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THE WHITE HOUSE

TEXT OF AN ECONOMIC ADDRESS
BY THE PRESIDENT
TO BE BROADCAST LIVE ON TELEVISION AND RADIO

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 improvements, thus helping businesses 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.

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 Congress to get a straight-forward 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 of your money to be spent by the government in Washington.

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

The tax cut finally adopted by Congress represents 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 \$23 billion 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 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.

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This is no way to legislate fundamental tax reforms, and every Member of 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 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 voted against 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 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 sustained 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 while 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.

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 for only one year. I strongly urge that the Members of Congress, upon calm reflection, will have second thoughts and let the worst of these provisions expire. However, any damage they do is outweighed by the urgent necessity of an anti-recession tax reduction right now.

Even if I asked Congress to send me a better bill, and they did, it would take too long to get one back and I cannot in good conscience risk more delay. But I will work with Congress to remedy the deficiencies not only 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.

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.

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 \$52 billion as represented by this column.

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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 FY 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 about \$12 billion 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 \$30 billion or more of spending. This would bring the deficit to the enormous total of \$100 billion. 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 \$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 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)

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. 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 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.

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