

FOR IMMEDIATE RELEASE

MARCH 19, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

THE WHITE HOUSE MADE PUBLIC TODAY THE
FOLLOWING LETTER FROM THE PRESIDENT TO
THE SPEAKER OF THE HOUSE OF REPRESENTATIVES
AND THE PRESIDENT OF THE SENATE

Dear Mr. Speaker: (Dear Mr. President:)

I am transmitting herewith a set of legislative proposals which would place a temporary 5 percent ceiling on pay increases for Federal employees and in benefit payments to individuals that are connected by law to consumer prices.

These proposals are an integral part of the economic, fiscal, and energy program that I outlined to the Congress in my State of the Union Address on January 15, 1975. As we move forward with tax reductions to revitalize the economy, with energy conservation and self-reliance measures, and with substantially expanded aid to the unemployed, it is essential that we restrain the overall growth of Federal expenditures. In the interest of the long-run as well as near-term health of the economy, we simply must curb the rate of increase in the budget that has occurred in recent years.

My 1976 budget recommendations include no new spending initiatives, except for energy. In addition, they reflect proposals that would reduce outlays by \$17 billion, including \$6.1 billion in savings that would result from enactment of the enclosed draft bills. A table is attached providing a breakdown of this figure and the programs involved. Without the economy measures I am recommending, increases in Federal spending would be sharper in the short run and would continue unchecked in future years. The budget deficit for the coming fiscal year would also be greatly increased.

In proposing a 5 percent ceiling on Federal pay raises this year, I am asking that the Federal Government set an example for the Nation. Federal workers generally enjoy greater job security than other workers. I believe that most Federal employees will understand that some restraint on their pay raises is appropriate in light of the need to provide benefits and create more jobs for the unemployed.

I urge the private sector --- labor and management alike --- to follow this example and minimize wage and price increases.

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The proposals place a similar temporary limit of 5 percent on the automatic increases in benefit programs linked to consumer prices. These proposals bear in mind the large increases that have occurred in these programs in recent years -- increases which have exceeded the rate of inflation. Total benefit payments under the programs involved -- primarily Federal civilian and military retirement, social security, railroad retirement, supplemental security income, and the food stamp and child nutrition programs -- have risen more than the cost of living. For example, average per capita payments for persons receiving social security benefits have increased by 22 percent in real terms since 1970 -- that is, after adjusting for increases in consumer prices.

The enclosed proposals would not eliminate or reduce any benefit payments from their present levels, but would merely slow down, through June 30, 1976, the rate at which these payments would be rising. Their enactment would help us begin to gain some control over the longer run growth in the Federal budget. This is because, in general, the lowered levels of benefit increases that would be in effect through fiscal year 1976 would not be made up subsequently.

I recognize that I am asking the Congress to make some difficult decisions in acting on these proposals. But that is what I must do. During this time when thousands of workers are being laid off and we are still experiencing considerable inflationary pressure, I believe the modest restraint that I am proposing on pay raises and increases in benefit programs makes sense for the future and is urgently needed in the present.

At the request of the District of Columbia Government, District Government employees are included in the attached draft legislation, where applicable.

I hope the Congress will consider these proposals and act on them promptly and favorably.

Sincerely,

GERALD R. FORD

The Honorable
The Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Nelson A. Rockefeller
President of the Senate
Washington, D.C. 20510

Enclosure

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