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THE WHITE HOUSE
WASHINGTON

November 5, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JACK MARSH

FROM: JIM CONNOR *JEC*

The attached was returned in the President's outbox with the following notation:

"Show to Jim Lynn"

Please follow-up with appropriate action.

cc: Dick Cheney

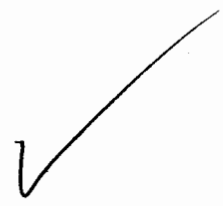
THE WHITE HOUSE
WASHINGTON

Show to
Jack Marsh

Show to Jim
Byrne.

OCT 23 1975

October 22, 1975



MEMORANDUM FOR THE PRESIDENT

FROM: MAX L. FRIEDERSDORF

SUBJECT: Senator Mansfield

I am attaching remarks delivered by Senator Mansfield yesterday pertaining to the President's tax cut -- spending reduction program.

bcc: ~~Jack Marsh~~
Donald Rumsfeld

October 21, 1975

Remarks of
SENATOR MIKE MANSFIELD (D-Mont.)
U. S. Senate

The other day the President of the United States called together a group of reporters, columnists and whatnot to espouse his views on the Administration's latest proposal with regard to the economy: a \$28 billion tax cut tied to \$28 billion in spending reductions. Few, if any, words were then uttered about inflation and unemployment, about deficits edging over the \$70 billion mark, about the push and pull aspect of the proposal -- its start and stop, shove and yank effect on the economy.

There was no reluctance, however, in telling us who would benefit by tax cuts -- corporations, business concerns and ordinary people. Not poor people however. A family of four earning \$5,000 a year would get no relief, no tax reduction from current rates. A family of four earning \$50,000 a year, however, would get a tax cut of nearly \$400. Putting aside the tax cut idea, no words at all were expressed about who would bear the burden of these cuts, about what programs would have to go, about who would pay the \$28 billion price. Would it be the poor, the sick and disabled, the elderly on social security? I think most of us would welcome the Administration's views on these questions. I think most of us would like to see the Administration's recommendations for paring down its own budget, for pruning its own spending requests. Up to now these suggestions that the Administration come forward and point out the fat and waste in its own budget have been greeted by deep and stony silence. What then should be made in the way of spending reductions to make up for \$28 billion in revenue lost from

tax cuts? I suppose we could get a clue about where such cuts would come from by recalling some of the President's vetoes. He vetoed last year a railroad retirement bill; a vocational rehabilitation bill; a Vietnam Veterans Education bill; a T.V.A. Pollution Control bill; and this year, nurses training, milk price supports, rural environment and conservation assistance, agriculture price supports, emergency employment, emergency housing, education appropriations, and the school lunch program, to name but a few.

I have a few suggestions where we might think about making tax cuts. They are mine. They bind no one, of course, but they do reflect my own personal view--in accord with the President's--that the Federal budget is too extravagant, that the Federal bureaucracy is too top heavy, that there is too much waste and inefficiency all around.

Take the Civil Service. The Federal government employs 2,903,351 civilian workers. The payroll costs the taxpayer \$39,383,427,000. Two hundred and fifty thousand Federal workers become eligible to retire each year. For starters, I would suggest that for every two jobs vacated due to death, resignation or retirement from the Federal payroll, only one replacement be hired. The estimated savings from such attrition could reach \$2 or even \$3 billion a year. Another substantial savings could be made by pulling back the hundreds of thousands of troops now stationed abroad. There is simply no reason to continue longer this policy that compels the presence of U. S. manpower all over the globe. Not too many years ago the Defense Department told us that it costs us \$18 billion to maintain our troops and commitments in Europe. Now, the figure is closer to \$22-23 billion. There are about 500,000 troops stationed on foreign soil. For every 100,000 pulled back, we would save at least one billion dollars.

Then, there is the question of the Defense budget as a whole; the question of building and deploying a missile cruise system at a price tag of \$1.2 billion; the question of building, only to abandon, ABM systems and the like; the question of pushing forward the maneuverable warhead system--MARV--or of retaining a force too heavy at the top. Pending right now before the Senate are \$7.6 billion in proposed Defense cuts. From the superfluous and exotic, from the waste and the fat and the unnecessary could be trimmed on top of that another \$5 billion in Pentagon spending requests.

Next is Foreign Aid. What was it they are asking--an extra \$3 billion for the Middle East. Interestingly, it is about the same amount New York happens to need at the moment to face up to its financial problems. And what is the Administration's position? Three billion for the Middle East. Nothing for the people of New York. Indeed, I think some substantial paring and pruning could be made in the entire Foreign Aid budget.

Substantial cuts could come from the so-called Revenue Sharing program where too often the national government rewards the inefficient and imprudent management of state and local bureaucracies which are permitted to play Santa Clause at the expense of the federal tax collector and taxpayer.

And there is more. There is the intricate complexity of the regulatory system where reform and reshaping are just now getting under way. May not streamline the functions, peel off some of the layers of controls and red tape and provide some savings for the taxpayers in the process?

And if we are truly bent on helping the American taxpayer, I would hope close attention is paid to what is now transpiring in the House Ways and Means Committee. Under way is an investigation of all the loopholes, all the exclusions, preferences, shelters, and whatnot that have grown up over the years. I commend

the Ways and Means Committee. I would hope the Senate follows suit when it receives this revenue bill to the end that more equity and fairness can be written into the tax code, taking some of the burden off the backs of middle-income Americans and putting it more on the well off--those who can better afford it.

Without addressing, therefore, the merits or demerits of the Administration's recent tax cut/spending cut proposal, there indeed exists \$28 billion in Federal extravagance. Twenty-eight billion can be cut and Congress can get to work on the job of pruning and paring. There is a Budget Committee in the Senate. There is a Budget Committee in the House. There is a Congressional Budget Office.

I have offered my views on where to look for \$28 billion in spending cuts. Others will have their own suggestions. What I would like to see is for the President to meet with the Chairmen and Ranking Members of the House and Senate Budget Committees to discuss in detail the specifics of his proposals.

I would only note further that there has been criticism of this Administration proposal on the grounds that election year politics is being played with the American taxpayer--that this package is designed at once to stoke up the economy in an election year without regard to economic consequences, and lay the groundwork for much more criticism against the Congress as styled by the Administration.

In sharp contrast it should be remembered will be a "can do" President: a President who can promise 100 vetoes--and do it unless stopped by the Congress; a President who can give us a \$70 billion deficit--and probably achieve it year after year unless stopped by the Congress; a President who can present us with a \$100 billion energy program and seek to double the price of all energy in

this nation--and will do it unless Congress stops it; a President who can get us involved directly into the Middle East crisis and already has; a President who can outspend even his predecessor who achieved record depths in budget deficits; a President who can urge that everything be cut except Pentagon requests and taxes for low-income citizens; a President who can tolerate 10 million Americans out of work or who have given up looking for jobs--and who has; a President who can veto programs designed to take Americans off the welfare and unemployment rolls and put them back on the work rolls; a President who can tolerate double-digit inflation; a President who can, and has done already all of these and who will continue to do so unless and until Congress responds effectively.