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ROANOKE JAYCEES, ROANOKE, VIRGINIA - JAN. 30, 1967

THERE IS A NEW MOOD IN THE NATION TODAY. IT IS A MOOD WHICH PRODUCED A CONGRESS WITH A NEW COMPLEXION. THIS NEW CONGRESS CAN BEST BE DESCRIBED AS CAUTIOUS AND PRUDENT.

AS WE ORGANIZE TO CARRY OUT OUR WORKLOAD FOR 1967, MEMBERS OF CONGRESS ARE ANALYZING THE NATION'S NEW MOOD.

I BELIEVE CONGRESSMEN FROM MY PARTY HAVE TAKEN AN ACCURATE READING OF THAT MOOD--AND IT IS SIMPLY THIS: OURS IS A NATION WHICH NO LONGER BELIEVES THAT THE UNITED STATES CAN AFFORD BOTH GUNS AND BUTTER...FRILLS AND RUFFLES ALONG WITH RIFLES.

IT SEEMS CLEAR TO ME THIS ADMINISTRATION IS MISREADING THE TRUE MOOD OF AMERICA. IF THE PRESIDENT HAD TAKEN THE



NATIONAL PULSE PROPERLY, HE WOULD NOT HAVE SUBMITTED TO THE CONGRESS ON JANUARY 24 A WHOPPING ADMINISTRATIVE BUDGET WHICH CALLS FOR SPENDING A RECORD-BREAKING \$135 BILLION IN FISCAL 1968.

I AM NOT GOING TO CONFUSE THE ISSUE BY TALKING ABOUT THE GOVERNMENT'S NATIONAL ACCOUNTS BUDGET, WHICH INCLUDES THE TRUST FUNDS. THIS ADMINISTRATION'S BUDGET GIMMICKRY IS DECEPTIVE ENOUGH WITHOUT LOOKING AT BOTH THE ADMINISTRATIVE AND NATIONAL ACCOUNTS BUDGETS AT THE SAME TIME.

LET'S CONCENTRATE ON THE ADMINISTRATIVE BUDGET, THE ONE MOST PEOPLE ARE FAMILIAR WITH, AND LET'S BEGIN WITH THE FISCAL YEAR WE'RE IN NOW.


LAST JANUARY THE PRESIDENT SAID HE PLANNED TO SPEND \$112.8 BILLION IN FISCAL YEAR 1967 AND PEGGED THE DEFICIT



AT \$1.8 BILLION. INSTEAD HE NOW SAYS HE'LL BE SPENDING \$14 BILLION MORE THAN HE HAD ANTICIPATED--AND THE RED INK FIGURE WILL RUN CLOSE TO \$10 BILLION. IT'S AN INTERESTING COINCIDENCE THAT THE INTEREST ON THE NATIONAL DEBT NOW TOTALS SLIGHTLY MORE THAN \$14 BILLION A YEAR. THIS IS THE SECOND LARGEST SINGLE ITEM IN THE ADMINISTRATIVE BUDGET, THE LARGEST ITEM AFTER NATIONAL DEFENSE.

THIS MONTH THE PRESIDENT DROPPED A \$135 BILLION BUDGET INTO CONGRESS'S LAP. IT CALLS FOR AN OUTLAY \$22 BILLIONS LARGER THAN THE FISCAL 1967 BUDGET AND \$8 BILLION GREATER THAN CURRENT FISCAL YEAR SPENDING ACTUALLY IS PROVING TO BE.

THERE'S ANOTHER COINCIDENCE. THE PRESIDENT IS PLANNING TO SPEND \$8 BILLION MORE IN FISCAL 1968 THAN IN THE CURRENT FISCAL YEAR AND IS PLANNING A DEFICIT IN ALMOST PRECISELY THAT AMOUNT.



TO HOLD THE DEFICIT TO "ONLY" \$8.1 BILLION, THE PRESIDENT WANTS CONGRESS TO VOTE ABOUT \$6 BILLION IN NEW TAXES. THIS WOULD INCLUDE A 6 PERCENT INCOME TAX SURCHARGE AND AN INCREASE IN POSTAL FEES.

THE ONLY SOUND REASON FOR A TAX INCREASE IN 1967 IS THE PROSPECT OF A HUGE FISCAL 1968 DEFICIT AND THE DAMAGE THAT MIGHT RESULT. NOW LET'S ASK OURSELVES...WHY A BIG DEFICIT? DEFICITS RESULT FROM HEAVY GOVERNMENT SPENDING, SPENDING WHICH EXCEEDS GOVERNMENT INCOME. DOES THE GOVERNMENT HAVE TO SPEND FAR BEYOND ITS MEANS, YEAR AFTER YEAR?

YOU CAN REDUCE DEFICITS IN EITHER ONE OF TWO WAYS. EITHER YOU CUT SPENDING AND BRING IT INTO REASONABLE BALANCE WITH REVENUE, OR YOU INCREASE REVENUE. YOU INCREASE REVENUE BY STIMULATING THE PRIVATE SECTOR OF THE ECONOMY,






OR BY INCREASING TAX RATES AND HOPING THE ECONOMY REMAINS  
HEALTHY ENOUGH TO PRODUCE A BIGGER TAX TAKE. AT THE SAME  
TIME, YOU SHOULD FOCUS ON THE VERY IMPORTANT GOAL OF PRICE  
STABILITY.

WHAT IS OUR PRESENT SITUATION?

WE BLUNDERED THROUGH THE YEAR 1966, A YEAR THAT SAW A  
MAJOR MISTAKE IN UNITED STATES ECONOMIC POLICY. INFLATION  
WAS THE NO. 1 PROBLEM, YET THE ADMINISTRATION CONTINUED TO  
STIMULATE THE ECONOMY WITH INCREASED GOVERNMENT SPENDING.  
THE RESULT--THE SHARPEST CONSUMER PRICE RISES IN NINE YEARS  
AND A STAGGERING \$9.7 BILLION DEFICIT.

NOW THE ECONOMY IS SAGGING IN MANY SPOTS. THE AUTOMOTIVE  
INDUSTRY HAS BEEN HIT HARD BY A SLUMP IN NEW CAR SALES.  
JUST LAST THURSDAY NEARLY 17,000 CHRYSLER AND CHEVROLET



WORKERS WERE LAID OFF INDEFINITELY. THE HOMEBUILDING  
INDUSTRY IS JUST BEGINNING TO PULL ITSELF OUT OF A VIRTUAL  
DEPRESSION. MAJOR HOME APPLIANCES ARE NOT SELLING WELL.  
BUSINESS PROFITS, GENERALLY, ARE BEGINNING TO SLIDE.

AT THE SAME TIME, INFLATIONARY PRESSURES ARE CONTINUING.  
WHILE THE DEMAND-PULL KIND OF INFLATION WE EXPERIENCED IN  
1966 IS MODERATING, COST-PUSH INFLATION THREATENS REAL  
TROUBLE FOR 1967. UNIONS ARE DEMANDING--AND MANY OF THEM  
WILL GET--WAGE INCREASES AND FRINGE BENEFITS TOTALLING  
BETWEEN 5 AND 8 PERCENT. THESE NEW CONTRACTS WILL REFLECT  
NOT ONLY PRODUCTIVITY INCREASES BUT THE 3.3 PERCENT RISE  
IN THE COST OF LIVING IN 1966.

THESE UNION MEMBERS AND ALL OTHER AMERICANS WERE FORCED  
TO PAY THE HIGH PRICE TAGS OF 1966 INFLATION. NOW THE



ADMINISTRATION PROPOSES TO ADD A 6 PERCENT SURCHARGE TO THEIR TAX BILLS FOR 1967.

AS I MENTIONED EARLIER, THE ONLY SOUND REASON FOR A TAX INCREASE IS TO REDUCE A DEFICIT OR COOL OFF AN OVERHEATED ECONOMY. BUT THE ECONOMY ALREADY IS COOLING OFF, AND THE POSSIBILITY OF A RECESSION IN 1967 CANNOT BE DISMISSED.

SHOULD WE THEN INCREASE TAXES TO EASE CREDIT? THAT ADJUSTMENT ALSO IS UNDER WAY. IN ANY CASE, YOU CAN RELAX TIGHT MONEY PRESSURES JUST AS WELL BY CUTTING NON-ESSENTIAL FEDERAL SPENDING, THUS REDUCING GOVERNMENT DEMAND FOR BORROWED FUNDS.

ONE OF THE TRAGEDIES OF THE PAST YEAR IS THAT THE ADMINISTRATION WAS RETICENT ON FISCAL MATTERS. WHEN IT DID SPEAK OUT, IT SPOKE CARELESSLY.





NO, I WILL GO FURTHER THAN THAT. TO BE ABSOLUTELY CANDID ABOUT IT, THIS ADMINISTRATION CONCEALED THE TRUE COST OF THE VIETNAM WAR. THOSE WHO ARE CHARITABLE SAY THE ADMINISTRATION "UNDERESTIMATED" THE COST OF THE WAR BY ABOUT \$10 BILLION.

LET'S CALL A SPADE A SPADE. LAST YEAR WAS AN ELECTION YEAR. NOW THAT THE ELECTION IS OVER, THE ADMINISTRATION SUDDENLY KNOWS HOW MUCH THE VIETNAM WAR IS COSTING.

ALL LAST YEAR THE ADMINISTRATION WAS CAUGHT IN A KIND OF ELECTION YEAR PARALYSIS. THE PRESIDENT HAD ENUNCIATED A BUTTER AND GUNS POLICY IN HIS STATE OF THE UNION MESSAGE OF JANUARY, 1966. HE REPEATED THAT THEME IN HIS 1966 BUDGET MESSAGE. THIS MADE IT DIFFICULT FOR HIM TO ADOPT THE MONETARY AND FISCAL POLICIES DEMANDED BY RISING INFLATION. INSTEAD

HE LEFT THE COUNTRY TO WRESTLE AND SUFFER WITH TIGHT CREDIT.

NOW, SUDDENLY, THE PRESIDENT SAYS WE MUST DEAL WITH  
TIGHT CREDIT BY RAISING TAXES.

I SAY WE MUST CUT SPENDING BEFORE WE EVEN CONSIDER  
RAISING TAXES.

THERE IS FAT IN THE PRESIDENT'S FISCAL 1968 BUDGET.  
NOT ONLY THAT, THERE IS LARD IN THE FISCAL 1967 SPENDING  
COURSE THE PRESIDENT NOW IS FOLLOWING.

I URGE HERE AND NOW THAT THE PRESIDENT CLAMP A SHARP  
CURB ON DOMESTIC SPENDING IN THE REMAINING FIVE MONTHS  
OF THIS FISCAL YEAR AND THAT HE SUBMIT A REVISED BUDGET  
FOR FISCAL 1968.

I FEEL CERTAIN THE PRESIDENT COULD CUT SEVERAL BILLIONS



OUT OF THE FISCAL 1968 BUDGET IF HE WOULD SET A LOWER CEILING ON IT AND INSTRUCT HIS BUDGET DIRECTOR TO SQUEEZE OVERALL SPENDING UNDER THAT ROOF.

ONLY THEN COULD HE COME TO CONGRESS AND HONESTLY SAY HIS PROPOSED 6 PERCENT INCOME TAX SURCHARGE WAS TO PAY FOR THE VIETNAM WAR AND NOT FOR GREATER SPENDING ON HIS GREAT SOCIETY SCHEMES. IN FACT, HE MIGHT THEN DECIDE TO ABANDON HIS TAX INCREASE REQUEST.

IF THE PRESIDENT REFUSES TO RESUBMIT HIS BUDGET, THE HOUSE APPROPRIATIONS COMMITTEE COULD FORCE HIM TO DO SO. ALL THAT WOULD BE NECESSARY IS FOR MY GOOD FRIEND, GEORGE MAHON OF TEXAS, TO REFUSE TO SCHEDULE HEARINGS ON THE BUDGET BY THE APPROPRIATIONS COMMITTEE. THE PRESIDENT THEN WOULD HAVE NO CHOICE BUT TO REVISE HIS SPENDING PLANS AND



SEND A NEW BUDGET TO MR. MAHON'S COMMITTEE.

WE KNOW THE PRESIDENT'S \$135 BILLION BUDGET IS GOING TO HAVE TO BE CUT. THE BUDGET BUREAU, WITH ITS INTIMATE KNOWLEDGE OF BUREAUCRATIC NICHES AND CRANNIES WOULD FIND IT FAR EASIER TO DO THE JOB THAN A CONGRESSIONAL COMMITTEE.

WE ALL REALIZE THERE ARE JOHNSONIAN GIMMICKS IN THE PRESIDENT'S TAX INCREASE PROPOSAL. IT WOULD NOT TAKE EFFECT UNTIL NEXT JULY 1. IF THE ECONOMY IS STRONG ENOUGH TO ABSORB IT AT MID-YEAR, THE TAX INCREASE WOULD BE HARD TO OPPOSE IN THE FACE OF THE HUGE DEFICITS THE JOHNSON ADMINISTRATION IS PILING UP. IF THE ECONOMY IS WEAK, THE PRESIDENT CAN SIMPLY SIT BY WHILE HIS TAX PROPOSAL RECEIVES CONGRESSIONAL BURIAL.





ONE FACT SHOULD NOT BE LOST SIGHT OF IN THE DEBATE OVER A POSSIBLE TAX INCREASE.

JOHNSON ECONOMIC POLICIES HAVE PRODUCED PROJECTED DEFICITS FOR FISCAL 1967 AND 1968 TOTALLING \$18 TO \$24 BILLION. JOHNSON ECONOMIC POLICIES HAVE PRODUCED INFLATION WHICH HAS ROCKED THE PRICE STABILITY THIS COUNTRY HAS ENJOYED AND ERODED THE VALUE OF THE DOLLAR. JOHNSON ECONOMIC POLICIES HAVE PRODUCED THE HIGHEST INTEREST RATES IN 40 YEARS. JOHNSON ECONOMIC POLICIES HAVE PRODUCED A CONTINUING OUTFLOW OF OUR GOLD.

THIS IS THE MESS THIS ADMINISTRATION HAS MADE. THIS IS THE MESS THE ADMINISTRATION NOW SEEKS TO COVER UP BY APPEALING TO THE PURITAN ETHIC OF THE AMERICAN PEOPLE WITH AN INCOME TAX INCREASE WHICH POSES A CALCULATED RISK FOR THE AMERICAN ECONOMY.





NOW THAT EXPERIENCE HAS PROVED THE FISCAL 1967 BUDGET A THOROUGHLY UNRELIABLE GUIDE, IT MUST SEEM OBVIOUS TO ALL AMERICANS THAT THIS COUNTRY DESPERATELY NEEDS BUDGETARY HONESTY. THIS IS A CRITICAL PERIOD FOR THE ECONOMY AND FOR OUR PEOPLE.

ARE WE GETTING HONESTY? THIS ADMINISTRATION SPEAKS OF A "MODEST INCREASE" IN DOMESTIC SPENDING. YET FAR MORE MONEY IS BEING PUMPED INTO GREAT SOCIETY PROGRAMS THAN THE AMERICAN PEOPLE WERE LED TO EXPECT AFTER LAST NOVEMBER'S ELECTION. CONTROVERSIAL ITEMS LIKE THE TEACHER CORPS AND RENT SUBSIDIES WERE ALMOST DOUBLED IN THE BUDGET. THE DEMONSTRATION CITIES PROGRAM IS BUDGETED AT THE HIGHEST LEVEL ALLOWED BY LAW. NEW PROGRAMS ARE SCATTERED THROUGHOUT THE BUDGET. IS THIS A "MODEST INCREASE" IN DOMESTIC SPENDING? IS THIS THE BUDGETARY HONESTY THE TIMES DEMAND?



I AM A FIRM BELIEVER IN THE "NEW ECONOMICS." BUT AS I SEE THE GAME, IT SHOULD OPERATE UNDER THE TWO-PLATOON SYSTEM. WHEN THE COUNTRY IS TROUBLED WITH HIGH UNEMPLOYMENT, THE OFFENSIVE TEAM SHOULD BE SENT IN TO STIMULATE THE ECONOMY--THROUGH TAX CUTS, EXPENDITURE INCREASES AND FAIRLY ABUNDANT CREDIT. WHEN INFLATIONARY PRESSURES DEVELOP AND THE ECONOMY OVERHEATS, SEND IN THE DEFENSIVE TEAM--CURTAIL GOVERNMENT SPENDING, TIGHTEN CREDIT, MAYBE RAISE TAXES.

WE NEEDED THE DEFENSIVE TEAM IN '66, BUT THE ADMINISTRATION SENT IN ONLY A SCRUB SUBSTITUTE...AND DID THAT LATE IN THE GAME. THEY FIGURED THE FANS MIGHT NOT LIKE THE SHIFT IN STRATEGY. IS THIS HONESTY?

THIS COUNTRY FEELS A KEEN NEED FOR HONESTY IN GOVERNMENT. THE NEW MOOD OF THE NATION DEMANDS IT.



THE NEW MOOD DEMANDS A NEW DIRECTION IN OUR NATIONAL AFFAIRS--FEDERAL TAX-SHARING, GREATER RESPONSIBILITY FOR STATE AND LOCAL GOVERNMENTS, GREATER FREEDOM AND TRUST IN THE PEOPLE.

I CANNOT SPEAK FOR ALL MEMBERS OF CONGRESS. BUT I KNOW THAT MY PARTY COLLEAGUES WILL WORK FOR SOUND PROGRAMS. WE WILL INSIST UPON EFFICIENCY AND ECONOMY IN GOVERNMENT WITHOUT SACRIFICE OF FORWARD MOVEMENT.

THERE IS A NEW BREED IN THE CONGRESS. WHILE OTHERS CALL FOR MORE PROGRAMS, MORE TAXING, MORE SPENDING, THE NEW BREED WILL PRESS FOR GENUINE PROGRESS...PROGRESS AT A PACE THE PEOPLE CAN AFFORD.

THE NATION IS STILL LOOKING FOR SOLUTIONS TO THE PROBLEMS WE FACE AT HOME AND ABROAD. TO FIND THE ANSWERS,



WE MUST POINT THE COUNTRY IN THE NEW DIRECTION THE PEOPLE  
ARE DEMANDING. ONLY THEN CAN WE FIND THE PATH TO TRUE  
GREATNESS.

---THANK YOU---

--END--



AN ADDRESS BY REP. GERALD R. FORD, R-MICH.

BEFORE THE ROANOKE JAYCEES, ROANOKE, VA.

MONDAY, JAN. 30, 1967

There is a new mood in the Nation today. It is a mood which produced a Congress with a new complexion. This new Congress can best be described as cautious and prudent.

As we organize to carry out our workload for 1967, members of Congress are analyzing the Nation's new mood.

I believe congressmen from my party have taken an accurate reading of that mood--and it is simply this: Ours is a Nation which no longer believes that the United States can afford both guns and butter...frills and ruffles along with rifles.

It seems clear to me this Administration is misreading the true mood of America. If the President had taken the national pulse properly, he would not have submitted to the Congress on January 24 a whopping administrative budget which calls for spending a record-breaking \$135 billion in fiscal 1968.

I am not going to confuse the issue by talking about the government's national accounts budget, which includes the trust funds. This Administration's budget gimmickry is deceptive enough without looking at both the administrative and national accounts budgets at the same time.

Let's concentrate on the administrative budget, the one most people are familiar with, and let's begin with the fiscal year we're in now.

Last January the President said he planned to spend \$112.8 billion in fiscal year 1967 and pegged the deficit at \$1.8 billion. Instead he now says he'll be spending \$14 billion more than he had anticipated--and the red ink figure will run close to \$10 billion. It's an interesting coincidence that the interest on the national debt now totals slightly more than \$14 billion a year. This is the second largest single item in the administrative budget, the largest item after National Defense.

This month the President dropped a \$135 billion budget into Congress's lap. It calls for an outlay \$22 billions larger than the fiscal 1967 budget and \$8 billion greater than current fiscal year spending actually is proving to be.

There's another coincidence. The President is planning to spend \$8 billion more in fiscal 1968 than in the current fiscal year and is planning a deficit in almost precisely that amount.

To hold the deficit to ONLY \$8.1 billion, the President wants Congress to vote about \$6 billion in new taxes. This would include a 6 percent income tax surcharge and an increase in postal fees.

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The only sound reason for a tax increase in 1967 is the prospect of a huge fiscal 1968 deficit and the damage that might result. Now let's ask ourselves...why a big deficit? Deficits result from heavy government spending, spending which exceeds government income. Does the government have to spend far beyond its means, year after year?

You can reduce deficits in either one of two ways. Either you cut spending and bring it into reasonable balance with revenue, or you increase revenue. You increase revenue by stimulating the private sector of the economy, or by increasing tax rates and hoping the economy remains healthy enough to produce a bigger tax take. At the same time, you should focus on the very important goal of price stability.

What is our present situation?

We blundered through the year 1966, a year that saw a major mistake in United States economic policy. Inflation was the No. 1 problem, yet the Administration continued to stimulate the economy with increased government spending. The result--the sharpest consumer price rises in nine years and a staggering \$9.7 billion deficit.

Now the economy is sagging in many spots. The automotive industry has been hit hard by a slump in new car sales. Just last Thursday nearly 17,000 Chrysler and Chevrolet workers were laid off indefinitely. The homebuilding industry is just beginning to pull itself out of a virtual depression. Major home appliances are not selling well. Business profits, generally, are beginning to slide.

At the same time, inflationary pressures are continuing. While the demand-pull kind of inflation we experienced in 1966 is moderating, cost-push inflation threatens real trouble for 1967. Unions are demanding--and many of them will get--wage increases and fringe benefits totalling between 5 and 8 percent. These new contracts will reflect not only productivity increases but the 3.3 percent rise in the cost of living in 1966.

These union members and all other Americans were forced to pay the high price tags of 1966 inflation. Now the Administration proposes to add a 6 percent surcharge to their tax bills for 1967.

As I mentioned earlier, the only sound reason for a tax increase is to reduce a deficit or cool off an overheated economy. But the economy already is cooling off, and the possibility of a recession in 1967 cannot be dismissed.

Should we then increase taxes to ease credit? That adjustment also is under way. In any case, you can relax tight money pressures just as well by cutting non-essential federal spending, thus reducing government demand for borrowed funds.

One of the tragedies of the past year is that the Administration was reticent on fiscal matters. When it did speak out, it spoke carelessly.

(MORE)

No, I will go further than that. To be absolutely candid about it, this Administration concealed the true cost of the Vietnam War. Those who are charitable say the Administration "underestimated" the cost of the war by about \$10 billion.

Let's call a spade a spade. Last year was an election year. Now that the election is over, the Administration suddenly knows how much the Vietnam War is costing.

All last year the Administration was caught in a kind of election year paralysis. The President had enunciated a butter and guns policy in his State of the Union Message of January, 1966. He repeated that theme in his 1966 Budget Message. This made it difficult for him to adopt the monetary and fiscal policies demanded by rising inflation. Instead he left the country to wrestle and suffer with tight credit.

Now, suddenly, the President says we must deal with tight credit by raising taxes.

I say we must cut spending before we even consider raising taxes.

There is fat in the President's fiscal 1968 budget. Not only that, there is lard in the fiscal 1967 spending course the President now is following.

I urge here and now that the President clamp a sharp curb on domestic spending in the remaining five months of this fiscal year and that he submit a revised budget for fiscal 1968.

I feel certain the President could cut several billions out of the fiscal 1968 budget if he would set a lower ceiling on it and instruct his budget director to squeeze overall spending under that roof.

Only then could he come to Congress and honestly say his proposed 6 percent income tax surcharge was to pay for the Vietnam War and not for greater spending on his Great Society schemes. In fact, he might then decide to abandon his tax increase request.

If the President refuses to resubmit his budget, the House Appropriations Committee could force him to do so. All that would be necessary is for my good friend, George Mahon of Texas, to refuse to schedule hearings on the budget by the Appropriations Committee. The President then would have no choice but to revise his spending plans and send a new budget to Mr. Mahon's committee.

We know the President's \$135 billion budget is going to have to be cut. The Budget Bureau, with its intimate knowledge of bureaucratic niches and crannies would find it far easier to do the job than a congressional committee.

We all realize there are Johnsonian gimmicks in the President's tax increase proposal. It would not take effect until next July 1. If the economy is strong enough to absorb it at mid-year, the tax increase would be hard to oppose in the face of the huge deficits the Johnson Administration is piling up. If the economy is weak, the President can simply sit by while his tax proposal receives congressional burial.

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One fact should not be lost sight of in the debate over a possible tax increase.

Johnson economic policies have produced projected deficits for fiscal 1967 and 1968 totalling \$18 to \$24 billion. Johnson economic policies have produced inflation which has rocked the price stability this country has enjoyed and eroded the value of the dollar. Johnson economic policies have produced the highest interest rates in 40 years. Johnson economic policies have produced a continuing dollar drain, a continuing decline in our balance of trade, and a continuing outflow of our gold.

This is the mess this Administration has made. This is the mess the Administration now seeks to cover up by appealing to the Puritan ethic of the American people with an income tax increase which poses a calculated risk for the American economy.

Now that experience has proved the fiscal 1967 budget a thoroughly unreliable guide, it must seem obvious to all Americans that this country desperately needs budgetary honesty. This is a critical period for the economy and for our people.

Are we getting honesty? This Administration speaks of a "modest increase" in domestic spending. Yet far more money is being pumped into Great Society programs than the American people were led to expect after last November's election. Controversial items like the Teacher Corps and Rent Subsidies were almost doubled in the budget. The Demonstration Cities program is budgeted at the highest level allowed by law. New programs are scattered throughout the budget. Is this a "modest increase" in domestic spending? Is this the budgetary honesty the times demand?

I am a firm believer in the "New Economics." But as I see the game, it should operate under the two-platoon system. When the country is troubled with high unemployment, the offensive team should be sent in to stimulate the economy--through tax cuts, expenditure increases and fairly abundant credit. When inflationary pressures develop and the economy overheats, send in the defensive team--curtail government spending, tighten credit, maybe raise taxes.

We needed the defensive team in '66, but the Administration sent in only a scrub substitute...and did that late in the game. They figured the fans might not like the shift in strategy. Is this honesty?

This country feels a keen need for honesty in government. The New Mood of the Nation demands it.

The New Mood demands a New Direction in our national affairs--federal tax-sharing, greater responsibility for state and local governments, greater freedom and trust in the people.

I cannot speak for all members of Congress. But I know that my party colleagues will work for sound programs. We will insist upon efficiency and economy

(MORE)

in government without sacrifice of forward movement.

There is a New Breed in the Congress. While others call for more programs, more taxing, more spending, the New Breed will press for genuine progress...progress at a pace the people can afford.

The Nation is still looking for solutions to the problems we face at home and abroad. To find the answers, we must point the country in the New Direction the people now are demanding. Only then can we find the path to true greatness.

Thank you---

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I feel certain the President could cut several billions out of the fiscal 1968 budget if he would set a lower ceiling on it and instruct his budget director to squeeze overall spending under that roof.

Only then could he come to Congress and honestly say his proposed 6 percent income tax surcharge was to pay for the Vietnam War and not for greater spending on his Great Society schemes. In fact, he might then decide to abandon his tax increase request.

If the President refuses to resubmit his budget, the House Appropriations Committee could force him to do so. All that would be necessary is for my good friend, George Mahon of Texas, to refuse to schedule hearings on the budget by the Appropriations Committee. The President then would have no choice but to revise his spending plans and send a new budget to Mr. Mahon's committee.

We know the President's \$135 billion budget is going to have to be cut. The Budget Bureau, with its intimate knowledge of bureaucratic niches and crannies would find it far easier to do the job than a congressional committee.

We all realize there are Johnsonian gimmicks in the President's tax increase proposal. It would not take effect until next July 1. If the economy is strong enough to absorb it at mid-year, the tax increase would be hard to oppose in the face of the huge deficits the Johnson Administration is piling up. If the economy is weak, the President can simply sit by while his tax proposal receives congressional burial.

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One fact should not be lost sight of in the debate over a possible tax increase.

Johnson economic policies have produced projected deficits for fiscal 1967 and 1968 totalling \$18 to \$24 billion. Johnson economic policies have produced inflation which has rocked the price stability this country has enjoyed and eroded the value of the dollar. Johnson economic policies have produced the highest interest rates in 40 years. Johnson economic policies have produced a continuing dollar drain, a continuing decline in our balance of trade, and a continuing outflow of our gold.

This is the mess this Administration has made. This is the mess the Administration now seeks to cover up by appealing to the Puritan ethic of the American people with an income tax increase which poses a calculated risk for the American economy.

Now that experience has proved the fiscal 1967 budget a thoroughly unreliable guide, it must seem obvious to all Americans that this country desperately needs budgetary honesty. This is a critical period for the economy and for our people.

Are we getting honesty? This Administration speaks of a "modest increase" in domestic spending. Yet far more money is being pumped into Great Society programs than the American people were led to expect after last November's election. Controversial items like the Teacher Corps and Rent Subsidies were almost doubled in the budget. The Demonstration Cities program is budgeted at the highest level allowed by law. New programs are scattered throughout the budget. Is this a "modest increase" in domestic spending? Is this the budgetary honesty the times demand?

I am a firm believer in the "New Economics." But as I see the game, it should operate under the two-platoon system. When the country is troubled with high unemployment, the offensive team should be sent in to stimulate the economy--through tax cuts, expenditure increases and fairly abundant credit. When inflationary pressures develop and the economy overheats, send in the defensive team--curtail government spending, tighten credit, maybe raise taxes.

We needed the defensive team in '66, but the Administration sent in only a scrub substitute...and did that late in the game. They figured the fans might not like the shift in strategy. Is this honesty?

This country feels a keen need for honesty in government. The New Mood of the Nation demands it.

The New Mood demands a New Direction in our national affairs--federal tax-sharing, greater responsibility for state and local governments, greater freedom and trust in the people.

I cannot speak for all members of Congress. But I know that my party colleagues will work for sound programs. We will insist upon efficiency and economy

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in government without sacrifice of forward movement.

There is a New Breed in the Congress. While others call for more programs, more taxing, more spending, the New Breed will press for genuine progress...progress at a pace the people can afford.

The Nation is still looking for solutions to the problems we face at home and abroad. To find the answers, we must point the country in the New Direction the people now are demanding. Only then can we find the path to true greatness.

Thank you---

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