation.

MORE

Q How can you have a combination of these three? Can you explain that? How can you have a combination of three possibilities?

MR. ASH: Sure, you can have some reductions. You can have some increased revenues. You can have some shortfall from balance. That is theoretically possible. And again I am not stating what the outcome will be. It has not been decided. I am merely saying we have to look at all of this.

Q Mr. Ash, the President has said that I intend to submit a balanced budget for fiscal 1976. You have just told us it is the direction we should be going. You can go in that direction without getting there.

My question is, in view of the decline in the economy and the loss of tax revenues that you are going to sustain, do you believe it is possible to balance the budget for 1976?

MR. ASH: Of course it is possible.

Q Do you think it will be done?

MR. ASH: That decision is going to be made on the specifics as we get closer to the realities, or closer to the actual publication of the budget. But certainly it is the goal, the objective, the desirable end result, given the economy as we see it now. But as we all know, the President and every other President wants to consider all the facts before he makes his final decisions which will be, say, by the end of next month.

Q How much will the decline in the economy cost you in terms of lost tax revenues? In other words, I think a few months ago you were talking about a \$333 billion figure for a possible balance. Presumably that is no longer possible.

MR. ASH: At this moment, and with the present tax structure, revenues will probably be somewhat less than that as we forecast them for fiscal 1976. We will be making our final forecast by mid-month next month, and those will be used as the basis for determining basic budget policy for 1976.

Q Mr. Ash, do you identify Federal education programs as income redistribution programs?

MR. ASH: A number of them are not, but some are, some of them that are basically income transfer where we are handing out money to others to spend.

MORE

I don't have in mind how each program classifies, but the principle is simple. When the Federal Government collects cash, pays out cash for individual, or state, or city use, that is income transfer, and others in turn make use of that cash. That is an income transfer program.

Q It is transferred to other individuals. It may be transferred to other --

MR. ASH: As an example, let's say the money that we transfer to states and cities, under either general revenue sharing or special revenue sharing, that is a form of income transfer. We collect the cash. We pay out the cash. They then make the spending decisions with that cash.

Q Wouldn't it be logical to raise taxes to keep them in line with constant dollars?

MR. ASH: This is a good point here. Would it be logical to raise taxes? Without answering it directly, let me answer it indirectly, because I don't know how to answer it directly.

We had a Tax Reform Act of 1969, and we had subsequent revisions in our tax structure. The net effect from 1970 through 1975 of tax reductions was to reduce the cumulative amount of revenues to the Government by \$65 billion in the years 1970 through 1975. That is almost equal to the deficits accumulated in those same years.

Or to put it another way, had we continued to have through the 1970s the tax structure that we had up to that Tax Reform Act of 1969, we would have had virtually no deficits for the last five years. The deficits did not come then from decreasing expenditures. The deficits came from a change in the tax laws that reduced revenues. That is what has been going on for these last five years.

When I described to you that we have had on a constant dollar basis about a level rate -- about a level of Government expenditures through now, we have incurred considerable deficits. Why so? Because revenues have in fact been declining on a constant dollar basis, declining because of the Tax Reform Act of 1969, and other tax legislation since that time. We have during these last few years created our deficits to a great extent by reducing our revenue intake rather than increasing your outlays. Certainly on a constant dollar basis that is absolutely a fact.

MORE

And to elaborate on that, one more point that has a very important principle in it, I have said that we have foregone \$65 billion of revenue over these last few years by virtue of tax reductions. Where have those revenues been foregone? Individuals have received not \$65 billion but \$80 billion of that revenue foregone, in effect more than all of it, and corporations have paid \$15 billion more than they would have under the earlier tax laws.

Now in making that calculation, I want to make clear you understand how I have dealt with Social Security revenues. Social Security revenues have also gone up, have gone up rather than gone down, have gone up during that time, half of which are borne by corporations, and half of which are borne by individuals. I have redistributed those halves to each, but the main principle that should be seen in what is going on in taxes is that we have put millions more dollars into the hands of individuals with their propensity to consume, and taken billions out of corporations, with their propensity to invest, and the net effect is that we have substantially affected the economy through taxation, redistributed their Country's income.

Q Mr. Ash, the way you present that leaves only one logical alternative, doesn't it? Increased taxes?

MR. ASH: It doesn't leave that as the only logical alternative, but it does say, just hypothetically, if we were to revert to the tax structure that we had before 1969, that would be the direction that we would go, but this in no way suggests that we are going that way. There is no decision. There is no implication. There is no plan. There is no intention to do that at all. And I should make that absolutely clear. I am just discussing the hypothetical situation, the hypothetical conclusion of reassessing what has been happening since 1969.

Q May I follow up, please, by just asking if you explained this situation to the President in the same mood, in the same tone, and with the same emphasis that you have just explained it to us?

MR. ASH: I have explained all of this to the President. I hope as completely -- I know I have -- as completely as I have explained it to you. And I hope, vice-versa, I have explained it to you as I explained it to the President. You have heard what the President heard.

MORE

Q In your philosophical review, Mr. Ash, is this income redistribution process a good thing or a bad thing?

MR. ASH: We have taken to our Country's basic policies one of redistributing income and wealth. We have come to the point in our national life when we can afford to do so. And we have decided as a matter of policy that we will do so. It is a good thing because that is partly one of the advantages of living in this Country is that we do have policies that take care of those that need the extra help that can be given them by those who are realizing the greatest income. So in that sense this is fundamental to national policy, and it is good national policy.

Q Has it gone far enough yet, the income redistribution, in your view?

MR. ASH: We can all disagree on that, and I am sure that three-quarters of the political action in this city discusses the subject of has it gone far enough, or too far, or the right directions. Today almost all the legislation that we deal with deals with that question. I don't know the answer in general.

Q What you are saying is, if reductions come, they have to come in that area, and if tax relief comes, it should not come to individuals but to corporations?

MR. ASH: No, I am not saying that at all. I am saying as a matter of a truism, you can only reduce money where you are spending it, and I am saying that is where we are spending it.

Q Can you give us the figures to support the four points, please? The fact that the Government's spending has decreased while spending for income distribution has increased? And tell us what you include in Government spending besides defense?

MR. ASH: I think I have them in my head here to give them to you. Let's take two categories. First let's take defense, and I will express these in 1975 dollars, constant dollar base is 1975 dollars.

We today are spending in defense in fiscal 1975 about, let's say, 84, 83 or 84 billion dollars before the year is over, for national defense in 1975 dollars. We spend in 1968 for national defense, measured by the same value of dollars, about 134 -- is that the number -- let me see if I am right here. I am not sure if I have those numbers exactly right.

Joe, I wonder if we could get them exactly. I don't happen to have them exactly right, but that is very close.

Let's take all other than defense --

Q First, could you tell us what the figure was in 1968 dollars?

Q Yes, 1968, not 1975 dollars.

MR. ASH: I didn't bring all my tables with me on it. There is all the data right there. I can't think of a better place to get information than from the press.

My numbers were right. Defense in 1975, \$88 versus \$134, and that is a reduction that is on the constant dollar from \$134 to \$88. Interest and other non-defense; that is, everything else in Government except income transfer, running every department and agency of Government, running all the judicial system, running all the legislative system, and paying all the interest on the Federal debt, all of those things today account for \$52 billion, and in 1968 it counted for \$78 billion on a constant dollar basis. Again, you can see down a third.

Q How about 1968 dollars?

MR. ASH: For 1968 the numbers would be -- I can get the precise numbers for you -- but it would be approximately two-thirds of that. If you wish them precisely, I just don't happen to have them with me.

Q Mr. Ash, on this defense discussion, isn't it a little bit misleading? In 1968 we had a war, so it would be easy to believe that you would be spending less in peace than in war.

MR. ASH: It is not misleading. In fact, it is part of the basic phenomena I am describing. From 1968 on, we were withdrawing from Vietnam. In the process of withdrawing from Vietnam -- I should emphasize that word more than any other words -- in the process of withdrawing from Vietnam, we realized a peace dividend.

We reduced substantially the cost we were using for defense. What did we do with the monies that we reduced? We spent them for these income transfer programs. It is not unrealistic, it is a fact. We have cashed in a \$40 billion peace dividend, \$40 billion a year.

Put it another way. If we were running at the same rate as we were, in 1968, we would be spending \$40 billion more a year for defense than we are now. The fact is that our defense reductions have been going down; others are going up. Defense can't come down any further; others are still going up.

MORE

Q My point is, I guess, defense would have come down anyway if you weren't transferring the money somewhere else. In peacetime you would be spending less than you would in wartime anyway, presumably.

MR. ASH: Sure we would. I am merely saying that we took that reduction, and instead of reducing taxes or in other ways reducing the level of Government expenditures, we spent, year by year since 1968, each year's reduction of defense was spent on other programs.

We have now come to the point where those other programs have their built-in momentum for growth. The possibilities of reducing defense are no longer there, and that is why we are at this major crossroad, and that is why the key issue today and the one the President has to make decisions about now, is what is the best budget posture that we should have.

Q Mr. Ash, isn't the alternative then that the President either has to increase taxes or cut the income transfer programs, like social security? I mean, isn't it that simple?

MR. ASH: I have indicated the three choices.

Q I heard the three choices, but he has already eliminated one because he doesn't want deficit spending; therefore, doesn't he have the two choices -- increased taxes to pay for the income transfer programs or -- you know, it is that simple.

MR. ASH: The President will be making his final determinations in this whole matter by about mid-month next month, and putting together the budget. I am sure as he looks at it, he is going to consider all possibilities and look at the economy as best it can be seen from that time. I wouldn't want to pre-make any decisions for him.

Q Would you give us the dollar figures on those income transfer growths?

MR. ASH: Income transfer growth since that time, expressed in 1975 dollars, in 1968 were \$89 billion and have gone up to \$166 billion.

Q What was the second figure?

MR. ASH: From 89 to 166, a growth almost double.

Q That is 1968 to 1975?

MORE

MR. ASH: 1968 to 1975. What has happened is that payments to individuals and to State and local governments and through them to individuals have almost doubled while the rest of Government has come down about one-third.

So, I think the key points to get in your minds as background is do not equate Government spending with Government in the sense that it means running Government. Government spending is more and more to be equated with the income transfer function of Governments and, therefore, when you see dollars, expenditures or anything else, don't automatically transfer dollars to Government. Consider the fact that Government has been going down; transfer payments have been going up.

Q Mr. Ash, can we have those figures in 1968 dollars on income transfer, please?

MR. ASH: I don't have them in front of me in 1968 dollars. They are about two-thirds of each of these. We can get for you and pass out all of these data, if you wish.

Joe Laitin has it all right on the top of his desk waiting, 1968 dollars or any other dollars.

Q Mr. Ash, if we take the President at his word -- I want to return to this question -- if we take the President at his word, and a lot of us heard him throughout the campaign trail about the balanced budget and reduced Government spending, then I want to get back and ask you about the two choices -- cut the income transfer programs like the social security and so on, or increase taxes? Isn't it as simple as that if we take the President at his word?

MR. ASH: I didn't come out here today to run ahead of Presidential decisions, and I would let him speak for himself, as he has, and I am sure he will, on basic budget policy that will go to the 1976 budget, and we will let him make those determinations. I am merely pointing out the difficulties that he will have as he makes those decisions.

Q In this room not too long ago, Mr. Ash, you said that there would be \$1 billion in recissions and deferrals for defense. Since that time you have announced \$500 million. What happened to the other \$500 million? Have they been scrapped? Have you then decided we could not afford to cut that much more?

MR. ASH: No, I think you will see some more.

MORE

Q That is before the first of the year, do you think, or by Christmas?

MR. ASH: In not too long a time.

Q Can I follow that up, sir? You also indicated that beyond that \$1 billion there would be others. Will there be others or will the ones that we will see in not too long a time simply be the ones that were promised initially?

MR. ASH: You will have to look at them when they come out, but I think when you add them up you will probably find that they will exceed the ones that we have already done and those that will yet be coming will probably exceed that number. They will be out for you to add up soon.

Q Two questions about transfer payments. First, what has been the fastest growing transfer payment categories? Do you know by what percentages?

MR. ASH: Yes. Actually, the interesting thing about this -- the question is what is the fastest growing income transfer program. Some say, oh, well, the issue here is merely social security, social security has accounted for all of this.

The fact is that the "all other than social security" have increased at about the same rate as has social security; that is, all income transfer programs in the aggregate, social security included, social security excluded have been going up at about the same rate.

So, that is a built-in rate that we have pretty well got into the system or had in the system now for these years.

Q Aren't transfer payments generally considered in the nondiscretionary category? Haven't they in the past because the Federal legislation establishes them and they grow at a certain rate?

MR. ASH: Yes.

Q Are you redefining what is discretionary and what is not discretionary in the budget?

MR. ASH: I haven't discussed any of this in terms of what is discretionary and what is not, but I think your point is absolutely correct that as to most of the income transfer payments it is not a matter of annual appropriations, it is merely a matter of paying the bill that the Government has undertaken to pay when it wrote the substantive legislation itself.

MORE

The legislation establishes the beneficiaries, the definition of beneficiaries, and it establishes the payment schedule to those beneficiaries.

The Executive Branch administers that legislation. As a result, almost all of those payments are in a sense mandated by law to the extent that the law stays as it is. We merely write out the checks when somebody steps up and presents his credentials. We calculate the size of checks owing him and write it out. It becomes quite mandatory in that sense.

Q Aren't you talking then about legislative reforms before you can go ahead with cutting back on transfer recommendations?

MR. ASH: Yes, and I should make clear that when the President has said that he will, relating to the 1975 budget, propose to the Congress means to get that budget below \$300 million, that it will be by a combination of deferrals, recissions and substantive legislative proposals. All three will be a part of it.

Q Can you tell me, Mr. Ash, if in the normal course, how much the income transfer programs will be going up if you do nothing to cut them or keep them where they are in the 1976 budget?

MR. ASH: I don't have the specific numbers in my head, but they will continue at the same rate that they have been going for the last six years, thus creating the watershed occasion where we have to now determine what to do.

Q Mr. Ash, do you include any Government subsidies in income transfers, such as shipbuilding subsidies, and would those be cut?

MR. ASH: Those are not in the classification of income transfer programs, but that doesn't mean that they are not candidates. It doesn't mean that everything isn't a candidate for reductions where those reductions are due. There is no program -- and the President has said this I don't know how many times -- no program immune from consideration for reduction.

Q Which category do you put those in, category "D"?

MR. ASH: These are part of Governmental operations. They are not, in the purpose of our classification, income transfers.

MORE

You know, it is hard to define a line in some cases and any of these numbers I have quoted should be subject to plus or minus on 1 or 2 percent because of definitions at the margin. But they give you the thrust--without the issues right at the margin--they give you the thrust of what has been happening anyway.

Q May I ask you a question about GNP? Do you have a calculation on what the rate of GNP, negative or positive, will be in the coming fiscal year?

MR. ASH: I have it, but I don't happen to either have it in my head or on a piece of paper in front of me. But clearly, it is a part of the decision making as to the 1976 budget when the President decides how to trade over all of these factors in the economy and his 1976 budget.

Q Mr. Ash, do you know what the growth of real GNP has been over the last five years, and is there any kind of a projection of what it may be over the next five years?

MR. ASH: Again, I guess I don't have the statistics in front of me of what the growth of GNP has been or projected.

Q Can we get that later?

MR. ASH: Yes, I am sure you can get it. Any good economic reporting service will give you the growth of GNP over the last five years.

Q How about yourself?

MR. ASH: Projections become something else, as you know, in the 1976 budget for the first time we are going to be presenting five-year projections of a number of different economic indicia and we will in that budget provide those kinds of data.

I think they will undoubtedly be qualified to some degree because none of us and none of you, or nobody I know, can feel that he can within a 1 percent plus or minus project any economic indicia.

We will do the best we can and put those in the budgets.

Q Mr. Ash, if you do cut the 1975 expenditure level to \$300 billion, how big will the deficit be; in other words, how much of revenues will flow from your projection?

MORE

MR. ASH: Revenues at the moment for 1975 are expected to be something around the 294 or 295 level. That is about what was forecast when we put together the budget almost a year ago now. There are factors that have caused it to go both ways, but the net of all of those factors is to come out about at the same level it was originally estimated. One thing you should know, estimating revenues is much more difficult than estimating outlays because they are a function of the economy and estimating the economy is harder than estimating how much we have spent.

But at this moment we are looking right around that level of revenues, 294, 295, the same numbers we had before.

Q You said earlier that spending was growing at a rate of about \$30 billion a year. Are you looking for a \$30 billion increase for 1976 over 1975?

MR. ASH: Let's take the numbers that we have quoted before. Let's assume that we are successful, successful meaning let's assume Congress joins with us on these deferrals and recissions and substantive legislation and causes outlays to be \$300 billion. \$30 above that is \$330, as you know, because for the first time this was published in detail.

We have provided guidance to departments and agencies for the 1976 budget, which guidance added up to just slightly under \$330.

Q Is that the projected spending total right now?

MR. ASH: Right now is the word that got me off the hook slightly because that is the budget guidance out to the departments and agencies. We are now in the process of directors reviews, which is to take all of their proposals as against that guidance number and consider them in detail, some pluses, some minuses, some variations for all kinds of reasons and facts and at this stage we are going through the process to determine whether that is the right number or not, but that certainly is the guidance that went out and to which they responded.

Q And that is subject to a reduction, I take it?

MR. ASH: I have just been told that I have to get over and let some blood on HEW because that directors review starts here in just a few minutes. I wouldn't invite any of you to join me, but sometimes I wish you were there rather than me.

THE PRESS: Thank you, Mr. Ash.

END (AT 10:50 A.M. EST)