

**The original documents are located in Box D15, folder "The Budget Myths or Realities, " 1962" of the Ford Congressional Papers: Press Secretary and Speech File at the Gerald R. Ford Presidential Library.**

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The Administration has proved itself a champion fund-raiser, both in raising the ransom money for the Cuban prisoners and paying off the Democratic party deficit.

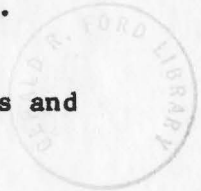
I believe the American people would be a lot happier if they would ~~be able to get around to applying these talents to~~ get around to applying these talents to the national budget.



The worst reform of all is the so-called 5% floor proposal.

I have serious doubts that it will pass; even the majority on the Ways and

Means Committee seems opposed.



\* \* \* \* \*

In case you don't think the government is spending us into the  
poorhouse, just look at the new 5¢ stamp. Even George Washington has lost  
his shirt.

\* \* \* \* \*



The point is that this one proposal would bring in \$2.3 billion.

If you cut that out of the package the "reform" falls into shreds, ~~and this~~  
~~is one of the biggest problems facing the Congress today.~~

The President says - no tax reduction without  
reform.

The Congress reacts - no so-called reform  
that penalizes the thrifty, the charitable.  
This is too high a price for tax reduction



"THE BUDGET: MYTHS OR REALITIES"

INTRODUCTION:

*True*  
*Great great man*  
*Something still done by hand.*  
It strikes me that your organization is the only one before

which I have ever spoken which could understandably favor bigger and bigger

government. I have never known anyone else who <sup>might</sup> like the idea of mountains

and mountains of paper work which is so common down in Washington.

I don't favor big government; I want it as small, understandable,

*Forgetting partisan political labels*  
and personal as possible. ~~I feel~~ it's fair to explain right off that I am

a ~~Republican~~ with a conservative approach to domestic affairs. This is my

built-in bias, and while I will try not to let my comments get too political,

it is only fair to let you know my point-of-view.

KENNEDY PROPOSED

Basic Elements of Economic Program

- I. Tax rate reductions over 3 years.
- II. Tax reforms
- III. Appropriation requests which exceed revenue,  
resulting in deficit of \$11.9 billion

NOW LET'S EXAM  
the second problem  
Economic Policy



Although title is "THE BUDGET: Myth or Reality",  
with your indulgence may I broaden my topic?

Since Jan 9<sup>th</sup> - travelled extensively

Public concerned with National Security

Involves - ① military + diplomatic strength  
& success.

② financial soundness +  
responsibility of our govt.

These major problems which involve  
all are citizens whether in El Centro or N.Y.

At the same time there is a greater  
& greater realization that the WORLD is

Turbulent,  
Yes VOLCANIC  
A calm sea today - can be a violent sea tomorrow

1) Who would have thought that <sup>4 months</sup> after the  
CUBAN CRISIS where the President,  
our military leaders & the American  
people responded so admirably, that  
we would be plagued with so  
many unresolved problems 90 miles  
from the coast of Florida

2) Few Americans were prepared for  
the disarray of our alliances in Europe.  
a) Most of us were lead to believe that  
England would get in common market. - that  
D.C. Pull a stumbling block.



3) Until several weeks ago only  
 a handful of Americans realized  
 that our long standing good relations  
 with our Canadian neighbors had  
 deteriorated so badly that - The leaders  
 of each of the major political parties  
 labelled our State Dept. action "stupid."

Does this turbulence in World Affairs mean the  
 U.S. should be timid, uncertain & vacillating?

No - on the contrary it means OUR  
 COUNTRY must forge <sup>& execute</sup> its policies  
 based on strength.

WE HAVE SUCH STRENGTH

I have heard      See Mac. - 4 others  
                                 General Taylor - 4 "

This is why we as a Nation have  
 spent \$40 to \$50 billion.





*Tak*

Still, almost all agree: (1) cuts are needed.

(2) cuts will help economy

*at the right time.*  
if in a proper package ~~of other legislation.~~

*(over)*

Prospects of a tax cut: very good. ~~There is wide sympathy for it,~~

among both Democrats and Republicans

*in December until*

*a) conflicting theories*

*b) it was tied to the unproven theory that deficits, as such, are a good thing*

**PUMP PRIMING**

## II. TAX REFORMS - *little much*

Some which would lose revenue

1. Add a new \$300 exemption to all forms, favoring incomes below \$5,000.

2. Allow an added \$300 tax credit for all persons over 65.

Some which would gain revenue

1. Limit itemized deductions to those items in excess of 5% of adjusted gross income. Estimated revenue gain \$2.3 billion yearly.

2. Eliminate the present \$50 exemption on income from dividends from domestic corporations. Gain \$460 million.

3. Oil Depletion Allowance changes - Gain \$300 million.

## Prospects on Reforms

It is the reforms, more than the cuts, which are bothersome. Every single

one of the proposals is likely to make one group mad and others glad. One man's

"equity" is another man's "loophole."



Why is a tax cut good?

Not simply to produce a deficit, ~~which it does~~

<sup>merely</sup> Not to put more money in the hands of either

consumers or investors, ~~which it does.~~

<sup>a short, one time</sup> Not to give <sup>to the economy</sup> a shot in the arm, ~~which it does.~~

It is good because it lifts the ceiling on economic growth.

~~that becomes oppressive just at the time when the problems~~

~~of unemployment and and plant utilization are beginning~~

~~to be licked.~~

BUT -- The trouble is that the idea of a tax reduction got off on

the wrong foot because it was tied to the unproven theory

that deficits, as such, are a good thing.

### III. KENNEDY'S SPENDING PROPOSALS

These are estimates - each is subject to challenge, for if estimates are wrong, deficit may be larger than expected, or smaller than expected.

#### Agriculture

Estimate cut spending by \$1 billion below fiscal '63.

Last year he estimated it would drop by \$½ billion, but instead it rose by \$1 billion.

#### Gold Return

Estimate Ex-Im Bank <sup>activities</sup> will bring in \$650 million compared with input of \$225 million now.

Doubt this will occur when such great emphasis now being placed on U. S. export activity.

#### HOUSING

Expect receipts of \$437 million - This is far more than we've had in any of the last ten years, and no real justification to expect a record year.



KENNEDY'S  
SPENDING PROPOSALS  
(CONCLUSION)

FALSE ESTIMATES  
How valid

In Fiscal Year '62 estimated budget fell \$3.5 billion below actual budget.

In Fiscal Year '63 estimated budget is \$1.8 billion below actual spending.

He expected a \$458 million surplus and wound up with more than \$8 billion deficit.

It is reasonable to believe that in Fiscal Year '64 his estimated budget of \$98.8 billion will turn out to be well over \$100 billion dollars.

Spending thus is planned to exceed revenues once again. Taxes are proposed to be cut, but much of the cut will be offset by revenue recaptured through reforms. But the plan calls for a deficit this year

next year

on into the future -

at least to 1966

No prospect or specific plan for a surplus ever.

We are proving to the world that we cannot and will not pay

our debts here at home.

Debt is glorified and thrift is penalized under the proposed tax bill.

*in case you don't think the govt is spending us into the poor, just look at the new 5¢ stamp! Even George Washington has lost his shirt.*  
I believe it can, but Congress will have to change the FORMAT.  
~~and will be changed but to expect that it will be~~

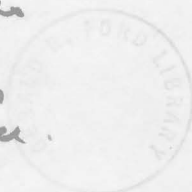
~~designed with conservative, responsible budget balancing in mind, is~~

~~unrealistic with Mr. Kennedy in control of the nation's lawmaking processes.~~

Congress - cut \$5 billion -

Challenge President

- 1) Lending agencies
- 2) Foreign aid
- 3) Public works
- 4) Defense + space





Yes the preservation of the Union,  
the strength of our nation rests  
on the partnership of the co-equal  
branches of the federal Govt.

Our forefathers when they  
drafted this historic document - the  
Constitution - wisely said

Progress can be ensured

Freedom can be protected

If we have a strong executive - Pres.

" " Legislature - Congress

" " Judiciary - Supreme.

America has gone from 13 poor colonies to the Peak.

The Challenge of the Future is for our <sup>LEADERS to believe</sup> PEOPLE to support it.



National financing can be fairly compared with highway building. And the taxpayer can be likened to a driver who is confronted with two choices:

Drive on      (1) Toll Road      (2) Freeway

#### TOLL ROAD

- a. You always know where you are and how far you can afford to travel.
- b. When you run out of cash, you have to stop.
- c. When you pay a high toll you have a right to expect a fine road, well landscaped, plenty of service stations, and so forth. Too high a toll will frighten away customers.
- d. If the toll rates drop you can expect more traffic, and probably less service.

#### FREEWAYS

- A. The cost is hidden from sight -- how many of you know the cost to you or the value to you of a drive on any given section of freeway?
- b. Because the costs are hidden, the drivers have a very hard job making an intelligent decision on whether the money is well spent.

\* \* \* \* \*

- - - - - Don't mean to stretch this analogy too far, but:

The Kennedy tax program is like a highway. It leads to new programs in education, welfare, defense, employment, and all sorts of new spending proposals.



The point is: his program puts the taxpayer on the freeway approach to expanded government, rather than the toll road.

On a freeway program, the taxpayer

1. Has only a hazy idea of the cost, and therefore the value to him, of any given program. It's easier to fool people this way.
2. When the taxpayer is told "now we're going to cut your taxes," he has no right to expect that the government is going out and landscape the highway.

(That's what Kennedy is doing - - lowering taxes and raising spending)

3. Expects a free- ride all the time.

On a toll road program, the taxpayer

1. Knows what the cost is and what he's getting for that amount.

Pay-as-you go highway bill with attached appropriation bill

versus

All-in-one education bill without companion appropriation bill

2. A well thought-out and sensibly financed plan will attract taxpayer support when people know the costs in advance.
3. If he doesn't like it he will vote down the program - or he turns out the sponsor of the idea.
4. Builds confidence in the future for business, the backbone of America.





S U M M A R Y

We should take the toll road approach by:

