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1/31/75

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TO: THE PRESIDENT

VIA: ROBERT HARTMANN

FROM: PAUL A. THEIS

SUBJECT: Press Briefing on Budget

TIME, DATE AND PLACE OF PRESIDENTIAL USE: _____

10:00 a.m., Saturday, February 1, State Department

SPEECHWRITER: Casserly

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PRESIDENT'S BUDGET PRESS BRIEFING, SATURDAY, FEBRUARY 1, 1975

I was reminded before coming here this morning, that I was following in the footsteps of another President by coming here personally -- face to face -- to present my budget proposals for fiscal year 1976 and answering your questions about it. The President was Harry Truman and with the last such occasion was on January 19, 1952, when he met/the press to discuss the budget for the fiscal year 1953. A budget, I might add, that had jumped to \$85 billion -- described at that time as astronomical.

In the discussion, President Truman said, "This budget has been the biggest headache I have ever had!" Well, as I look at the Federal budget for the fiscal year 1976, I can only say, "Harry, I hope you left some aspirin for me."

You may also be interested to know that for the first time in memory -- the color red appears on the cover of the budget book. Admittedly, it is part of a red, white and blue motif honoring the Nation's Bicentennial.

But I hope it will also remind us that this country came into being as an expression of independence -- of and from big government.

The size of the budget I am about to present is evidence of how far we have strayed from this first American concept. And I might add, big government is no less a burden now that it is our own. I hope the symbol of our government will always be Miss Liberty -- and only rarely, Lady Bountiful.

Let me begin by saying that the President's annual budget is a carefully considered and integrated set of policies, programs and priorities that a President recommends to the people, and the Congress, to set our national course into the future. Thus, the budget is one of the President's major policy pronouncements each year.

I want to talk to you about the key features of the budget for FY 1976 which I will submit to the Congress next Monday.

It is a big budget, calling for expenditures of \$349 billion -- almost a billion dollars a day -- during the year starting next July 1. It will result in a large deficit for that year -- \$52 billion.

I do not like to see such deficits; I know most Americans do not.

And I am resolved to take those steps that will make such deficits unnecessary in the future. Most of all, to require the restoration of a vigorous economy in this country. For, if the economy were to be operating at its normal rate today and in the immediate future, I would not be forecasting such a large difference between revenues and expenditures; in fact, we would have balanced budgets both in this year and next.

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But we must be realistic: We must recognize that, in times like these, it is good national policy both to provide financial support to those unemployed and to introduce a measured amount of additional stimulus into the private economy, by a tax reduction. My budget, as an integral part of the total economic recovery and energy independence plan I have proposed to the Congress, does just that.

Yet overcoming the recession is not the only goal of my budget, It is equally essential that we not rekindle the fires of inflation.

I have carefully gone over all the programs set out in this year's budget and proposed by the Executive Departments for inclusion in the budget. I have concluded that, for this year at least, it would be imprudent to initiate any new spending programs. None are proposed.

Furthermore, I have proposed a number of reductions in spending from the levels they would obtain by automatically following the courses set in earlier years.

Together, these reductions amount to \$17 billion for FY 1976.

Congressional concurrence is needed to effect most of the reductions and I strongly urge that concurrence. For, while the one-time tax reduction I have proposed will aid the economy in overcoming the present recession, the more permanent program expenditure reductions are necessary if we are not to embark on a course of future spending that will be highly inflationary.

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Total Federal outlays -- we now anticipate -- will increase about 11 percent between fiscal 1975 and 1976. My budget recommendations provide for total outlays of \$349.4 billion in 1976 -- an increase of \$36 billion over 1975. We expect receipts of \$297.5 billion -- an increase of \$18.8 billion over 1975.

Our budget deficit will approximate \$86.6 billion over both 1975 and 1976. ^{\$100} There are two major reasons for this and I want to spend a brief time on both of them. Aside from the effects of my proposed tax reduction, the deficits anticipated for the two fiscal years are largely the result of aspects of the budget and tax system that respond automatically to changes in the economy. For example, in the case of an economic slowdown, Federal tax collections slow down as incomes and profits slide and unemployment benefits rise sharply. These stabilizing forces are, of course, good but they also cost us money.

Aid to the unemployed -- including the special measures I proposed and were enacted -- will be \$12.7 billion larger in 1976 than in 1974.

This will provide income support for more than 14.5 million beneficiaries and their families. While receipts would be \$30 billion higher in 1975, these aid to the unemployed is up \$9 billion over 1974. All factors -- apart from any other considerations -- more than account for the deficits expected in 1975 and 1976.

~~The second major reason for our budget deficits is this: the uncontrollable nature of much of the budget~~ -- Tremendous built-in costs that keep rising from year to year and consistently put us in difficulty before we even begin consideration of a new budget. Let us look at some of these figures:

In the ten fiscal years from 1967 to and including 1976, Federal payments for individuals rose about 400 percent. What does that mean? Payments for individuals -- or transfer payments as they are sometimes called -- are Social Security, Federal retirement benefits, Medicare and Medicaid, public assistance and related programs, and so forth. These outlays skyrocketed from nearly \$42 billion in 1967 to a "must" allocation of more than \$165 billion in 1976.

Government expenditures now account for almost one-third of our Gross National Product. But if these ^a ~~programs~~ *kind of expenditures* continue at anywhere near their ~~current~~ *past* rate of growth -- more than twice that of the GNP -- government expenditures at all levels -- Federal, state and local -- could slice away more than half of our GNP within two decades.

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It is time to recognize that we cannot give away more than we produce. It all comes down to that.

Our budget difficulties do not, however, end with transfer payments.

These are only part of the problem -- great as that part is. There are additional open-ended and fixed costs in the budget. Total, relatively uncontrollable outlays have soared from nearly \$94 billion in 1967 to almost \$261 billion in allocations for 1976 -- a stunning increase approaching 300 percent over the past ten years. These uncontrollable outlays have climbed in the past decade from about 60 to approximately 75 percent of the total Federal budget. In simple language, when anyone sits down to discuss a new Federal budget, that person is talking about only 25 percent of that budget. These built-in costs will continue to rise -- as sure as sunrise -- because of population and other factors. The one thing we can stop is the rate of increase.

The way we can profit from this is to recognize clearly that we must keep a tight rein on spending. We must prevent it from rising still further. We must see the day when we are on a permanent road to reducing taxes. I believe that tax relief -- not more Government spending -- is the key to turning our economy around to renewed growth.

Finally, the Congressional Budget and Impoundment Control Act mandates major reforms in congressional procedures for dealing with the budget. It opens the door to a closer working relationship between the Executive branch and the Congress and I welcome this. I promise and will work very closely with the Congress because once we get things moving again, we must keep the momentum going. The 1976 budget will be a test of that.

I welcome your questions. . .

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