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March 19, 1975



Two months ago I asked the Congress to enact a simple tax cut and to enact it as quickly as possible. The purpose was to stimulate and provide upward momentum for the economy. I proposed tax cuts that would be temporary and would total \$16 billion. The proposal was designed to provide a maximum amount of stimulus without setting the stage for a new inflationary spiral when the economy starts to recover. I indicated my willingness to compromise within reasonable limits.

The bill reported Monday by the Senate Finance Committee does not measure up to those goals:

- . It would increase the size of the tax reduction from \$16 billion to \$29 billion -- nearly doubling the impact on a budget deficit already at an all-time high.
- . It would build in \$16 to \$20 billion of tax reductions which are technically temporary but which will surely continue next year, and the year after, and the year after that. That is a sure recipe for future inflation, unless offset by other revenues or spending cuts.
- . It would embed new and major defects in our tax system. The proposed housing credit is a multi-billion dollar subsidy that will be largely wasted. The proposed earned income credit is another welfare program to be administered by yet another federal agency on top of the jumble of existing welfare programs, and an indirect attack on fundamental aspects of the social security system -- all done without examination of the fundamental welfare and social security problems involved. The proposals with respect to employee stock ownership plans coerce employers and employees alike into compensation patterns which neither may desire. It would complicate still further a tax system which is already far too complicated.

While the Finance Committee was adopting these proposals, other committees of the Congress have been busy planning new spending programs and rejecting proposed cuts in existing spending programs. This double barreled attack on the budget could mean a run away deficit, followed inevitably by renewed and increased inflation. We must not let that happen.

I again ask the Congress for a prompt, simple, and temporary \$16-19 billion tax cut to stimulate the economy and put people back to work.