Statement by Rep. Gerald R. Ford (R-Mich.) on proposed reduction of excise taxes.

FOR IMMEDIATE RELEASE

May 17, 1965

Republicans favor a reduction of excise taxes which were initially levied as a wartime emergency measure.

If we are to have this reduction in revenue, we must also find a way to reduce non-defense spending to a comparable amount in order to maintain fiscal responsibility.

It must be kept in mind that the United States is committed militarily in two theaters of conflict, 6000 miles apart. And, there are indications that Communist aggression may break out elsewhere in the world.

Our Nation must remain strong and ready to meet any emergency in the battle against Communism. Therefore, we must maintain a fiscal position which will be the foundation for a measured, meaningful military effort at almost any moment.

Congress should carefully weigh the need for a $4 billion excise tax reduction without a cutback in non-defense spending at a time when the Nation is taking a carefully calculated military stand against the forces of Communist aggression in two hemispheres.

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Statement by Rep. Gerald R. Ford (R-Mich)
"Tax Credit Plan"

June 23, 1965

The tax credit plan to assist students and their parents in meeting the expenses of higher education, which the House Republican Conference today endorsed, has been a major objective of Republican policy for many years. Our party platforms in both 1960 and 1964 contained strong planks in favor of the tax revision to lighten the burden of the costs of education.

Year after year Republicans have introduced legislation to ease the present tax burden on amounts spent to pay the mounting costs of higher education. In the present Congress alone 22 House Republicans have introduced tax credit bills for this purpose and in the Senate 17 Republicans co-sponsor the tax-credit approach. I believe we can justifiably call the tax credit approach a truly Republican approach.

We have found strong support for tax credit among those who know best the needs of American higher education...the educators themselves. An extensive survey of college and university presidents and trustees, educators, and others interested in education found them 7 to 2 in favor of tax credit legislation.

President Johnson has opposed tax credit legislation. Yet only last Monday, in signing the bill to reduce excise taxes, the President indicated that further tax reduction is needed. We Republicans agree. We realize that there are many competing claims for relief from the burden of Federal taxation. But, we feel that none has greater priority than the higher education of the next generation of Americans.

As Republicans we have been united behind the tax credit approach for many years. We are united today. We sincerely hope that our efforts will produce much needed relief for millions of American students and their parents in meeting the burdensome costs of higher education. For in today's world, higher education is not a luxury, it is a vital necessity.

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# # # # #

From: House Republican Conference
Rep. Melvin R. Laird, Chairman
Room 2246 Rayburn Building
Washington, D. C.

Contact: Duff Reed
225-7086

file copy

FOR IMMEDIATE RELEASE: Wednesday, June 23, 1965

HOUSE REPUBLICANS OFFER TAX CREDIT
BILL FOR COSTS OF HIGHER EDUCATION

The House Republican Conference announced today the adoption of a resolution to support tax credits legislation covering tuition and other expenses of higher education that would effect millions of Americans parents.

The proposed legislation, which represents an amalgamation of tax credit for education bills previously introduced by 23 Republicans in the House and 19 in the Senate, would allow an individual a tax credit against income taxes of as much as $325 per year to cover college and university tuition, fees, books, supplies and other equipment. The tax credit would also apply to persons providing these expenses to individuals other than their own children.

In announcing the Republican policy position, Conference Chairman Melvin R. Laird (Wis.) said," Tax credits to meet the rising costs of higher education were included in the Republican platforms of 1960 and 1964. The research of our Task Force on Education, and the Republican unity that I believe will be forthcoming behind this legislation mean that this long-sought objective could now become a reality. We've got the right issue. The only obstacle now is whether we have the right number." Calling attention to the wide range of tax cuts recently proposed by the Administration, Congressman Laird stated, "I can think of no form of tax relief more in the national interest than one which will encourage a greater number of young Americans to complete a college education. This is a fiscally sound investment in our nation's most valuable asset, its students today and its leaders tomorrow."

Minority Leader Gerald R. Ford (Mich.),commenting on the need for relief from the burdensome cost of higher education,stated: "President Johnson has opposed tax credit legislation. Yet only last Monday in signing the bill to reduce excise taxes, the President indicated that further tax reduction is needed. We Republicans agree. We sincerely hope that our efforts will put into law tax credits for college and university expenses. For in today's world, higher education is not a luxury. It is an absolutely vital necessity."

The Republican tax credit proposal comes as a result of efforts in recent months of the House GOP Task Force on Education, under the direction of Congressman Albert H. Quie (Minn.), to come to grips with the ever-increasing costs of providing college and university training without interfering with the traditional independence of our nation's institutions of higher learning. The Task Force held public hearings in New York City on May 24, 1965 in which a substantial majority of the witnesses indicated strong support for a tax credit approach to these problems. According to Task Force Chairman Quie,"Nearly 1,000 educators, trustees and others interested and knowledgeable in the field of education were queried on the subject of tax credits. Of the more than 900 who replied, about 75% are in favor of legislation of the type we have introduced today." Calling assistance to education in the form of tax relief "high priority" Quie declared, "One of the most significant results of this legislation will be the added motivation given our young people to seek a college education. When parents realize that a substantial part of the costs of higher education will be met by tax credits, they will turn heaven and earth to see that their children pursue this vital training."

# # #

U.P.I

FOR IMMEDIATE RELEASE MARCH 29, 1966

STATEMENT BY HOUSE MINORITY LEADER GERALD R. FORD, R-MICHIGAN

It is unfortunate that President Johnson is actively thinking about a 5 to 7 per cent personal and corporate income tax increase as a weapon against current inflationary pressures in preference to a cut in non-military federal spending.

However, I fully understand his concern that Democrats in Congress probably will add $1 billion to his budget instead of reducing non-military federal expenditures. I can assure him that Republicans would be glad to help him cut spending by as much as $5 billion as an alternative to a tax increase.

Mr. Johnson mentioned three possible courses of action to halt the inflation that has become all too apparent to most of us--wage and price controls, spending cuts of $5 billion or more, or a $5 to $10 billion tax increase. We Republicans believe a reduction in non-military spending is easily the best course, and we would be glad to help Mr. Johnson and the Democrats in Congress take that road.

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STATEMENT BY REPRESENTATIVE MELVIN R. LAIRD (R-Wis.)
CHAIRMAN, REPUBLICAN CONFERENCE
HOUSE OF REPRESENTATIVES

FOR IMMEDIATE RELEASE
April 6, 1966

The Republican Conference of the House of Representatives this morning discussed the current state of the economy of the nation. It heard reports from Representative Frank T. Bow of Ohio, ranking Republican on the Appropriations Committee, Representative John W. Byrnes of Wisconsin, ranking minority member of the Ways and Means Committee, and Representative Thomas B. Curtis of Missouri, ranking minority member of the Joint Economic Committee.

The Administration has within the past two weeks at various times denied the seriousness of inflationary pressures, urged businessmen to cut down on investment, blamed housewives for not putting on their glasses and taking a good look at prices when they shop, suggested a whopping tax increase and then backed away from this suggestion, finally talked vaguely of cutting spending by $1 billion in the present fiscal year, even as it continued to ask for supplemental appropriations.

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We again call on the President to end this confusion, to face frankly the growing problem of inflation and use the most direct weapon at his disposal to counteract it by reducing the planned level of Federal spending this year and next.

We do not want another tax increase. This year the taxpayers' burden has already been increased by higher social security taxes, higher excise taxes, advanced withholding, and by general tax rises by state and local governments. All these increases already imposed are reliably estimated to run about $8 - $10 billion.

Reduced government spending is preferable to a tax increase as an anti-inflationary measure for three reasons.

First, every dollar cut from spending is a dollar less of inflationary pressure. When government raises taxes, on the other hand, it takes many dollars that would have been saved if they had been left with taxpayers. Every dollar of a tax increase, then, does not reduce inflationary pressures to the same degree as a dollar cut in spending.

Second, the government cannot persuasively call for reductions in private spending when it fails to exercise restraint in its own spending. It cannot expect businessmen and consumers to follow the advice which it refuses to heed in managing its own affairs.

Third, a tax increase will encourage recklessness in government spending. It is not likely to produce the fiscal restraint which government should observe in the present economic situation.

In controlling inflation, the timing of governmental action is all-important. Action must be taken before the fire becomes a conflagration. The longer the Administration dallies, the more drastic the action that finally will be needed.

# # #

PRESS RELEASE

For Release
Sunday, November 27, 1966

Representative Charles E. Goodell of New York, Chairman of the Republican Planning and Research Committee of the House of Representatives, today released a report entitled "A Proposal for General Aid to State and Local Governments through Sharing of Federal Taxes."

This report is based upon a study submitted last summer to the Planning and Research Committee by Dr. Richard Nathan, an economist now with the Brookings Institution.

The plan offered by Mr. Goodell calls for sharing a fixed percentage of revenues from the individual federal income tax with state and local governments for purposes which would be determined by the recipient governments. Beginning at 3 per cent of the receipts of the tax, the amount shared would be increased in steps to 5 per cent.

Under this proposal 50 per cent of the federal grant would be allotted to the states for purposes determined by the states, 45 per cent would be allotted to states for unconditional allotment to local governments, and 5 per cent would be devoted to strengthening state administrative machinery and practices. Local government includes local educational agencies.

"This proposal," said Congressman Goodell, "seeks to provide for the great public needs of the 1960's and 1970's by equipping state and local governments to meet these needs. It is an alternative to the philosophy of the Great Society which would meet these needs by massive expansion of federal programs and by further proliferation of narrow categorical grant-in-aid programs that end up in administrative confusion, waste, and centralized control.

"Interstate competition for industry limits the revenue-raising potential of the wealthiest states. An inadequate tax base limits the poorer states.

"General and unconditional aid through sharing of federal revenues offers a means of providing the services required by the American people without reducing state and local governments to administrative subdivisions of the central government.

"This proposal is not offered as a substitute for any existing programs although in time it may permit reduction of some of them. There is urgent need to bring order to the maze of confusing and duplicating federal programs now in existence, but this is a separate problem."

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A PROPOSAL FOR GENERAL AID TO STATE AND LOCAL GOVERNMENTS THROUGH SHARING OF FEDERAL TAXES

BY

REPRESENTATIVE CHARLES E. GOODELL OF NEW YORK

The Republican message on the State of the Union presented in January, 1966, contained the following appraisal of the current state of American federalism:

> Our nation has thrived on the diversity and distribution of powers so wisely embedded in the Constitution. The Administration believes in centralized authority, ignoring and bypassing and undermining State responsibilities in almost every law that is passed. As a result, our constitutional structure is today in dangerous disrepair. The States of the Union form a vital cornerstone of our Federal system and the headlong plunge toward centralization of power in Washington must be halted.

As a major step toward redressing the balance in the American federal system, the message proposed that Congress enact a system of tax sharing, long advocated by Republicans, to return to the states a fixed percentage of personal income without federal controls. Funds from this source will lighten the load of local taxation, spur solution of vexing problems, and revitalize programs in education, health, and welfare at the local level.

The general principle of this reform has been endorsed by the Republican Governors' Association and by the Republican Coordinating Committee. In the 89th Congress, more than 30 Republican members of the Senate and the House of Representatives introduced legislation providing for some form of sharing federal revenues with state governments with a minimum of federal direction.

Plans for general and relatively unconditional federal grants to state and local government are not new. The Presidential Commission on Intergovernmental Relations appointed by President Eisenhower studied this type of reform in 1954-55, although it recommended against its adoption. One hundred thirty years ago, the federal government put into effect a system of revenue sharing on a one-shot basis, by distributing to the states the surplus accumulated in the national treasury. Foreign nations with a federal system such as Canada and Australia have long provided bloc grants to their political subdivisions. In many of our states, there are systems of tax sharing with local governments analogous to proposals made for adoption at the federal level.

Recent interest in revenue-sharing proposals was stimulated particularly by a proposal made in 1964 to President Johnson by Walter W. Heller. This proposal was taken up by a presidential Task Force headed by Joseph A. Pechman of the

Brookings Institution. The idea has not received a favorable reception from the White House.

The studies, proposals, and actual experience in the field of general aid and revenue sharing have all been taken into account in the formulation of the proposal made in this paper for a system of general aid to state and local governments with as few federal strings as possible.

The proposal made here could--and perhaps should--be considered as part of a broader program to strengthen states and localities which would include not only general aid, but tax credits and appropriate measures to simplify and consolidate the complex and highly fragmented array of existing federal grant-in-aid programs.

General Aid Objectives

The general aid tax sharing legislative proposal made in this paper has been designed to achieve certain basic objectives, among them:

1. committing the Federal Government in a substantial and meaningful way to a re-invigoration of our federal system, long a major bulwark of American democracy;

2. giving recognition to the legitimate claims of local governments to being a part of any general aid program;

3. placing emphasis on the enhancement of the leadership and over-all policy formulation role of state governments in the state-local sector;

4. preserving to states and localities full discretion as to the expenditure of their general aid funds;

5. incorporating a measure of equalization for the poorest states;

6. rewarding with bonuses states and localities which make the greatest tax effort; and

7. making the general aid program sufficiently flexible so that Congress and the Executive Branch can review and revise it as circumstances require.

Each of these objectives is important. Among the most important is the inclusion of cities in the general aid program.

With the steady increase in metropolitan area growth, many states have recognized the need to make local governments effective political jurisdictions. Home rule in many states permits localities to make major policy decisions on their own. The impressive rise in state aid to localities in many cases has shored up this political authority with needed fiscal resources.

Near the turn of the century (in 1902), total state aid to localities accounted for only 6% of local revenues. Twenty-five years later in 1927 (just prior to the Depression), state aid accounted for 10%. In the next decade ending on the eve of World War II, this figure more than doubled, rising from 10% of local revenues in 1927 to 23% in 1938. In the post-war period, state aid rose still further. During these years, it has consistently accounted for between 28% and 29% of local general revenues.[1]

In fiscal 1965, state aid to localities was $14 billion. This was nearly $3 billion more than total federal aid to states and localities. It was 30% of total local general revenues and one-third of total state general revenues.[2] These figures warrant emphasis. In light of recent and steady tax increases in many states, the twin facts that states devote over one-third of their own revenues to state aid for localities and provide 30% of total local revenues certainly indicate that co-operative federalism is a working reality at the state-local level.

A new general aid program should be based on a concept of American federalsim which accurately reflects present relationships between state and city and which gives appropriate weight to the high costs of public services in cities (particularly the central cities of large metropolitan areas) where concentrations of lower-income families often require special educational, employment, rehabilitative and other services.

This state-local general aid tax sharing proposal is distinguished from most other proposals, including that of Dr. Heller, in that it gives local governments--as well as states--needed additional resources to meet basic and vital tasks of government. As far as the cities are concerned, it should also be noted that this proposal differs markedly from the recent "Great Society" proposal to pick out a handful of cities, and with federal funds and federal inducements spruce up so-called "demonstration areas."

In sum, this proposal, in providing general aid to states and localities, rests on a view of American government that is both positive and current. It involves a commitment to a federal system of government, within which innovation can come from all levels, and within which all citizens can participate actively in the democratic processes of government so vital to our nation. In both these respects--innovation mindedness and an orientation towards active citizen participation at all levels of government--this approach at this time is far preferable to the further enlargement of a "Great Society" in which innovation can only come from

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[1]Data from U. S. Department of Commerce, Bureau of the Census, Census of Governments 1962, Historical Statistics on Governmental Finances and Employment, Vol. VI (Topical Studies) No. 4, p. 49.

[2]Ibid., Governmental Finances in 1963-64, p. 31.

the top and in which active citizen participation is a political principle of very low value.

3-Part General Aid

General aid funds from the federal government should be provided to the states to be used as follows:

- 50% for state purposes;
- 45% to be redistributed by the states to local governments as unconditional general aid; and
- 5% to be allocated to the states for executive staff and management purposes as a means of improving the central staffing and management functions of state government.

1. 50% Share for the States

The 50% share for the states might be expended directly by state agencies or distributed in whole or in part to subdivisions for purposes determined by the state.

This share for the states, as well as the 45% share for localities, should be provided by the federal government on an essentially unconditional basis. The only federal requirements should be those applicable to all federal aid payments under the Constitution and various federal statutes, including Title VI of the Civil Rights Act of 1964 prohibiting the use of federal aid funds for programs or activities in which discrimination exists.

Examination of recent state-local expenditure patterns warrants confidence in the ability of state and local governments to utilize effectively general and unconditional federal aid payments. Joseph A. Pechman, in a 1965 paper on "Financing State and Local Government," showed that in the decade 1953-63, state-local expenditures more than doubled and that additional resources were devoted to what are regarded as "urgent" public service needs. Forty per cent of the increase in state-local expenditures over the decade went for education, the fastest-growing area of state-local spending. (This accounted for $14.6 billion out of a total increase of $37 billion.) Besides education, spending also doubled for sewerage and sanitation, natural resources, highways, police and fire protection, and health and hospitals, as shown in Table 1.

TABLE 1

General Expenditure of State and Local Governments by Major Function, Fiscal Years 1953 and 1963[a] (dollar amounts in millions)

Function	Amount 1953	Amount 1963	Increase 1953-1963 Amount	Increase 1953-1963 Per cent distribution	Increase 1953-1963 Per cent increase
Total general expenditures	$27,910	$64,816	$36,906	100.0%	132.2%
Education	9,390	24,012	14,622	39.6	155.7
Highways	4,987	11,136	6,149	16.7	123.3
Public welfare	2,914	5,481	2,567	6.9	88.1
Health and hospitals	2,290	4,681	2,391	6.5	104.4
Police and fire	1,636	3,468	1,832	5.0	112.0
Natural resources	705	1,588	883	2.4	125.2
Sewerage and sanitation	908	2,187	1,279	3.5	140.8
Housing and community redevelopment	631	1,247	616	1.7	97.6
General control and financial administration	1,263	2,474	1,211	3.3	95.9
Interest on debt	614	2,199	1,585	4.3	258.1
Other	2,572	6,343	3,771	10.2	146.6

[a]Excludes insurance trust, liquor stores, and public utility expenditures. Includes federal grants-in-aid.

Source: Paper by Joseph A. Pechman, March 26, 1965. Data from U.S. Bureau of the Census

2. 45% Share for Localities

The 45% share for localities should be distributed to governmental subdivisions as general aid. While the state would determine the basis of allocation, it would not prescribe the use to be made of these funds.

3. 5% Share for Executive Staff and Management Improvement by the States

One of the most compelling needs of many states today is improvement of state executive and management functions. Some states have lagged in these fields, often because of a lack of funds. Pressures for higher spending for education, health, welfare, and urban development have overshadowed the development of executive staff machinery and the improvement of state management services.

The 5% share proposed here for executive staff and management improvement by the states should be defined as 5% of a state's basic general aid allocation, i.e. exclusive of equalization. States which receive equalization general aid funds would first compute 5% of their general aid allocation minus equalization, and then allocate their remaining general aid, including equalization, 55% to the state and 45% to localities.

This feature of a tax sharing plan would put emphasis on the need for:

- active, well-staffed state budget offices;
- qualified executive planning personnel in such fields as fiscal planning, development planning, and policy formulation and co-ordination; and
- sufficiently high salaries for top-level management personnel to attract and hold capable people in state government.

This 5% fund is the only part of the 3-part program under which expenditures would be subject to federal approval. Approval would be by the proposed Administrator of General Aid in the U. S. Treasury Department with the assistance of the U. S. Civil Service Commission or any other federal agency with which he chooses to consult. The Administrator should also be authorized at his discretion to waive this 5% requirement upon request by the Governor of a state. In this case, the 5% would be included in the state's general aid allocation so that the state in question could use 55% of its total general aid on an unconditional basis for state purposes. This authority to waive this 5% requirement is provided so that those states which already have placed priority on executive staff and management functions will not be required to devote federal general aid funds to these areas.

4. General Aid Tax Sharing Fund

The General Aid Tax Sharing Fund, as proposed in this paper, would initially annually receive revenues equal to 3% of Federal individual income tax revenues, with the proviso that in no case shall the amount received by the fund in any given year be less than the amount received in the previous year. This proviso would protect states and localities from a general aid cut-back resulting from recession or future federal individual income tax reductions. Estimated federal individual income tax payments for fiscal 1967 would mean a transfer of approximately $1.8 billion to the General Aid Tax Sharing Funds as proposed here.

Over a four-year period, the percentage of individual income tax revenue distributed should be increased in steps to 5%.[3] Each year, revenues of the Fund would be distributed among the states on a quarterly basis by the Administrator of General Aid in the U. S. Department of Treasury. Ninety per cent (90%) of these funds should be returned to the states on a population basis, weighted by an index of tax effort. This part of a state's general aid grant would be referred to as its basic allocation. The remaining 10% of the General Aid Tax Sharing Fund would be set aside for equalization purposes.

The General Aid Tax Sharing Fund should not be a separate trust fund in the federal budget. These expenditures should be included in the administrative budget. Advance estimates of basic general aid allocations should be made public and sent to the governor of every state at least 90 days before the commencement of the fiscal year.

5. Equalization

The 10% of the funds reserved for equalization should be allocated among the poorest one-third of the states, defined for these purposes as the 17 lowest states in per capita personal income. The computation of equalization allocations should be based on the most recent state-by-state per capita personal income data available. Equalization allocations should be announced no later than April 1 of the fiscal year prior to the fiscal year to which they apply. Notices of equalization grants should be sent to the governors of all eligible recipient states by the Administrator of General Aid.

These various requirements for a one-quarter advance notice of equalization and estimated basic general aid allocations are intended to allow states and localities ample time to incorporate these data into their plans for the utilization of general aid funds.

The computation of equalization grants among the 17 eligible states shall be in proportion to population weighted by the reciprocal of per capita personal income. Figures given below demonstrate the effect of this equalization approach. State per capita income data for 1964 are presented in Table 2 with the states divided into thirds.

[3] A beginning percentage other than 3% could, of course, be selected. For example, legislation could provide that in the first year, 2% of federal individual income tax revenues would be allocated for general aid--this percentage rising by 1% every year (or two years) until it reaches 5%.

TABLE 2

1964 State Per Capita Income

Top 16 States:

1.	Delaware	$3,460
2.	Connecticut	3,281
3.	Nevada	3,248
4.	New York	3,162
5.	Alaska	3,116
6.	California	3,103
7.	Illinois	3,041
8.	New Jersey	3,005
9.	Massachusetts	2,965
10.	Maryland	2,867
11.	Michigan	2,755
12.	Ohio	2,646
13.	Washington	2,635
14.	Hawaii	2,622
15.	Oregon	2,606
16.	Pennsylvania	2,601

Middle 17 States:

17.	Missouri	$2,600
18.	Colorado	2,566
	U.S. Average	$2,562
19.	Indiana	$2,544
20.	Rhode Island	2,514
21.	Wisconsin	2,490
22.	Wyoming	2,441
23.	New Hampshire	2,377
24.	Iowa	2,376
25.	Minnesota	2,375
26.	Nebraska	2,349
27.	Kansas	2,346
28.	Montana	2,252
29.	Florida	2,251
30.	Virginia	2,239
31.	Arizona	2,233
32.	Texas	2,188
33.	Utah	2,156

Bottom 17 States

34.	North Dakota	$2,133
35.	Maine	2,132
36.	Vermont	2,119
37.	Oklahoma	2,083
38.	New Mexico	2,041
39.	Idaho	2,020
40.	West Virginia	1,965
41.	Georgia	1,943
42.	North Carolina	1,913
43.	South Dakota	1,879
44.	Louisiana	1,877
45.	Tennessee	1,859
46.	Kentucky	1,830
47.	Alabama	1,749
48.	South Carolina	1,655
49.	Arkansas	1,655
50.	Mississippi	1,438

Source: U.S. Bureau of the Census, Compendium of State Government Finances in 1965

Using 1967 estimated Federal individual income taxes and current personal income data, the average basic general aid allocation in a distribution of 3% of Federal individual income taxes would be approximately $8.50 per capita.[4] A 10% equalization fund distributed as proposed here would increase the per capita grant to Mississippi (the bottom State) from $8.50 to an estimated $14.50 - an increase of $6.00. North Dakota (the first State among the lowest 17 in 1964 per capita income) would have its share of general aid increased from $8.50

[4] The tax effort adjustment would mean States with a high tax effort would receive more than $8.50 and States with a low tax effort would receive less. However, the *average* basic grant for all the States would still be $8.50 under the program proposed here.

to $12.50. The States in between North Dakota and Mississippi would receive increases in their allocations ranging from $4.00 to $6.00 per capita.

6. Tax Effort

As noted above, basic general aid grants should be distributed according to population weighted by a measure of tax effort. Tax effort should be defined for these purposes as State and local taxes combined relative to personal income. Thus, a State's basic general aid grant would be determined by the ratio of State to U.S. average tax effort multiplied by an amount which bears the same ratio to 90% of the General Aid Tax Sharing Fund as State population bears to the total population of all States.

Table 3 presents U.S. Bureau of the Census data for 1963-64 showing the top and bottom five States in tax effort as defined here.

TABLE 3

State and Local Taxes Per $1,000 of Personal Income:
Top and Bottom Quintiles, 1963-64

Top Quintile	
Wisconsin	$126.07
Minnesota	121.73
California	120.65
Arizona	120-11
Vermont	119.78
U.S. Average	$103.52
Bottom Quintile	
Virginia	$ 87.75
Missouri	85.69
District of Columbia	81.92*
Delaware	81.68
Alaska	80.78*

*Alaska and D.C. also stand out as receiving much larger amounts of Federal aid than other States, partially explaining their lower tax effort standings. In 1963-64, Alaska and D.C. ranked first and fourth respectively in per capita Federal aid.

Source: U.S. Bureau of the Census, Governmental Finances in 1963-64.

This proposed tax effort adjustment is most easily understood by illustration. The following illustrations assume a general aid plan allocating 3% of Federal individual income tax revenues.

The number one State in 1963-64 tax effort is Wisconsin. With a tax effort bonus, Wisconsin would receive approximately $10.00 per capita as its basic general aid allocation, compared to $8.50 (i.e., the amount which would be received by a State with tax effort exactly equal to the national average). This bonus would mean the Wisconsin's total general aid grant would be $40 million. Without the tax effort bonus, it would be $33 million. Thus, the bonus increases its grant by $7 million.

The bottom State in tax effort in 1963-64 was Alaska, although there are rather special circumstances involved. One important reason why Alaska's tax effort is so low is the extremely large amount of Federal aid which it receives. Alaska ranked first in per capita Federal aid in fiscal 1964 with aid of $365.54 per capita - $313.27 above the national average of $52.27. With this proposed tax effort adjustment, Alaska would receive $6.65 per capita in basic general aid as compared to a national average of $8.50.

Taking the <u>largest</u> States in the bottom and top quintiles, California (the largest State in the top quintile) would receive $9.85 per capita and would have its general aid basic grant increased by $24 million from $153 million to $177 million as a result of its tax effort bonus. On the other hand, Missouri (the largest State in the bottom quintile) would receive $7.10 per capita, cutting its basic general aid grant from $47 million to $31 million.

Eight States among the 17 lowest per capita income States in 1964 would receive <u>both</u> equalization grants and tax effort bonuses (Idaho, Louisiana, Maine, Mississippi, New Mexico, North Dakota, South Dakota, and Vermont). Taking Mississippi as an illustration, the State would receive a total of $15.20 per capita, broken down as follows:

$6.00	per capita equalization grant
.70	tax effort bonus
8.50	basic allocation
$15.20	total

7. State Responsibilities for the Administration of General Aid

Under this legislative proposal, heavy reliance is placed on the role of the State in that: (1) States receive the largest share of general aid on an unconditional basis; (2) States are responsible for the distribution of general aid to localities; and (3) a special effort is made to improve the policy-making and policy coordination role of the States through the 5% executive staff and management improvement fund. The governor of every State should be made responsible for the submission of the four reports listed below necessary to keep the public informed about the use of general aid funds and in order to provide needed information to the Administrator of General Aid in the U.S. Department of the Treasury.

The Administrator should be given authority at his discretion to establish definitions of expenditure categories for statistical purposes and to suggest to the States organization and format as a means of promoting consistency in their reports.

a. State General Aid Expenditure Plan: At the beginning of each fiscal year (i.e., no later than July 1), States should be required to submit a plan on the anticipated use of the general aid funds allocated to the State on an unconditional basis. The Federal Government would not have authority to approve or disapprove planned expenditures with State unconditional general aid funds. State General Aid Expenditure Plans would be submitted for information purposes only.

b. Report on Distribution of General Aid to Localities: States should be required to submit a report by July 1 of each year on the system of allocation to be used for the distribution of general aid funds to localities. Reports should include data on the shares to be received by individual localities.

c. Executive Staff and Management Improvement Plan: States should be required to submit an annual plan for the proposed use of the 5% general aid funds for executive staff and management improvement purposes. The uses of these funds would have to be approved by the Administrator of General Aid. As in the case of the two preceding reports, the deadline for the submission of this report should be July 1. However, States which propose expenditures for these purposes commencing at the beginning of the fiscal year would as a practical matter have to submit this plan sufficiently in advance of July 1 to receive the necessary approval by that date.

d. Year-End General Aid Report: States should be required to submit a Year-End General Aid Report for each fiscal year by December 1 of the succeeding fiscal year. These reports would serve the obvious purpose of permitting an opportunity for the Congress, the Executive Branch, and the public to evaluate the general aid program. Reports should include data and information on the expenditure of general aid funds in reference to: (1) the use of State unconditional general aid allocation; (2) the distribution of general aid by the States to localities; (3) major uses of general aid by localities; and (4) the actual expenditure of executive staff and management improvement funds.

In connection with area three of the Year-End Report (major uses by localities), States should have the responsibility for collecting data from local governments on the uses of general aid funds. This does not give States authority to approve or disapprove - merely the right to full expenditure information from localities.

8. Federal Administration of General Aid Funds

Responsibility for the administration of 3-part General Aid at the Federal level should be assigned to the Administrator of General Aid, a new office to be created in the U.S. Department of the Treasury. (His position in the Department could be similar to that of the Internal Revenue Commissioner). His responsibilities should include:

- the distribution of general aid funds;
- assuring compliance with the provisions of the Act;
- approval of proposed State executive staff and management improvement expenditures;
- publishing a report for each fiscal year;
- advising and assisting the President and the Congress on intergovernmental relations; and
- providing information and technical assistance to the States on request to assist them in the implementation of this program.

The Administrator should also be required to establish an advisory committee on statistics to make recommendations for revisions in the various distribution formulas set out in this Act. This would be particularly useful in connection with the 4-year review and revision of this program discussed below. For example, there is considerable evidence that existing personal income data understate the income of persons in predominantly farm States. If true and of substance, this would give these States an advantage in the distribution of equalization funds and under the tax effort adjustment. Another statistical question which should be examined by such a committee involves the incorporation and effect of a population factor in the distribution of general aid funds by the States to localities.

The Administrator should be responsible for reallocating on a straight population basis funds not used in a given fiscal year. This would involve funds in excess of estimates that go into the General Aid Tax Sharing Fund and amounts not used by States and localities, including those withheld by the Administrator for failure to comply with the provisions of the Act. Failure to comply would, for example, be grounds for witholding amounts equal to any executive staff and management improvements funds used for other than approved purposes. It could also involve funds withheld for failure to comply with State reporting requirements or Title VI of the Civil Rights Act of 1964. In any case where the Administrator withholds funds, provision should be made for reasonable notice and a hearing. Consideration should also be given to including the right to judicial review.

9. Congressional Review and Revision

An important feature of this General Aid Plan should be a review and revision of the program by Congress after 4 years. The U.S. Advisory Commission on Intergovernmental Relations (which serves the President and Congress and has a relatively independent position in government) should be assigned responsibility for a comprehensive report on this program at the end of two and one-half years. This report, plus the annual reports of the Administrator of General Aid, should be referred to the appropriate Committees of Congress (or to a select or special joint committee) which would hold hearings, conduct whatever studies it deems necessary, and make recommendations for revisions to the Congress. Recommendations for revisions should also be requested of the President. Governors and other appropriate State and local officials should be invited to present testimony for the consideration of the Congress in the review and revision process.

CONGRESSMAN
GERALD R. FORD
HOUSE REPUBLICAN LEADER

NEWS RELEASE

FOR RELEASE IN FRIDAY PM's
MARCH 24, 1967

STATEMENT BY HOUSE REPUBLICAN LEADER GERALD R. FORD, R-MICH.

The sag in the American economy has become so serious that I believe it will deepen into a recession unless President Johnson publicly abandons his request for an income tax increase--now.

I urge the President to withdraw his tax increase proposal because this action undoubtedly would help to restore consumer and business confidence in the economy. The tax increase request is hanging over the heads of consumers and businessmen like the Sword of Damocles.

If the economy recovers its vigor and if a far greater deficit looms in the Johnson budget, the President could reinstate his tax increase request at that time. There currently is mounting evidence of a severe slowdown in the economy and indications of more drag to come.

1. --We have witnessed a big slump in industrial output, shortening of the factory work week and a new drop in housing starts.

2. --Inventories have reached dangerous levels due to the massive buildup of stocks last year and a falloff in consumer demand.

3. --New orders for durable goods were cut back in February to the lowest level in 18 months.

4. --Payrolls in the private sector decreased last month for the first time in nearly two years.

5. --The real net spendable earnings of an average factory worker declined $1.13 in February to $85.34 a week in terms of 1957-59 dollars--$1.79 below last year at this time.

6. --The purchasing power of the average factory worker's weekly pay has dropped two per cent over the past 12 months.

The only justification the Administration can offer for an income tax increase is that it is needed to hold down President Johnson's planned federal deficit. It would be far better for the President to cooperate with Republicans in Congress to cut domestic spending. The risk of recession is too great for the President to keep pursuing a guns-and-butter policy.

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FOR THE SENATE:

Everett M. Dirksen of Illinois
Thomas H. Kuchel of California
Bourke B. Hickenlooper of Iowa
Margaret Chase Smith of Maine
George Murphy of California
Milton R. Young of North Dakota
Hugh Scott of Pennsylvania

PRESIDING:
The National Chairman Ray C. Bliss

THE REPUBLICAN LEADERSHIP OF THE CONGRESS

Press Release

Issued following a Leadership Meeting

July 13, 1967

FOR THE HOUSE OF REPRESENTATIVES:

Gerald R. Ford of Michigan
Leslie C. Arends of Illinois
Melvin R. Laird of Wisconsin
John J. Rhodes of Arizona
H. Allen Smith of California
Bob Wilson of California
Charles E. Goodell of New York
Richard H. Poff of Virginia
William C. Cramer of Florida

REPRESENTATIVE FORD: IMMEDIATE RELEASE

The guessing game continues over higher Federal income taxes sought by the Johnson-Humphrey Administration. But meanwhile, there isn't the slightest doubt that we are going to have higher invisible taxes -- the silent sales tax on everybody's paycheck and pension which economists call inflation.

Now we hear about an 8% instead of a 6% income tax surcharge. Under the steady escalation of consumer prices over the past year a family of four earning $10,000 already has paid an invisible tax three times the surcharge. Most housewives realize this -- even if the bureaucrats do not!

The most recent official Price Index figures, those for the month of May, reveal the sharpest increase since last year. The Labor Department's own Bureau of Labor Statistics sees no likelihood of relief in the months to come. The chief of that Bureau predicts an additional two and one-half per cent price increase before long.

Does the Johnson-Humphrey Administration know what is happening to us? Does the Johnson-Humphrey Administration care? Does the Johnson-Humphrey Administration plan to take the steps necessary to protect the American people from these rapidly rising living costs, which will cancel out any wage increases, drain family budgets and shrink the pensions of the aging even further?

Mr. Ackley, the President's chief economic advisor, sees as solutions only a tax increase or what he calls "responsible use of

(con't)

private wage and price restraint." On the latter point, Mr. Ackley appears to be an Alice in an economic wonderland.

The Johnson-Humphrey Administration incredibly refuses even to test-fire the best weapon for fighting inflation it holds in its hands, common-sense cutting and prudent postponement of non-essential Federal spending. To this Administration, more domestic spending is the sure cure for everything, including its setbacks in last November's elections.

Higher inflation is here. Are higher income taxes just around the corner?

Therefore, our Question-of-the-Week:

Mr. President: More Inflation - More Debt - What Next?

SENATOR DIRKSEN July 13, 1967

To spend beyond income means to go into debt. To go into debt means to borrow. To borrow means to add to the money supply. To increase the money supply means to add to the cost of goods and services. There is but one real answer -- to keep spending within income -- to live within our national means.

Very closely related to ballooning inflation is the national debt, which has now risen, with the approval of this Democrat-controlled Congress, to 326 billions. To call it the national debt is accurate. Equally accurate and much clearer is its right name -- the public debt -- for this is without any question whatsoever a debt the American public owes and, one day, must pay.

Next time you walk into a bank, take from the display rack at the counter a copy of that bank's balance sheet and statement of condition. You will immediately find listed among its principal items, "U.S. Government Bonds". How did the banks acquire these U. S. Government Bonds? They did it with the money deposited with them by you and by me! Make no mistake about it -- you and I, American citizens all, owe this incredible public debt!

The interest alone on this debt will soon be more than 14 billions. You and I -- the owers of the public debt -- will be paying over a billion dollars per month in interest on it for years and years to come. Can you picture our grandchildren facing this debt, which they too will have to pay?

Unless and until the Johnson-Humphrey Administration is brought up short by the American people, inflation will stop creeping and will begin galloping!

Therefore, our Question-of-the-Week:

Mr. President: More inflation - More Debt - What Next?

CONGRESSMAN
GERALD R. FORD
HOUSE REPUBLICAN LEADER

NEWS RELEASE

-- FOR IMMEDIATE RELEASE --
July 19, 1967

Statement by Rep. Gerald R. Ford, R-Mich.

President Johnson has begun his big buildup for an income tax increase. It is deliberately low-keyed. He does not want to scare anyone by talking at the outset of an increase larger than a 6 per cent surtax although it is known his advisers are urging 10 per cent.

At the same time, the President reportedly has ordered his department heads to tell him where federal spending can be cut by as much as 15 per cent. Reports are that Defense Secretary McNamara is planning a $10 billion postponement of Pentagon purchases but that HEW officials are balking on the economy order.

The President yesterday said there may be "adjustments" in his income tax increase request but that he has not yet made a decision. He was saying in effect that he still is unsure what to recommend in the way of a tax increase on July 18 despite the fact he urged a 6 per cent surtax as of last January to take effect July 1 of this year.

The economic picture is fuzzy. Although the economy began moving in the second quarter of this year after stalling during the first three months, there is no certainty of a big upsurge in the second half of 1967. An income tax increase could depress the economy to a point where consumers would run for cover. They are still cautious after being downright timid early this year. According to Sen. William Proxmire, chairman of the Joint Economic Committee, the second-quarter gain in Gross National Product represents economic growth of only 2 per cent on an annual basis.

The President has launched a two-pronged campaign--an apparent move to cut back federal spending and a bid for more tax revenue. I firmly believe at this time that only a spending hold-down is needed. If the Defense Department can postpone spending by $10 billion in fiscal 1968, then other federal departments also can make meaningful and substantial cutbacks. Avoidance of a tax increase would give the American consumer the new confidence he needs.

President Johnson has said a tax increase would not be "primarily" due to either the high level of non-defense spending or to Vietnam War costs. He said he needs the revenue. The latter statement has the ring of truth. He wants the tax increase as a vehicle for continuing his present guns-and-butter policy.

I believe the American people are willing to pay for the Vietnam War but they want all the fat trimmed out of the Johnson budget. I believe they would prefer an austerity budget to a tax increase.

President Johnson says Americans are actually paying about $24 billion less in taxes than they did when he assumed the Presidency in late 1963. But he makes no mention of the disastrous Johnson inflation of 1966 when the loss to savers was $27 billion during that one year alone, due to the drop in the value of the dollar.

Mr. Johnson raises the specter of another sharp rise in interest rates, like the Johnson interest rate jump of 1966 which set a 40-year record. He neglects to mention that government borrowing forced by high-level government spending was a big factor in that interest rate climb.

Government spending is a prime source of inflation. Government spending and borrowing is a compelling factor in pushing up interest rates. The threats of a fresh round of inflation and a new interest rate rise are directly due to Mr. Johnson's excessive spending plans. Under the Johnson method of economic mismanagement, the budget will always be out of control.

The federal government needs a tax increase only if the projected level of domestic spending is to be continued. What the American people need and want is a cutback in domestic spending, not more income taxes.

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Republican National Committee
1625 EYE STREET, NORTHWEST, WASHINGTON, D. C. 20006 NATIONAL 8-6800
NEWS

Ford

FOR RELEASE
IMMEDIATE
July 24, 1967

The following statement was approved today by the Republican Coordinating Committee, meeting in Washington, D. C.:

THE JOHNSON-HUMPHREY ADMINISTRATION AND YOU:
HIGHER PRICES, MORE TAXES, GREATER DEFICITS

Spokesmen for the Democratic Administration have confirmed our prediction of April 3rd that the Federal Government's deficit for fiscal 1968 could run "from $25 billion to $30 billion or more." We repeat that "present fiscal policies are creating a time-bomb that can lead to serious economic trouble for the nation."

The central cause of the troubles is the massive annual increases in Federal Government spending. Although we are today engaged in the third largest war in the nation's history, thus increasing defense expenditures by 68 percent, non-defense spending is up since 1960 by 97 percent and is, therefore, a major reason for the ballooning of the Federal budget. Non-defense spending has risen more than defense spending, and constitutes a larger proportion of the whole.

This spending has not achieved the results intended in terms of reducing poverty and unemployment and in fact has, through high costs of living, contributed further to the hardship of many of our citizens. Comparison of the Democratic record since 1961 with the Republican record of 1953-1960 shows that the number of families living in poverty has been decreasing at the same rate, average annual unemployment is higher and the average annual increase in the Consumer Price Index is greater.*

-MORE-

*See Appendix 3

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In so doing, they have been creating and stockpiling economic problems, the consequences of which are just beginning to be apparent.

As a by-product of the massive spending increases, the Government has run a budget deficit every year since 1961.

By July 1st, 1968, these deficits will have totalled over $60 billion. Actual developments have already shown the projected deficits have been underestimated; worse is to be expected. They have required the ceiling on the National Debt to be raised 14 times in this period and increased the interest costs of the Government from $9.2 billion to $14.2 billion, an increase of 50 percent over the period, and an increase of 20 percent in just the last three years. Interest on the debt is the second largest category of Government expense, after Defense, and accounts for ten cents out of every dollar of government expenditures.

The deficit of $1.8 billion originally projected for 1967 now is some $10 billion, the second largest since World War II.

The 1968 deficit, originally estimated at $8.1 billion, it now appears will definitely be over $20 billion. Treasury Secretary Fowler had admitted it may go as high as $24 billion; House Ways and Means Committee Chairman Wilbur Mills estimates it could exceed $29 billion. In its latest request for lifting of the debt ceiling, the Administration asked for a $29 billion increase, thereby revealing its considered judgment as to how much leeway is needed.

And these deficits do matter. To go into debt means to borrow. When the government borrows by selling debt paper to the Federal Reserve and commercial banks it adds to the money supply, inflating it and causing pressure to increase prices. When it borrows in the private financial markets, it competes with business for investment funds, decreasing the amount of risk capital available for economic growth and job creation. At the same time this competition for funds drives up interest rates.

Also, savings eroded at the rapid rate of 4.2% last year.

As a result, under the Johnson Administration, the American people can look forward with dismay and apprehension to:

- Renewed inflationary pressures
- Higher interest rates and tight money
- A record budget deficit
- A tax increase substantial enough to reduce people's ability to pay higher prices, but not effective in preventing a monumental deficit, or in stemming inflation
- A gold crisis requiring further reduction, if not complete withdrawal, of the gold backing of our currency
- A period of profitless prosperity risking a recession severe in proportion to the extent of the impending inflation
- Further deterioration of our position of world leadership as the economic base on which our diplomatic and military strength depend is increasingly eroded

The alarming prospects may not be obvious to the citizen who is hard put trying to make ends meet. But it is the role of political leadership to exercise vision in the conduct of public affairs and to shape policy to avoid the pitfalls ahead rather than offer glib explanations for failure afterward.

The course clearly called for, and repeatedly urged by the Republican Party, is one of restraining the growth of government spending to a sustainable level. This is the course of prudent progress. The record shows it produces better results at less risk for the individual and the nation.

THE REPUBLICAN REMEDIES

Our Task Force on Federal Fiscal and Monetary Policies has clearly set forth the Republican Recommendations for a safe and sane set of economic policies designed to achieve all the valid goals of economic policy at a sustainable rate with minimum risk. They are available in these publications:

<u>The Balance of Payments, The Gold Drain and Your Dollar</u>, August 1965

<u>The Rising Costs of Living</u>, April 1966

<u>A Call for New Fiscal Policies</u>, April 1967

What the recommendations add up to is that America must live within its means. It must hold government spending in check. Even the richest nation cannot reach all its goals all at once without courting economic, social and political disaster.

WE, THEREFORE, CALL ON THE ADMINISTRATION TO SUBMIT A NEW BUDGET FOR 1968 WHICH REFLECTS A NEW POLICY OF POSTPONING AND RESTRAINING THE GROWTH OF NON-DEFENSE EXPENDITURES, IN PREFERENCE TO RAISING TAXES OR ALLOWING THE HIDDEN TAX OF INFLATION TO FINANCE ITS EXPENDITURES.

We believe moderation and restraint are a small price to pay to avoid such an awful risk.

7/24/67

FACTS ON GOVERNMENT SPENDING

Government Spending Increases

The following table is from our April Report "A Call for New Fiscal Policies." A fourth column estimating 1968 expenditures based on current estimates has been added.

Expenditures of the Federal Government for 1960, 1965, and 1968 Showing Percentage Increases
(Billions of Dollars)

	1960 (actual)	1965 (actual)	1968 (budget)	1968 (current estimates)
Administrative Budget	$76.5	$96.5	$135.0	$142.0
$ Increase over 1960	--	$20.0	$ 58.5	$ 65.6
% Increase over 1960	--	26.1%	76.5%	85.6%
$ Increase over 1965	--	--	$ 38.5	$ 45.5
% Increase over 1965	--	--	39.9%	47.2%
Cash Budget	$94.3	$122.4	$172.4	$179.4
$ Increase over 1960	--	$28.1	$ 78.1	$ 85.1
% Increase over 1960	--	29.8%	82.8%	90.2%
$ Increase over 1965	--	--	$ 50.0	$ 57.0
% Increase over 1965	--	--	40.8%	46.6%

SOURCE: Calculated from figures in the Budget of the United States Government. Current 1968 estimates from National Industrial Conference Board figures.

It should be noted that the average annual increases in government spending since 1965 have been more than three times the average annual increase of the of the preceding ten years.

Appendix 2

DEFENSE VERSUS NON-DEFENSE SPENDING

The following table shows clearly that non-defense spending has risen more than defense spending, and constitutes a larger proportion of the whole.

Defense vs. Non-Defense Spending as Proportions of Total Federal Government Spending 1960-1968
(Billions of Dollars)

Fiscal Year	Defense	Non-Defense	Total	Percentage Defense	Percentage Non-Defense
1960	$45.7	$48.6	$94.3	48.5%	51.5%
1961	47.5	52.0	99.5	47.7	52.3
1962	51.4	56.3	107.7	47.7	52.3
1963	53.4	60.4	113.8	46.9	53.1
1964	54.5	65.8	120.3	45.3	54.7
1965	53.4	69.0	122.4	43.6	56.4
1966	58.5	79.3	137.8	42.5	57.5
1967 (est.)	71.3	89.6	160.9	44.3	55.7
1968 (est.)	76.8	95.6	172.4	44.5	55.5
	% increase 1960-68: 68% 1965-68: 44%	% increase 1960-68: 97% 1965-68: 39%	% increase 1960-68: 83% 1965-68: 41%		

SOURCE: The Budget of the United States Government

Appendix 3

DECLINING PROPORTION OF FAMILIES LIVING ON $3000 PER YEAR OR LESS

1953-60

Average Annual Reduction: .75 percentage points.

1961-1965*

Average Annual Reduction: .76 percentage points.

ANNUAL INCREASE IN LIVING COSTS AS MEASURED BY THE CONSUMER PRICE INDEX
(1957-1959 = 100)

1953-1960	1961-1966
Average Annual Increase: 1.4%	Average Annual Increase: 1.9%

AVERAGE ANNUAL UNEMPLOYMENT AS A PERCENT OF THE WORK FORCE

1953-1960	1961-1966
4.9%	5.3%

Source: Economic Report of The President, 1967.

*Latest figures available.

-- FOR IMMEDIATE RELEASE --

August 3, 1967

STATEMENT BY REP. GERALD R. FORD (R.-MICH.), HOUSE MINORITY LEADER

When Mr. Johnson talks of a $23.6 billion deficit without his 10 percent income tax surcharge, he is talking about continued federal spending at present and projected levels set by his Administration.

For this and other reasons, I continue to state emphatically that the President has not made a case for an income tax increase.

I will not concede that the present level of Federal spending cannot be cut back sufficiently to avoid a tax increase.

The way to avoid the President's 10 percent surcharge is to make expenditure reductions equal to the anticipated revenue from new taxes.

The President inaccurately labels this a war tax. This is not a war tax because the need for the tax can be eliminated if sufficient domestic spending items and non-Vietnam defense items are cut and others deferred.

As for the proposals which would freeze the automobile and telephone excises at existing levels and speed up collection of corporate income taxes, these will have to be considered in the light of their impact on the industries involved and the economy generally. It must be remembered that the auto industry is the bellwether of the economy and has only recently climbed out of the slump into which it was plunged by mismanagement of the economy by the Johnson Administration.

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CONGRESSMAN
GERALD R. FORD
HOUSE REPUBLICAN LEADER

NEWS RELEASE

--FOR IMMEDIATE RELEASE--
October 6, 1967

STATEMENT OF REP. GERALD R. FORD, R-MICH., HOUSE MINORITY LEADER

There is great rejoicing among Republicans, as there is in Heaven, over one sinner that repenteth.

I can only commend and applaud, therefore, President Johnson's confession that "all taxes are burdensome, but the cruelest tax of all is the inflation tax."

Mr. Johnson certainly has seen a great light since that day (June 30) when he ventured to the grassroots to try out his 1966 campaign defenses, and told an audience in Des Moines:

"On the inflation front, if you are distraught, if you are worried about high prices, if you have a stomach ulcer because of high wages, if you are concerned about hogs bringing too much, calves bringing too much, or wages getting too high, and you are really worked up about inflation, it may be that you ought to vote Republican."

Well, last November the American people were really worked up about inflation, and they took the President at his word -- they voted Republican and sent us a net reinforcement of 47 anti-inflation Republicans in the House of Representatives. With their help, we have been able in this Congress to serve notice on the President that the American people won't accept his political formula of guns and butter, more war and more welfare, higher taxes and higher inflation.

"When these folks start talking to you about inflation," President Johnson defiantly declared 15 months ago, "you tell them that is something you only have to worry about in Democratic Administrations."

He was right then and he is right now when he calls inflation "the cruelest tax of all." But he is wrong to blame all inflation on the "inaction" of this Democratic Congress, just as he was wrong last year to blame it all on Democratic Administrations. We had serious inflation then and we have it worse now. The fact is it is the fault of spendthrift Democratic Administrations and spendthrift Democratic Congresses. The American people may have to wait until November 1968 to correct this situation, but in the meantime Republicans in the Congress accept the President's new attitude toward the evils of inflation with gladness. Republicans will continue to do all we can to check inflation and effect wartime economies.

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CONGRESSMAN
GERALD R. FORD
HOUSE REPUBLICAN LEADER

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Well, last November the American people <u>were</u> really worked up about inflation, and they took the President at his word -- they voted Republican and sent us a net reinforcement of 47 anti-inflation Republicans in the House of Representatives. With their help, we have been able in this Congress to serve notice on the President that the American people won't accept his political formula of guns <u>and</u> butter, more war <u>and</u> more welfare, higher taxes <u>and</u> higher inflation.

"When these folks start talking to you about inflation," President Johnson defiantly declared 15 months ago, "you tell them that is something you only have to worry about in Democratic Administrations."

He was right then and he is right now when he calls inflation "the cruelest tax of all." But he is wrong to blame all inflation on the "inaction" of this Democratic Congress, just as he was wrong last year to blame it all on Democratic Administrations. We had serious inflation then and we have it worse now. The fact is it is the fault of spendthrift Democratic Administrations <u>and</u> spendthrift Democratic Congresses. The American people may have to wait until November 1968 to correct this situation, but in the meantime Republicans in the Congress accept the President's new attitude toward the evils of inflation with gladness. Republicans will continue to do all we can to check inflation and effect wartime economies.

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18 October 1967

U. S. HOUSE OF REPRESENTATIVES REPUBLICAN POLICY COMMITTEE

REP. JOHN J. RHODES, (R.-ARIZ.) CHAIRMAN • 140 CANNON HOUSE OFFICE BUILDING • TELEPHONE 225-6168

10

HOUSE REPUBLICAN POLICY COMMITTEE CALLS FOR AN IMMEDIATE CUT IN FEDERAL SPENDING

The House Republican Policy Committee supports a reduction of at least $5 billion in governmental expenditures. Immediate action must be taken to reduce the anticipated administrative budget expenditures for fiscal year 1968 from $136,500,000,000 to $131,500,000,000. The President's adamant refusal to recommend or to institute meaningful cuts in spending has made it imperative that Congress impose a ceiling on expenditures. The disaster laden cycle of tax and spend, inflation and ballooning deficits must be broken.

In fiscal year 1960 the nondefense spending by the federal government was $48.6 billion. The estimated nondefense spending for fiscal year 1968 is $95.6 billion. This is an increase of 97%. In the five year period of the Johnson-Humphrey Administration, the federal government has spent $60.487 billion more than it has taken in. The interest alone on this deficit will cost the American taxpayer $2.8 billion a year for every year it remains unpaid.

The second and third installments on the grandiose Great Society program are now due. In 1965 and again in 1966, when the Republicans were outnumbered two to one, President Johnson and his rubber stamp Democratic majority in Congress hastily enacted a flood of new and extremely costly programs. This was at a time when the cost of the Vietnam War was continuing to escalate and it was completely foreseeable that it would soon reach its present rate of $2 billion a month. The combination of Great Society spending and increased defense expenditures has resulted in an inflationary spiral that has now reached an annual rate of 4.4%. Moreover, the cost of living has risen 12.6% since the Democrats took office in January of 1961.

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Since 1961 the Democratic Administrations have embraced the philosophy of unlimited government spending and budget deficits. Despite repeated and ever more urgent danger signals, the Johnson-Humphrey Administration has refused to put its fiscal house in order. It has consistently underestimated the cost of the War in Vietnam and the size of the budget deficit.

In January 1966, the Johnson-Humphrey Administration submitted a $112.8 billion expenditure estimate that proposed defense expenditures of $60.5 billion. This was a totally unrealistic figure in view of the massive federal spending. However, the Administration continued to adhere to its original estimate. In fact, on September 8, 1966, the President not only reaffirmed the earlier estimate but assured the American people that total expenditures would be cut back by at least $3 billion. It was not until after the November elections that the American people finally learned the truth. In January 1967, the Administration disclosed that fiscal 1967 expenditures would amount to $126.7 billion and not the $112.8 billion previously forecast.

Just last January the Johnson-Humphrey Administration forecast a deficit of $8.7 billion for fiscal 1968. In June this figure was completely discredited when the Administration was forced to obtain from Congress a borrowing authority that would accommodate a deficit of $29 billion. However, it was not until August 3, 1967 that the Administration finally acknowledged the precarious state of the economy. On that date, the President forwarded a message to Congress wherein he urged the immediate enactment of a 10% surtax. In this message, it was stated that unless expenditures were tightly controlled and the tax increase imposed, the deficit for 1968 could be more than $28 billion.

The Republican Members of Congress have consistently called for a reduction in governmental expenditures and the immediate establishment of spending priorities. In March of this year, the House Republican Policy Committee urged the enactment of a resolution that would return the Budget to the President and request that he

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indicate the places and amounts where he believes substantial reductions may be made. During the 85th Congress, President Eisenhower responded to a similar resolution by recommending reductions of $1.342 billion in a Budget of $73.3 billion. The Democratic-controlled Congress has refused to grant this resolution any consideration whatsoever.

As the economic indicators have become more and more alarming, the Republican call for economy in government and a reduction in expenditures has been echoed and reaffirmed in almost every quarter.

The Joint Economic Committee has called for a reduction or deferral of low priority and nonessential spending. This would, according to the Committee, reduce the anticipated deficit and the government's demand on the financial markets and leave more funds to private borrowers and would lower interest costs.

Almost without exception, those testifying before the House Ways and Means Committee regarding the President's request for a 10% surtax stated that governmental expenditures must be reduced. It also was noted that a reduction in expenditures has a far greater dampening effect on the inflationary fires than an increase in taxes.

The distinguished Chairman of the House Ways and Means Committee, Representative Wilbur Mills (D-Ark.) stated in an October 9, 1967 U. S. News & World Report interview:

> "I think the first order of business, even though action on Appropriations bills hasn't been completed, is to relay to the Government departments instructions that they must reduce spending by a fixed amount.
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One of the underlying reasons that this Congress is unwilling to grant a tax increase is the well founded doubt that the additional revenue would be used to reduce the deficit. If the President is really sincere about wanting a tax increase, he must take the first step toward reestablishing his fiscal credibility. He must at least cooperate in making a significant cut in the expenditure level of this government.

There must be restraint in federal spending and an immediate implementation of expenditure priorities if we are to avoid a runaway economy that may lead to governmental control of wages, prices and credit, as well as further increases in taxes. This can be achieved through the Republican proposed limitation on governmental expenditures. We urge its adoption.

Congressional Record

United States of America

PROCEEDINGS AND DEBATES OF THE 90th CONGRESS, FIRST SESSION

Vol. 113 WASHINGTON, THURSDAY, OCTOBER 19, 1967 No. 168

House of Representatives

"RESOUNDING VICTORY FOR THE TAXPAYERS"

Achieved through the Republican-proposed Limitation on Expenditures

Mr. BOW. Mr. Speaker, this summary of the economy debate of the past 4 weeks might well be called an "open letter to taxpayers." Our work in the House during that period has given American taxpayers the first real reason to hope that spending can be checked and tax increases may be avoided and inflation can be brought under control.

The action of the House yesterday, if sustained by the other body, must save American taxpayers at least $5 billion. It may save $10 billion. This saving is guaranteed by the Bow expenditure limitation which says that the President may not spend more than $131.5 billion in the fiscal year, except for essential and unforeseen expenses of the war in Vietnam. Inasmuch as he has estimated his spending at $136.5 billion, we are assured the $5-billion saving. And, since his agencies were spending in July and August at an annual rate of $145 billion, we may be saving twice that amount.

The first intimation that the House was ready to cut expenditures came September 27 when we sent back to the Appropriations Committee its 30-day "spending as usual" resolution. We did so on a rollcall vote of 202 to 181. The Bow expenditure limitation had been ruled out of order, but the debate that day was centered on that amendment and many people, including the Associated Press, interpreted the action of the House as a "mandate" to the Appropriations Committee to cut spending.

Then followed the debate of October 3 when, once again, the Bow amendment was ruled out of order. But, progress had been made. The chairman of the Appropriations Committee, the gentleman from Texas [Mr. MAHON] told the House that our committee would make every effort to find means of cutting back appropriations already recommended. The House voted to allow until October 10, for that effort. The Senate extended the date until October 23. Yesterday's debate was occasioned by that approaching deadline.

The resolution presented yesterday by the Democrat majority illustrated a remarkable and commendable change of direction, as a result of the previous debates. It would have saved at least $1.5 billion by placing a 30-day moratorium on new hiring and contracts, by limiting civilian payroll expenses to 95 percent of the budget estimate, by limiting research to 90 percent of the budget estimate, and by requiring that agencies absorb all of the cost of the civilian pay increase.

In this action the majority embraced the Bow expenditure limitation which had been offered on six of the regular appropriations bills. Bitterly opposed by the majority last spring, it was adopted on only two of the bills. This Bow amendment limited all the expenses of an agency to 95 percent of its estimated expenditures and it would have saved $778 million had it been accepted on these bills.

Although the Mahon resolution was a great step forward, Republicans insisted that it did not go far enough. I offered, and the House accepted, the Bow expenditure limitation of $131.5 billion.

The House then substituted the Whitten amendment, with the Bow limitation. The resulting bill provides that spending may not exceed the level of the previous year except for the necessary military expenses in Vietnam, the Post Office and Internal Revenue services, veterans' and social security payments, and a few other items.

The final rollcall vote was 253 for and 143 against.

This is a resounding victory for the taxpayers.

It is a gratifying vindication for the Republican leaders who have been urging economy since the first days of this session.

In the early days of the session, Republicans had little support for these efforts and our victories were few and far between.

Yesterday that situation was changed, and the welcome support of many Members from the majority party gave us the margin of victory that we have lacked throughout the year.

Summing up our activities to date, we have cut the appropriations bills considered in the House by about $4 billion. We may be able to raise that figure to $6 billion before the session ends. Since not all of the money authorized in these bills is to be spent this year, the savings cannot be estimated precisely. They should reach $3 billion to $4 billion.

Two amendments by the gentleman from North Carolina [Mr. JONAS], who is second ranking Republican on the Appropriations Committee, cut participation certificate sales by nearly $2.5 billion.

The Bow limitation on the Whitten amendment would hold spending to $131.5 billion.

These are solid accomplishments, but I should like to point out that savings of an additional $2 billion might have been made if over 40 other individual Republican amendments to appropriations bills had been accepted by the House.

Members of the House can expect to be subjected to heavy pressure in the next days and weeks from all of those who have a special interest in Federal spending. The White House can be expected to lead the attack on our economy drive. Taxpayers will be threatened with reductions in Government services, towns and cities will be threatened with curtailment of various programs, and every effort will be made by the bureaucracy, with its vested interest in spending, to bring pressure on us to restore spending cuts and reverse our position. I hope Members will stand firm, for the vast majority of Americans, struggling under the heaviest burden of taxation in history and fighting the most vicious inflationary spiral in many, many years, are supporting us and they need our help.

Mr. RHODES of Arizona. Mr. Chairman, the House Republican policy committee supports a reduction of at least $5 billion in governmental expenditures. Immmediate action must be taken to reduce the anticipated administrative budget expenditures for fiscal year 1968 from $136,500,000,000 to $131,500,000,000. The President's adamant refusal to recommend or to institute meaningful cuts in spending has made it imperative that Congress impose a ceiling on expenditures. The disaster laden cycle of tax and spend, inflation, and ballooning deficits must be broken.

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It's YOUR TAX MONEY !$$$$

Is It Being Wasted?

NON-DEFENSE SPENDING UP 97% SINCE 1960

FEDERAL PAYROLL UP 276,000 IN 1966 ALONE

LBJ's '68 DEFICIT ESTIMATED AT OVER $25 BILLION

- $3.5 million to build housing for Rio de Janeiro's slum dwellers. Nobody wants the houses; they're too deep in the boondocks. IT WAS YOUR MONEY!
- Locomotives built for Thailand were the wrong gauge and couldn't run on Thai railroad tracks. Cost: $1 million of YOUR MONEY!
- WAVE barracks built in Maryland to house WAVES who'd already been transferred to Florida. Cost: $1.5 million of YOUR MONEY!
- $45,000 of the taxpayer's money—YOUR MONEY—for a flagpole—about $500 a foot.
- The Pentagon spent $33,398.95 for 130 knobs which had a retail value of $210.60.
- Thirty insulated couplings were purchased by the Pentagon for $2,025, compared to the retail price of $82.50.

What Causes Inflation?

"Inflation can be generated only by the Government. Business firms, labor unions, or consumers with excessive market power can do many objectionable things that are contrary to the public interest; but one objectionable thing that they cannot do is to cause inflation—or, for that matter, prevent it."—

W. Allen Wallis, President
University of Rochester

- Nine construction gears retailing at a total of $30.87 actually cost the Pentagon $1,748.70.
- The Pentagon paid $511 for 20 small rods which normally retail for a total of $10.
- The total retail value of the knobs, small rods, insulated couplings, and construction gears was $333.97. Yet the Pentagon paid $37,683.65 OF YOUR MONEY!

COST OF LIVING UP 8.3% SINCE 1963

- 27,000 TONS of free American food have been lost overseas since 1962. Estimated loss: $4.3 million of YOUR MONEY! That loss alone would consume the entire federal income taxes of 3,859 families paying $1,114 each on $10,000 income for one year. Those families would make up a city of about 10,000.
- And in the face of this, the National Debt—$335.9 billion—has been increased 14 times since 1961. Since 1964, the U.S. has accrued more debt than in the entire 10-year Depression period of 1931-1941. INTEREST ALONE on the total National debt is $14.2 billion per year; $38.9 million per day; $1.6 million per hour; $26,666 per minute; or $444 per second.

RESTORE COMMON SENSE TO YOUR FEDERAL SPENDING AND TAXING PROGRAMS-VOTE REPUBLICAN!

Be sure you and your friends are registered to vote!

Prepared under the direction of the Republican National Committee, 1625 Eye Street, N.W. Washington, D. C. 20006,

It's YOUR TAX MONEY !$$$$

Is It Being Wasted?

NON-DEFENSE SPENDING UP 97% SINCE 1960

FEDERAL PAYROLL UP 276,000 IN 1966 ALONE

LBJ's '68 DEFICIT ESTIMATED AT OVER $25 BILLION

- $3.5 million to build housing for Rio de Janeiro's slum dwellers. Nobody wants the houses; they're too deep in the boondocks. IT WAS YOUR MONEY!
- Locomotives built for Thailand were the wrong gauge and couldn't run on Thai railroad tracks. Cost: $1 million of YOUR MONEY!
- WAVE barracks built in Maryland to house WAVES who'd already been transferred to Florida. Cost: $1.5 million of YOUR MONEY!
- $45,000 of the taxpayer's money—YOUR MONEY—for a flagpole—about $500 a foot.
- The Pentagon spent $33,398.95 for 130 knobs which had a retail value of $210.60.
- Thirty insulated couplings were purchased by the Pentagon for $2,025, compared to the retail price of $82.50.

What Causes Inflation?

"Inflation can be generated only by the Government. Business firms, labor unions, or consumers with excessive market power can do many objectionable things that are contrary to the public interest; but one objectionable thing that they cannot do is to cause inflation—or, for that matter, prevent it."—

W. Allen Wallis, President
University of Rochester

- Nine construction gears retailing at a total of $30.87 actually cost the Pentagon $1,748.70.
- The Pentagon paid $511 for 20 small rods which normally retail for a total of $10.
- The total retail value of the knobs, small rods, insulated couplings, and construction gears was $333.97. Yet the Pentagon paid $37,683.65 OF YOUR MONEY!

COST OF LIVING UP 8.3% SINCE 1963

- 27,000 TONS of free American food have been lost overseas since 1962. Estimated loss: $4.3 million of YOUR MONEY! That loss alone would consume the entire federal income taxes of 3,859 families paying $1,114 each on $10,000 income for one year. Those families would make up a city of about 10,000.
- And in the face of this, the National Debt—$335.9 billion—has been increased 14 times since 1961. Since 1964, the U.S. has accrued more debt than in the entire 10-year Depression period of 1931-1941. INTEREST ALONE on the total National debt is $14.2 billion per year; $38.9 million per day; $1.6 million per hour; $26,666 per minute; or $444 per second.

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CONGRESSMAN
GERALD R. FORD
HOUSE REPUBLICAN LEADER

NEWS RELEASE

--FOR IMMEDIATE RELEASE--
November 21, 1967

Statement by Rep. Gerald R. Ford, R-Mich.

Federal spending reductions amounting to at least $4 billion this fiscal year must and will be written into the income tax increase bill to be considered by the House Ways and Means Committee.

This means that President Johnson finally has conceded House Republicans were right in demanding a spending limitation with the force of law before any action is taken on his 10 per cent income tax surcharge. Because of Republican insistence the American people will be given this assurance of $4 billion in spending reductions.

The fiscal crisis facing this Nation is deepening in the light of recent developments--President Johnson's revised estimate that the fiscal 1968 deficit could run as high as $35 billion without corrective action, the British decision to devaluate the pound, and the Federal Reserve Board action raising the basic U.S. interest rate.

The chickens are coming home to roost. The crisis now confronting us could have been avoided had the President listened to Republican pleas for a setting of spending priorities in 1965 and 1966 instead of plunging headlong down the road toward a $9.7 billion fiscal 1967 deficit and a $35 billion fiscal 1968 red ink figure.

In meeting next Tuesday, the Ways and Means Committee should examine our overall fiscal situation to see whether the dollar is as safe from the threat of devaluation as President Johnson would have the American people believe. After all, there are disturbing similarities between the British situation and our own. The health of the economy and the impact a tax increase would have on it should be the main focus of the committee hearings.

It should be pointed out that if President Johnson had agreed earlier to accept a spending limitation, the tax bill could have received earlier consideration. It now is questionable whether there is time enough left to act on it in this session.

The Federal Reserve Board raised the basic interest rate to help keep short-term money from flowing out of this country to England. But the action also will dampen the American economy. This breather provides time for thoughtful reconsideration of the President's proposed income tax increase.

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FOR THE SENATE:

Everett M. Dirksen
of Illinois

Thomas H. Kuchel
of California

Bourke B. Hickenlooper
of Iowa

Margaret Chase Smith
of Maine

George Murphy
of California

Milton R. Young
of North Dakota

Hugh Scott
of Pennsylvania

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Ray C. Bliss

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of California

Bob Wilson
of California

Charles E. Goodell
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Richard H. Poff
of Virginia

William C. Cramer
of Florida

Press Release

Issued following a
Leadership Meeting

February 21, 1968

Office Copy

MR FORD: Release on Delivery

Let there be no mistake about it! The House of Representatives will not -- I repeat, not -- consider the tax surcharge proposal that has been made by the Johnson-Humphrey Administration without an equal, or greater, immediate reduction in non-essential Federal expenditures.

The overwhelming deficit with which we are faced, certain to be far larger than the $8 billions estimated by the Administration, makes a sharp and prompt and massive reduction in these non-essential expenditures imperative. The American people will not stand for anything less!

In addition to the proposed tax surcharge, the Administration has now presented its proposed tax on travel. On this, Senator Dirksen will comment. I share his views completely.

The Johnson-Humphrey Administration's philosophy, practices and policies seem to have a single theme -- tax and tax, spend and spend. We think there is a far better solution to these now overwhelming economic problems which have plagued us for so many months.

The President himself repeatedly places emphasis, with great pride, on the spending record of his Administration. He claimed, most recently, that in 1960 the Administration spent $3 billion for Government training programs, that in 1964 this rose to $4 billion, that this year it will be $12 billion.

In 1960, he boasts, Federal programs for the poor totaled only $9 billion, whereas in 1964, his first year as President, it rose to $12 billion and now totals $28 billion.

In 1960 he points out that Federal spending for health, education and welfare totaled $19 billion, then in 1964 rose to $23 billion and

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this year will reach $47 billion.

If these massive expenditures had produced -- or were now producing -- real results for our people no one would question them. But, the fact is, they have not and there is no indication whatever that they will.

In each of these areas Republicans have proposed alternatives -- with private enterprise directing them -- that would produce far better results for far less money.

Tax and tax, spend and spend -- with no apparent interest in competent management of these programs, many of which have proved disastrous. Tax and tax, spend and spend -- with no evident concern about the enormous squandering of the people's dollars which every day, more and more, are strewn along this Administration's reckless course.

Therefore, Mr. President, our Question-of-the-Week:

Tax and Tax?

Spend and Spend?

MR. DIRKSEN FEBRUARY 21, 1968

Let there be no mistake about it! The Senate and, I suspect, the House, will not approve the travel tax proposal as presented by this Administration.

That proposal, conceived in error and haste, contains so many weaknesses and loopholes as to be both unacceptable and unworkable.

The road to utter confusion, like that to a better known place, is often paved with good intentions. This appears painfully true of this proposal.

In the first place, the alleged statistics on travel and travel expenditures, on which the proposal is based, can be and have been, seriously questioned. The President's own Industry-Government Special Task Force on Travel report reveals, in the opinion of expert observers, a shocking degree of error as to what those expenditures really are. Indeed, it concludes that, in several important categories, the actual travel balance results favorably for the United States.

Second, this travel tax is quite unlikely to achieve the purposes intended. The well-to-do will not be affected, nor will students quietly subsidized by their parents.

Those seriously affected by this proposal are -- as always -- the middle-income taxpayers, to whom this travel tax would represent a minimum of 15% increase in the cost of travel, a mountain of paper work and a severe restriction on personal freedom.

Third, it is very doubtful that this travel taxation will reduce our balance of payments deficit in any significant way. If the Administration really wants to save millions, if not billions, of dollars now flowing overseas so liberally it can (1) reduce selectively our heavy troop-and-dependent commitments in areas where not needed (2) cancel all unnecessary Government travel, (3) practice old-fashioned American thrift at home by cutting back by hundreds of millions of dollars the many non-essential Federal expenditures that so plague and weaken us.

Finally, our present and rather pallid program for attracting foreign tourists funds into this country could well be given a vigorous and imaginative shot in the arm.

Taxing good and honest Americans in yet another painful and pointless way, while restricting their freedom of movement at the very same time, is not -- I repeat, not -- the way to bring our overseas deficit into proper balance.

Therefore, Mr. President, our Question-of-the-Week:

Tax and Tax?
Spend and Spend?

Office Copy

CONGRESSMAN
GERALD R. FORD
HOUSE REPUBLICAN LEADER

NEWS RELEASE

--FOR IMMEDIATE RELEASE--
May 3, 1968

Hanoi-Paris Comment

I am delighted that initial Vietnam peace talks now can get under way. Paris is a good site from the standpoint that conditions will be favorable for complete press coverage. It is important that the American people be kept informed as to the progress--or lack of it--made during the talks. I hope that later we can move quickly from preliminary talks into genuine peace negotiations.

* * *

Taxes and Spending

Republicans are dismayed that the President is apparently unwilling to agree to responsible compromise on spending and taxes. His adamant attitude is hardly the way to meet the fiscal crisis which confronts the Nation. There must be a solution that will be joined in by members of both parties who realize the gravity of the situation.

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CONGRESSMAN
GERALD R. FORD
HOUSE REPUBLICAN LEADER

NEWS RELEASE

--FOR IMMEDIATE RELEASE--
May 6, 1968

Statement by Rep. Gerald R. Ford, R-Mich., House Republican Leader

The country must have action to deal with the financial mess created by the Johnson-Humphrey Administration. The best way to meet the fiscal crisis we face is to cut the President's proposed fiscal 1969 spending by $6 billion.

There will be a tax increase if the President exerts real leadership on behalf of fiscal responsibility and agrees to a greater reduction in federal spending than that approved by the House Appropriations and Ways and Means Committees.

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Office Copy

20 June 1968

U. S. HOUSE OF REPRESENTATIVES REPUBLICAN POLICY COMMITTEE

REP. JOHN J. RHODES, (R.-ARIZ.) CHAIRMAN • 1616 LONGWORTH HOUSE OFFICE BUILDING • TELEPHONE 225-6168

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STATEMENT OF JOHN J. RHODES (R.- ARIZ.) CHAIRMAN, HOUSE REPUBLICAN POLICY COMMITTEE ON THE REVENUE AND EXPENDITURE CONTROL ACT OF 1968 - H.R. 15414

In 1961 at the close of the Eisenhower Administration, this Country enjoyed cost-price stability, a federal budget surplus and a strong international economic position. The phrase "Sound as a Dollar" was a compliment and not a punch line for a comedy routine.

Seven years of wild spending by the Kennedy-Johnson Administrations have pushed this Country to the brink of fiscal chaos. Skyrocketing inflation, soaring interest rates, mounting balance of payments devicits, a serious gold drain and a dollar in jeopardy are ugly reminders of the failure of the Democratic Administrations' economic and fiscal policies.

ROAD TO DISASTER

The projected Federal non-defense spending in fiscal 1969 is 129 percent greater than the non-defense spending in fiscal 1960.

In fiscal 1965 the Administrative budget expenditures totaled $96.5 billion. Defense costs were $50.2 billion. In fiscal 1969, administrative budget expenditures are estimated to total $147.3 billion. Of this amount, $76.9 billion will be for defense. On a percentage basis, both defense and nondefense spending have increased by 52 percent from 1965 to 1969.

In 4 years, full-time permanent employment in the executive branch has increased by 454,747 to a total of 2,687,500 civilian employees - an increase of more than 20 percent.

The budget deficit in fiscal 1968 will total about $25 billion for an astounding total of more than $65 billion in just eight years.

The balance of payments problem was permitted to deteriorate until in the

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fourth quarter of 1967 the deficit was at a catastrophic annual rate of about $7.5 billion. In March of this year, our historic trade surplus vanished so that we actually imported more goods than we exported.

In February 1961 our gold reserve stood at $17.5 billion. Today, it is below $11 billion. Foreign dollar holdings now total more than $33 billion. The world's confidence in the dollar has been shaken. A monetary collapse was narrowly averted through the establishment of a makeshift two-price structure for gold and the planned creation of a new form of international money.

Since 1959 the consumer price index has increased 18.2%. Prices are now advancing at a rate of 4% a year and may go even higher.

Interest rates have reached their highest point since the Civil War and recently the President warned of the possibility of 10 percent mortgage rates. So unprecedented is the rate of increase, the standard books of tables for estimating mortgage payments must be rewritten. Three years ago a home could have been purchased with a government backed mortgage of 5 1/4 percent. Today, the rate of interest is 6 3/4 percent. This means that a homeowner with a 20-year $20,000 loan will have to pay $4,154.40 more in interest charges.

MYTHS, FALACIES AND FANTASIES

"So it is my personal view, the President's view, the the $186 billion expenditure is a very lean budget." (President Johnson, May 3, 1968)

Under the proposed 1969 Budget, new obligational authority would increase by nearly $18 billion compared to an increase of $7.4 billion in the current year. Total budget authority would increase by over $15 billion compared to less than $4 billion in the current year. Net obligations incurred would increase by $15.7 billion compared to $10.8 billion in the current year. The budget also anticipates an increase in 1969 over 1968 of 45,600 full-time permanent employees in the Executive Branch.

Moreover, the overall expenditure estimates of the past three budgets have been incredibly wide of the mark. In 1966, the first administration estimate was a full $10.4 billion less than actual spending. In 1967, the spread between the original and final estimate of spending was $10 billion. The original estimate for

(more)

the deficit in fiscal 1968 was $8 billion. Six months later, the President estimated that the deficit may be $19.8 billion with a tax increase and $22.8 billion without.

> "Actually, in my judgment, if Congress is left alone, it probably will not reduce appropriations the $10 billion planned, will not rescind the $8 billion and will not reduce expenditures more than $1.5 or $2 billion." (President Johnson, May 3, 1968)

In the First Session of the 90th Congress, Republicans were instrumental in saving the American taxpayers $4.1 billion in proposed spending and in cutting $5.8 billion from the President's new appropriation requests. A Republican expenditure limitation of $131.5 billion was adopted by the House of Representatives. In a series of 23 roll call votes on specific reductions, Republican Members of the House of Representatives averaged 85 percent support. (The Democrats averaged only 17 percent support).

There is today available to the President $222.3 billion in unspent Authorizations. In the 1969 Budget, the President is asking for $201.7 billion in new Obligational Authority. A $10 billion reduction in the new Obligational Authority and an $8 billion reduction in the unspent Authorizations is a cut of only 4 1/4 percent from the total of $424 billion which the President would have available to spend if his spending requests were approved.

> "The President can propose but the Congress must dispose. I proposed a budget. If they don't like that budget, then stand up like men and answer the roll call and cut what they think ought to be cut. Then the President will exercise his responsibility of approving it or rejecting it and vetoing it." (President Johnson, May 3, 1968)

The facts and essential information regarding reductions are best known to the Bureau of the Budget and the various Executive Departments. A Resolution was adopted by the House of Representatives in 1957 that returned the budget to President Eisenhower and requested that he indicate the places and amounts where he believed substantial reductions could be made. In response to this Resolution, President Eisenhower recommended reductions of $1.342 billion in a budget of $73.3 billion.

> "For nearly two years I have urged the Congress to pass a tax bill." (President Johnson - May 31, 1968).

In January 1967 the Johnson-Humphrey Administration forecast a deficit of $8.7 billion for fiscal 1968. In June of 1967 this figure was completely discredited when the Administration was forced to obtain from Congress a borrowing authority that would accommodate a deficit of $29 billion. It was not until August 3, 1967 that the Administration finally acknowledged the precarious state of the economy. On that date, the President forwarded a message to Congress wherein he urged the immediate enactment of a 10% surtax. In this message, it was stated that unless expenditures were tightly controlled and the tax increase imposed, the deficit for 1968 could be more than $28 billion.

RETURN TO THE FACTS

The calamitous consequences of unrestrained spending policies and the harsh realities of the present economic situation cannot be buried or ignored any longer. We are a Nation prodded by disaster.

William McChesney Martin, Chairman of the Federal Reserve System, has warned that the United States is "in the midst of the worst financial crisis that we've had since 1931."

Undersecretary of the Treasury Barr has testified that the United States now anticipates a "back to back" deficit of $20 billion for the current fiscal year and another $20 billion for the fiscal year beginning July 1 unless there is a tax increase. This, Barr stated is "intolerable." "We can't do it unless we eliminate the (veterans) life insurance and your (Government employee) pensions. There is going to be a severe erosion in the purchasing power of the dollar and the value of these life insurance policies...there is going to be severe erosion of the international value of the dollar."

From the outset of the present fiscal crisis, Republicans in Congress have demanded the establishment of priorities, a reduction in spending and the revision and reform of existing programs. Our insistence upon expenditure control has been shared by the Republican Coordinating Committee and the overwhelming majority of fiscal experts in this Country and abroad. The Republican Members of the Appropriations Committee and the Ways and Means Committee led the fignt to make budget cuts, recisions and limitations on budgetary authority an integral part of any tax increase. Largely at the insistence of Republicans, the bill reported by the House-Senate Conferees imposes a $6 billion cut in spending during fiscal 1969 rather than the $4 billion reduction recommended by President Johnson.

On May 29, 1968 a motion by a Democratic Member of the House of Representatives to insist on an expenditure reduction of $4 billion for fiscal year 1969 rather than the $6 billion approved by the House-Senate Conferees was defeated by a vote of 137 to 259. Of the 137 who voted for the $4 billion figure, only six were Republicans.

TIME FOR ACTION

The facts are painfully clear. The financial structure of this Country has been placed in jeopardy. We have been following the same road to disaster that the British followed - a road that finally led to the devaluation of the pound, wage and price controls and the crash abandonment of domestic programs and defense commitments throughout the world.

Revenue and Expenditure Control Act of 1968, H.R. 15414, couples a 10 percent income tax surcharge with an order to cut $6 billion in 1969 budget expenditures, $10 billion in new obligational authority and $8 billion in unspent authorizations. It is the price that must be paid for the disastrous fiscal policies of the Johnson-Humphrey Administration. It is the minimum that can be done if we are to move in the direction of fiscal and economic stability.

20 June 1968

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REP. JOHN J. RHODES, (R.-ARIZ.) CHAIRMAN • 140 CANNON HOUSE OFFICE BUILDING • TELEPHONE 225-6168

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Galleries: 11:50 a.m. 3/26/69 M
Mail: 1:30 a.m. 3/26/69

Office Copy

CONGRESSMAN
GERALD R. FORD
HOUSE REPUBLICAN LEADER

NEWS RELEASE

--FOR RELEASE AT 12 NOON--
March 26, 1969

Statement by Rep. Gerald R. Ford, R-Mich., Republican Leader, U.S. House of Reps.

I feel certain the Congress will approve President Nixon's proposals to meet the very serious problem of inflation head-on by extending the 10 per cent surtax for a year and by achieving a substantial budget surplus in fiscal 1970.

I urge that the American people likewise enlist in the fight against inflation by making those spending and saving decisions which will help bring inflation under control.

This is not a problem that the President alone can solve. He needs the help of the Congress and he needs the help of the people. Business, labor and consumers -- all must make a commitment to the goal that President Nixon has set, that of erasing the current inflationary psychology and halting the steady erosion of the dollar's purchasing power. If America whips inflation now our people can have a strong, growing economy with low unemployment in the future.

President Nixon has accepted the challenge. He has made the politically unpopular decision to recommend extension of the surtax for a full year at the existing level.

This took courage. Let's all of us now have the courage to back the President in this painful course, for the longterm good of the Nation and especially the poor and the pensioners.

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CONGRESSMAN
GERALD R. FORD
HOUSE REPUBLICAN LEADER

NEWS RELEASE

--FOR RELEASE AT 12 NOON--
March 26, 1969

Statement by Rep. Gerald R. Ford, R-Mich., Republican Leader, U.S. House of Reps.

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CONGRESSMAN
GERALD R. FORD
HOUSE REPUBLICAN LEADER

NEWS RELEASE

--FOR RELEASE AT 12 NOON MONDAY--
April 21, 1969

A statement by Rep. Gerald R. Ford, R-Mich., Republican Leader, U.S. House of Reps.

President Nixon is proposing bold steps in response to urgent needs -- the need to give the American people income tax relief at the earliest possible moment consonant with sound policy and to eliminate the 7 per cent investment tax credit as a fuel currently too rich for the American economic engine.

The President's proposal to extend the surtax at 10 per cent only until Jan. 1, 1970, and then to reduce it to 5 per cent is clear recognition that income taxes are too high. We all recognize that. We know the burden should be reduced as soon as circumstances permit.

The proposal to reduce the surtax to 5 per cent as of Jan. 1, 1970, is -- as the President stated -- tied tightly to the proposal to eliminate the 7 per cent investment tax credit.

The revenue loss from the surtax reduction must be largely offset by revenue gain from elimination of the tax credit.

Elimination of the normal 7 per cent investment tax credit will serve several purposes.

It will tend to slow down the overheated American economy and thus help curb inflation.

It will bring an estimated $3 billion additional revenue into the U.S. Treasury.

It will create conditions under which business and industry will have greater incentive to use the special tax credits Mr. Nixon is proposing for investment in poverty areas in fiscal 1971.

The need for elimination of the normal 7 per cent investment tax credit became apparent when all of the other fiscal and monetary tightening actions taken by the Nixon Administration and the Federal Reserve Board failed to slow down the economy sufficiently to assure success in the fight against inflation.

The "big news" in the President's tax reform message should not obscure other highly meaningful proposals -- elimination of income taxes for Americans at poverty level, the imposition of what in effect is a minimum income tax for a small group of high-income individuals, and the closing of a number of income tax loopholes.

The President's proposals will move America toward a common sense and fair tax structure.

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Office Copy

FOR IMMEDIATE RELEASE JULY 8, 1969

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

PRESS CONFERENCE
OF
CONGRESSMAN GERALD R. FORD
THE ROOSEVELT ROOM

AT 9:55 A.M. EDT

MR. ZIEGLER: Senator Dirksen had to go to the Hill, to the Senate Finance Committee, where Secretary Kennedy is testifying this morning on the surtax bill, so Congressman Ford will give you a report on the meeting.

CONGRESSMAN FORD: Thank you very much, Ron.

Good morning. As Mr. Ziegler has indicated, Senator Dirksen was here but had to go up to the hearing in the Senate Finance Committee, where Secretary of the Treasury Kennedy is testifying.

Before the Senator left there was a fairly broad discussion of the urgency of the enactment of the surtax legislation as it passed the House with the two very important tax reform provisions in it; one, the repeal of the investment tax credit, and secondly, the recommendation of the White House for the low income allowance provision.

It was pointed out that there may be an effort on the part of some to delay the consideration of the surtax package that was passed by the House and it is the strong feeling of the President and the Administration that those who for one reason or another delay the consideration and the enactment of the surtax are responsible for any of the ill effects that take place in the economy, such as the increase in prices, the problems of inflation and high interest rate.

It seems to the Administration that time is of the essence, that we must act affirmatively as quickly as possible on the surtax, the tax package, if we are to really win the battle against inflation and if we are to do something affirmatively in the area of high interest rates and to furthermore prevent some economic difficulties down the road.

I think all economists agree, from the left to the right, that this legislation is vitally important and the sooner the Congress acts, the more certain we will be in winning the battle against inflation.

We have heard, all of us, some comments about the need and necessity for tax reform. The President sent a message several months ago incorporating some 16 very important proposals for tax reform.

MORE

The President, in a letter to me last Monday, reiterated this Administration's dedication to bona fide tax reform. The Chairman of the Committee on Ways and Means and the ranking Republican member have promised that there would be tax reform legislation out of the Committee on Ways and Means.

I hasten to add that this is the first Administration in some 20 years I have been here, that the White House has openly and specifically endorsed real tax reform. So the prospects of tax reform are bright, but they should not be mixed with the surtax proposal that is needed and necessary for our battle against inflation.

The meeting also included a discussion of the message which is already distributed, I understand, on unemployment insurance proposals of the White House.

Furthermore, the Attorney General is now discussing with the Leadership the message and the recommendations of the Administration in reference to drugs and narcotics. The need and necessity for this legislation is, I think, evident. We read almost daily of serious consequences resulting from the increase in drug traffic, increase in drug use.

The Administration is making specific recommendations. We all know that organized crime ---

Q When will that come?

CONGRESSMAN FORD: Sometime this week, as I understand it.

Is that correct, the message and recommendations on drugs?

MR. ZIEGLER: Not necessarily this week. There is a possibility it will be this week, but within the coming weeks.

CONGRESSMAN FORD: Frankly, I had to leave the meeting before the Attorney General finished, so I did not get that detail, but I assume sometime this week or in the near future.

Organized crime really thrives on the drug and narcotics traffic. The Federal Government has a major interest. The President himself passed a note to me as the Attorney General was talking with the Members of the Leadership, and the President's note indicates that 58 percent of all crimes in the New York and New Jersey area last year were committed by people somehow connected with drugs and narcotics.

I think this is ample evidence that something has to be done on a much vaster scale than we have been doing in the past.

Those were the major items that were discussed. I will be glad to answer any questions.

MORE

Q What program is he proposing for curbing narcotics, generally?

CONGRESSMAN FORD: Again, I had to leave before all the details were developed by the Attorney General. Before I left the Attorney General was talking about a change in the control of distribution. There was to be a proposal involving import controls. There was a proposal that would give some greater flexibility in penalties. There apparently is a tendency on the part of courts and juries where there is this hard, mandatory, tough sentence to not have as many convictions as you might have if there was a lesser penalty and more flexibility given to the courts.

Q Are you speaking there of easing up on the penalties on marijuana?

CONGRESSMAN FORD: Again, we did not get into the details, or at least I was not there when those details were discussed. But there has been a tendency on the part of juries and the courts themselves where the penalty is hard and inflexible, to not have as many convictions. What we need, I think, is more flexibility in the sentencing where there has been a conviction, and one of the proposals incorporated in this area would involve that area.

Q Earlier you mentioned the need to do something about the high interest rates. At the meeting this morning did you get into Mr. Kennedy's meeting with those bankers, and Mr. Patman's charges with regard to that meeting?

CONGRESSMAN FORD: We did not get into that specific, but we related high interest rates to the surtax proposal. I think it is recognized by everybody if we don't pass the surtax, the probability of higher interest rates is a foregone conclusion. If we pass the surtax proposal, then the probability on the other hand is that interest rates will ease and will go down rather than up.

Q Is the Administration prepared to compromise if necessary to get the surtax through the Senate?

CONGRESSMAN FORD: The Administration feels that we must pass the surtax now, and that as long as the Administration is categorically on record by a message and by a letter for tax reform, there is no need and necessity to combine the two.

Q Mr. Ford, will you accept the additional tax reform proposals tied to the surtax?

CONGRESSMAN FORD: The Administration is against additional tax reform proposals at the present time. They are committed for tax reform at a later date during this Session of the Congress. It seems that the House bill is the best vehicle.

Q Suppose somebody in the Senate comes up with enough strength to insist on some additional tax reform?

CONGRESSMAN FORD: Well, of course, the Senate will work its will, and the conference between the House and Senate will try to compromise whatever is included in the Senate version in the House version, but the Administration feels very strongly that the closer the bill can be to the House version the better, and time is of the essence.

Q Was there any discussion about the increasing cost of medical expenses in the country and the anticipated announcement on Thursday in regard to that?

CONGRESSMAN FORD: Indirectly there was a discussion of it with regard to the increases in the cost of living in the last year. I think Secretary Shultz said that 60 percent of the increase in the cost of living in the last year related to two principal factors; one, that which you mentioned, and secondly, construction costs. But it was only in reference to the overall, not on a specific point.

Q Was there any discussion about Mr. Nixon's Asian trip or the trip to Romania?

CONGRESSMAN FORD: None whatsoever.

Q Mr. Ford, why should there be opposition to accepting some tax reform now with the surcharge?

CONGRESSMAN FORD: It is a matter of delay. If the Senate gets into a long debate, a prolonged discussion of a multitude of reforms at this time, it will inevitably delay the war we are waging against inflation, and as long as there is this firm commitment by the Administration for tax reform during this Session, it doesn't seem necessary to have tax reform attached to the surtax bill.

Q Congressman, is it true that the House will not vote this year on the President's draft proposal?

CONGRESSMAN FORD: The House Committee on Armed Services, I hope, will consider the President's draft changes, recommendations for revision in the selective service, as soon as they get through the necessary military procurement authorization bill. I would hope that the House would have such a chance in 1969.

Q Was anything said about revenue sharing?

CONGRESSMAN FORD: Not this morning, no.

Q Was anything said about the lull in military activity in Vietnam?

CONGRESSMAN FORD: There was no discussion of that this morning.

THE PRESS: Thank you.

END (AT 10:10 AM EDT.)

91st Congress } HOUSE OF REPRESENTATIVES { Document
1st Session } { No. 91–148

FEDERAL-STATE REVENUES

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

RELATIVE TO

FEDERAL REVENUE SHARING WITH THE STATES

August 13, 1969.—Referred to the Committee on Ways and Means and ordered to be printed

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To the Congress of the United States:

If there is a single phenomenon that has marked the recent history of nations, large and small, democratic and dictatorial, it has been rise of the central government.

In the United States, revenues of the Federal government have increased ninety-fold in thirty-six years. The areas of our national life where the Federal government has become a dominant force have multiplied.

The flow of power from the cities and States to Washington accelerated in the Depression years, when economic life in America stagnated, and an energetic national government seemed the sole instrument of national revival. World War II brought another and necessary expansion of the Federal government to marshal the nation's energies to wage war on two sides of the world.

When the war ended, it appeared as though the tide would be reversed. But the onset of the cold war, the needs of a defeated and prostrate Europe, the growing danger and then the reality of conflict in Asia, and later, the great social demands made upon the Federal government by millions of citizens, guaranteed the continued rapid growth and expansion of Federal power.

Today, however, a majority of Americans no longer supports the continued extension of federal services. The momentum for federal expansion has passed its peak; a process of deceleration is setting in.

The cause can be found in the record of the last half decade. In the

37–011

last five years the Federal government enacted scores of new Federal programs; it added tens of thousands of new employees to the Federal payrolls; it spent tens of billions of dollars in new funds to heal the grave social ills of rural and urban America. No previous half decade had witnessed domestic Federal spending on such a scale. Yet, despite the enormous Federal commitment in new men, new ideas and new dollars from Washington, it was during this very period in our history that the problems of the cities deepened rapidly into crises.

The problems of the cities and the countryside stubbornly resisted the solutions of Washington; and the stature of the Federal government as America's great instrument of social progress has suffered accordingly—all the more so because the Federal government promised so much and delivered so little. This loss of faith in the power and efficacy of the Federal government has had at least one positive impact upon the American people. More and more, they are turning away from the central government to their local and State governments to deal with their local and State problems.

As the Federal government grew in size and power, it became increasingly remote not only from the problems it was supposed to solve, but from the people it was supposed to serve. For more than three decades, whenever a great social change was needed, a new national program was the automatic and inevitable response. Power and responsibility flowed in greater and greater measure from the state capitals to the national capital.

Furthermore, we have hampered the effectiveness of local government by constructing a Federal grant-in-aid system of staggering complexity and diversity. Many of us question the efficiency of this intergovernmental financial system which is based on the Federal categorical grant. Its growth since the end of 1962 has been near explosive. Then there were 53 formula grant and 107 project grant authorizations—a total of 160. Four years later on January 1, 1967, there were 379 such grant authorizations.

While effective in many instances, this rapid growth in Federal grants has been accompanied by:

—Overlapping programs at the State and local level.
—Distortion of State and local budgets.
—Increased administrative costs.
—Program delay and uncertainty.
—A decline in the authority and responsibility of chief executives, as grants have become tied to funtional bureaucracies.
—Creation of new and frequently competitive State and local governmental institutions.

Another inevitable result of this proliferation of Federal programs has been a gathering of the reins of power in Washington. Experience has taught us that this is neither the most efficient nor effective way to govern; certainly it represents a radical departure from the vision of Federal-State relations the nation's founders had in mind.

This Administration brought into office both a commitment and a mandate to reverse the trend of the last three decades—a determination to test new engines of social progress. We are committed to enlist the full potential of the private sector, the full potential of the voluntary sector and the full potential of the levels of government closer to the people.

This week, I am sending to Congress for its approval for Fiscal Year 1971, legislation asking that a set amount of Federal revenues be returned annually to the States to be used as the States and their local governments see fit—without Federal strings.

Because of budget stringencies, the initial fund set aside to start the program will not be great—$500 million. The role of the Federal government will be re-defined and re-directed. But it is my intention to augment this fund annually in the coming years so that in the Fiscal Year beginning in mid-1975, $5 billion in Federal revenues will be returned to the states without Federal strings. Ultimately, it is our hope to use this mechanism to so strengthen State and local government that by the end of the coming decade, the political landscape of America will be visibly altered, and States and cities will have a far greater share of power and responsibility for solving their own problems. The role of the Federal Government will be re-defined and redirected toward those functions where it proves itself the only or the most suitable instrument.

The fiscal case for Federal assistance to States and localities is a strong one. Under our current budget structure, Federal revenues are likely to increase faster than the national economy. At the local level, the reverse is true. State and local revenues, based heavily on sales and property taxes, do not keep pace with economic growth, while expenditures at the local level tend to exceed such growth. The result is a "fiscal mismatch," with potential Federal surpluses and local deficits.

The details of this revenue sharing program were developed after close consultation with Members of the Congress, governors, mayors, and county officials. It represents a successful effort to combine the desirable features of simplicity and equity with a need to channel funds where they are most urgently needed and efficiently employable.

The program can best be described by reviewing its four major elements.

First, the size of the total fund to be shared will be a stated percentage of personal taxable income—the base on which Federal individual income taxes are levied. For the second half of Fiscal Year 1971, this will be one-third of one percent of personal taxable income; for subsequent fiscal years this percentage will rise to a regular constant figure. In order to provide for the assured flow of Federal funds, a permanent appropriation will be authorized and established for the Treasury Department, from which will be automatically disbursed each year an amount corresponding to the stipulated percentage.

Second, the allocation of the total annual fund among the 50 States and the District of Columbia will be made on the basis of each State's share of national population, adjusted for the State's revenue effort.

The revenue effort adjustment is designed to provide the States with some incentive to maintain (and even expand) their efforts to use their own tax resources to meet their needs. A simple adjustment along these lines would provide a state whose revenue effort is above the national average with a bonus above its basic per capita portion of revenue sharing.

Third, the allocation of a State's share among its general units of local government will be established by prescribed formula. The total amount a State will share with all its general political subdivisions is based on the relative roles of State and local financing in each State. The amount which an individual unit of general local government will receive is based on its share of total local government revenue raised in the State.

Several points should be noted about these provisions for distribution of a State's portion of revenue sharing.

—The distribution will be made by the State.

—The provisions make allowance for State-by-State variations and would tend to be neutral with respect to the current relative fiscal importance of State and local governments in each State.

—In order to provide local flexibility, each State is authorized to develop an alternative distribution plan, working with its local governments.

Fourth, administrative requirements are kept at a minimum. Each State will meet simple reporting and accounting requirements.

While it is not possible to specify for what functions these Federally shared funds will provide—the purpose of this program being to leave such allocation decisions up to the recipient units of government—an analysis of existing State and local budgets can provide substantial clues. Thus, one can reasonably expect that education, which consistently takes over two-fifths of all state and local general revenues, will be the major beneficiary of these new funds. Another possible area for employment of shared funds, one most consistent with the spirit of this program, would be for intergovernmental cooperation efforts.

This proposal marks a turning point in Federal-State relations, the beginning of decentralization of governmental power, the restoration of a rightful balance between the State capitals and the national capital.

Our ultimate purposes are many: To restore to the States their proper rights and roles in the Federal system with a new emphasis on and help for local responsiveness; to provide both the encouragement and the necessary resources for local and State officials to exercise leadership in solving their own problems; to narrow the distance between people and the government agencies dealing with their problems; to restore strength and vigor to local and State governments; to shift the balance of political power away from Washington and back to the country and the people.

This tax-sharing proposal was pledged in the campaign; it has long been a part of the platform of many men in my own political party—and men in the other party as well. It is integrally related to the national welfare reform. Through these twin approaches we hope to relieve the fiscal crisis of the hard-pressed State and local governments and to assist millions of Americans out of poverty and into productivity.

RICHARD NIXON.

THE WHITE HOUSE, *August 13, 1969.*

CONGRESSMAN
GERALD R. FORD
HOUSE REPUBLICAN LEADER

NEWS
RELEASE

O Office Copy

--FOR RELEASE AT 2 P.M. EDT--
August 13, 1969

Statement by Rep. Gerald R. Ford, R-Mich., to be placed in the Congressional Record of August 13, 1969, immediately following the President's Message on Revenue Sharing.

Mr. Speaker:

Incentive and extra effort have always been essential elements of success.

It is just those elements that would be generated by Federal revenue sharing, as proposed today by President Nixon.

Throughout the President's proposal for diversion of an assured portion of Federal income tax revenue to the states and local units of government is woven the idea of greater responsibility for those units of government, for governing bodies closer to the people than is the Federal Legislature.

As a supplement to other Federal aid, revenue sharing can be the catalyst for problem-solving on a scale we have never yet witnessed in America, problem-solving at the local level on the basis of priorities viewed as local people see them in their own communities.

The House Republican Leadership has long urged the adoption of Federal revenue sharing. Together with the President's new Family Assistance Program and his Comprehensive Manpower Training Act, revenue sharing would supply the cement for the building of a better America.

This is the New Federalism the President spoke of last Friday night--a channeling of new funds and new responsibilities to states and local communities, a movement which will return government to the people.

Mr. Speaker, any proposal as bold as Federal revenue sharing will require deep study and concentration within the Congress. I am hopeful that hearings on the President's revenue sharing plan will begin very soon in the House and move steadily to a favorable conclusion.

President Nixon's revenue-sharing plan is a proposal which speaks to the future of America, a program which is needed to revitalize the American political system and the people it serves.

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CONGRESSMAN
GERALD R. FORD
HOUSE REPUBLICAN LEADER

NEWS RELEASE

--FOR IMMEDIATE RELEASE--
September 23, 1969

Remarks by Rep. Gerald R. Ford, R-Mich., Republican Leader, U. S. House of Representatives, on the floor of the House, September 23, 1969.

Mr. Speaker:

One of the underlying causes of youthful unrest in our nation is uncertainty about the future. One of the great reasons for that uncertainty is the present draft system that makes a man eligible for the draft for seven years. We all know that no man can plan his future if he never knows when the long arm of government is going to reach out and take him.

The resulting uncertainty can only breed resentment among our youth, regardless of their race or socio-economic background.

Knowing this, we have gone along with such a system far too long a time.

Finally, the time has come for us to change that system, for it will be done either by Congressional action or -- if we refuse -- by Executive decision.

President Nixon asked this Congress in May to provide a random selection system that would limit the draft to 19 year olds. To date we have not acted. As an alternative, the President will take Executive action after the first of the year that will accomplish much the same objective although, in his own words, "not as clearly and as fairly" as legislation would.

Mr. Speaker, Congress has three months to act on this very important matter before the first of the year. I hope we will get on with the job.

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CONGRESSMAN
GERALD R. FORD
HOUSE REPUBLICAN LEADER

NEWS RELEASE

--FOR IMMEDIATE RELEASE--
September 24, 1969

Remarks by Rep. Gerald R. Ford, R-Mich., Republican Leader, U.S. House of Representatives, on the floor of the House, September 24, 1969.

Mr. Speaker:

Today more than 75 Members of the House, including 7 from the Ways and Means Committee, have joined to introduce legislation that will make federally-collected revenues available for percentage sharing with the states and cities.

When passed, this legislation will effectively carry out the proposal made by President Nixon last August 13 that federal revenues should be made available for use by the states and cities on a no-strings-attached basis.

Mr. Speaker, introduction of this legislation today marks the first time in recent history that a concerted effort has been begun to give states and local governments the funds that will allow them effectively to live up to their committments and their responsibilities to their citizens.

I think it is generally agreed that the central government until now has increasingly pre-empted the sources of revenue available to states and local governments, thus leaving no alternative except for the federal govenrment also to pre-empt their responsibilities.

Until now, money flowing from the federal government to the states has been sent in the form of categorical grants, with the federal government determining how and where the funds will be spent. Often, in doing so, we have put such grants on matching bases. This forced the recipients to increase their own taxes to take advantage of projects and programs they need less than some for which we have provided no grants.

The legislation we are seeking today will provide additional funds that states and counties and cities can spend as they see fit.

Mr. Speaker, there are those who lack confidence in the ability of states and local governments to spend money effectively or properly. I would agree there will be cases where money is badly spent.

But we have no farther to look than the federal government to see great sums badly spent on poorly devised programs devised for questionable reasons.

(more)

Mr. Speaker, we are a self-governing people. The Constitution ordains our system as such, and the vast majority of Americans want it that way.

Self-governing begins with the government closest to the people -- local, county and state government.

Revenue sharing will make it possible to make that government more effective and more able to meet the needs of those it governs.

Mr. Speaker, remembering that big government is not necessarily the best government, I urge the members of this House to give this legislation not only their careful study but also their votes of approval.

Our nation will be the stronger for it.

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CONGRESSMAN
GERALD R. FORD
HOUSE REPUBLICAN LEADER

NEWS RELEASE

--FOR FRIDAY PM's RELEASE--
September 26, 1969

Statement by Rep. Gerald R. Ford, R-Mich.

I think all members of Congress would agree that social security benefits today are terribly inadequate. The questions facing the Congress, then, are how much benefits will be increased, when that increase will take effect, and how the increase will be financed.

In his message sent to the Congress Thursday, President Nixon has gone beyond these questions by proposing that future increases in social security benefits be made automatic, in line with the cost of living. I not only fully endorse that proposition at the present time but point out that I joined with the Republican National Coordinating Committee in calling for cost-of-living social security in 1966, and thereafter. Cost-of-living social security also became part of the Republican platform adopted at the 1968 Republican National Convention.

This is the only way that we can make sure the social security system will fill its role in helping to provide our elderly and other beneficiaries with an adequate income -- by tying it to the cost of living.

I also endorse without hesitation the President's proposal that future increases in social security benefits be financed by automatically increasing the base on which social security taxes are levied.

It seems to me eminently fair that we finance future benefit increases in this way. Not only have social security tax rates reached extremely high levels, but to increase them further would impose an unreasonable burden on our young people when they are just starting their careers and families. To increase the taxable base would be to act in accordance with the principle we have employed in the past in the field of income taxation -- taxing most heavily those most able to pay.

The President's social security proposals not only point toward an adequate income for our elderly and other social security beneficiaries but also toward an end to political opportunism in the social security field.

(more)

It is long past time when the Congress should remove social security from the political arena -- eliminate it as a biennial political exercise aimed at winning the votes of senior citizens through an auction-type bidding up of benefits.

Let neither major political party seek political profit out of the plight of our elderly.

Let us aid our elderly and improve our social security structure simply because it is right -- and let us provide for automatic adjustments in the name of equity for the future.

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HOUSE REPUBLICAN LEADER

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HOUSE REPUBLICAN LEADER

NEWS RELEASE

--FOR IMMEDIATE RELEASE--
December 20, 1969

Statement by Rep. Gerald R. Ford, Republican Leader, U.S. House of Representatives

The House and Senate Republican leaders with Representative John Byrnes and Senator Wallace Bennett met with the President at breakfast to discuss the tax bill.

Because it more nearly conforms to the House version, the tax bill is non-inflationary in its effect in 1970 and 1971. Compared to the Senate version the tax conference report saves approximately $10 billion in federal revenue in an 18-month period. Enactment into law could help to ease the tight money policy and have a beneficial impact on the housing industry in 1970.

The President's strong leadership in insisting on a non-inflationary tax bill contributed materially to the great improvements in the final version compared to the Senate's high cost of living tax bill.

In some important respects the tax bill conference report follows the President's tax reform message of April 22 in that the federal tax burden on the lowest income taxpayers will be removed or lessened and many loopholes will be closed

The bad features of the bill--the revenue losses after 1972-- make the final veto decision by the President a very close question. The revenue losses down the road will make it very difficult for the President and the Congress to fund some of the environmental improvement and education programs that badly need attention.

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CONGRESSMAN
GERALD R. FORD
HOUSE REPUBLICAN LEADER

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U. S. HOUSE OF REPRESENTATIVES **REPUBLICAN POLICY** COMMITTEE

REP. JOHN J. RHODES, (R.-ARIZ.) CHAIRMAN • 1616 LONGWORTH HOUSE OFFICE BUILDING • TELEPHONE 225-6168

10

93rd Congress
First Session

March 13, 1973
Statement Number 1

HOUSE REPUBLICAN POLICY STATEMENT ON

SPECIAL REVENUE SHARING

To restore fiscal balance to the federal system and to strengthen state and local governments, President Nixon, in February, 1971 proposed the sharing of a portion of federal revenue with states and communities. Although the Ninety-second Congress did initiate a general revenue sharing program, the special revenue sharing proposals, consolidating a myriad of categorical grant programs into largely unrestricted grants for broadly defined purposes, received inadequate consideration under the Democrat leadership of the House.

In his January, 1973 budget message President Nixon renewed his special revenue sharing proposal, requesting that in four areas: 1) education, 2) law enforcement and criminal justice, 3) manpower training and 4) urban community development, the outmoded and narrow categorical grants be replaced by more broad-purpose awards.

The program would authorize spending of shared funds at the discretion of local and state officials if the purpose of an expenditure lies within one of the above categories. Matching fund requirements would be eliminated, and distribution would be made according to "formulas appropriate to each broad subject area." Existing programs currently financed through restricted

(OVER)

categorical grants could continue through the use of shared funds at the discretion of the recipients. A substantial share of federal revenues will thus return to state and local governments, to the "scene of the action", where needs are most understood and priorities are best established.

If state and local governments are ever to regain their full share of power and responsibility--as equal partners in federalism--the present inequality of fund availability must be overcome. Passage of President Nixon's total fiscal re-sorting package is essential.

The House Republican Policy Committee urges the immediate consideration and passage of President Nixon's special revenue sharing proposals.

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