

Undated: General: Ford administration

Senator Daniel K. Inouye Papers
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THE FEDERAL BUDGET

It is said that two things are certain in life--death and taxes. I believe it is more accurate to say that three things are certain--death, taxes, and government budgets.

During the past six years and three months, we have had a divided government in Washington as Republican Presidents Nixon and Ford have controlled the Executive, while we Democrats have constituted the majority in the Congress. Under these circumstances disagreements over spending priorities have occurred. Indeed, there are those who argue that a divided government is doomed to failure as well as to disagreements. Although I do not share that view, it must be admitted that our economic policies during these past six years have not been glorious successes.

When government policies go wrong, politicians instinctively look for ways to blame it on the other guy. The air in Washington is now poisoned with charges and counter-charges on who is responsible for the disaster of U. S. policy in Southeast Asia. There is more than enough blame to go around and I accept my own share. The same can be said for the disaster of our economic policies.

The federal budget is the nation's single most important policy-making instrument. If our economic policies fail or succeed, one must look to the federal budget for the seeds from which failure or success is sown. Before looking back on past budgets and trying to analyze our most current budget, let's remember what the budget is and how it comes into being.

The budget supports all government programs, including national defense, social security and medicare, space exploration, highway construction, agricultural assistance, education, welfare, health, urban renewal, foreign aid, etc., etc. It includes Presidential helicopters and limousines, as well as Congressional salaries and staffs. It includes all the government subsidy programs, from farm subsidies to federal support for state and local governments. It sets our national priorities by allocating our resources and redistributing our income.

The budget giveth and taketh away. Every American is directly affected by it either by the taxes it exacts from him or her or the benefits it distributes to her or him.

The President presents the budget to the Congress. The Congress accepts, rejects and amends certain parts of it. Both the President and Congress are pushed and prodded by special interest groups to protect their special interests, and inevitably both the President and Congress respond, perhaps too often, to these pressures.

During last fall's Congressional campaign, President Ford travelled the country calling the Democrats in Congress "big spenders." He urged the voters to "support your candidates, who consistently vote for tough decisions to cut the cost of government, restrain federal spending and bring inflation under control."

For some reason, the President neglected to mention the fact that the budget requests of his Republican predecessor in office would have resulted in deficits of over \$130 billion if approved in full by the Congress. He also neglected to mention that the 82 Congressionally approved measures to increase federal spending during the years from 1971-1973 were supported by 93% of the Democrats and 90% of the Republicans. Congressman Gerald Ford's own record of supporting increased spending requests 86% of the time during these years was also not mentioned.

The budget game played by the Administration and Congress resembles the old shell game played at country carnivals. The shell game goes as follows: High presidential budget requests would come up to Capitol Hill. The Congress would cut total spending while reordering budget priorities by curtailing certain presidential programs and adding to others. Then the President would go on television to decry Congressional "budget busting."

He would focus on the programs added by Congress, and he would announce his intentions to impound Congressionally appropriated funds for these programs which he disliked. In the meantime, he would quietly send to Congress additional "urgent" requests for supplementary appropriations. These supplemental requests have been a well-kept secret in presidential speeches.

The Nixon shell game was an expensive one for the American taxpayer. During fiscal years 1972 through 1975, the Nixon Administration asked for federal spending programs costing over one trillion dollars. Congress cut over \$7 billion from Nixon appropriation requests and ignored \$3.5 billion in other requests. However, it added \$17 billion on its own initiative. So during this period of time when the federal government spent one trillion, fifty billion dollars, Congress was solely responsible, in the face of Administration opposition, for less than one-tenth of one per cent or \$6 billion of that total.

Most of the Congressional increases were for necessary domestic social programs that we believed were underfunded by the Administration. These included the School Lunch and Food Programs for the Elderly, Unemployment and Black Lung Benefits, Social Security and Medicare payments and Veterans' Benefits.

The Congressional cuts generally involved military spending and foreign assistance requests that we felt were excessive and wasteful. Congressional actions during this period had the net effect of shifting some \$11.3 billion away from military and foreign aid spending into the domestic area.

Thus, Congress cannot honestly be accused of "busting the budget" against the President's wishes. The "battle of the budget" that has been fought by the President and Congress primarily in speeches and press releases, is in reality a quarrel over spending priorities and policies and whether Congress will be permitted to have an equal say in these matters. The atmosphere in Washington and across the nation would be clearer and the American public's ability to hold the "big spenders" accountable would be greater, if the President, those of us in Congress and noted political commentators would come clean and admit this fact.

I do not mean to state that the Congress is entirely blameless in the controversy over federal spending. For many years, Congressional procedures did not allow coherent budget making to occur. Because each item would be considered separately, sometimes the sum of the parts passed by the Congress equaled more than the whole we had intended to support. We have too often passed entitlement programs whose initial costs were minimal, without fully realizing that later costs could prove to be maximal. For that reason, the recently enacted Budget Reform Act, which I enthusiastically cosponsored, was created to bring under control the procedures for setting and keeping Congressionally established budget ceilings.

The establishment of Senate and House Budget Committees and a Congressional "Office of the Budget" to provide us with independent budget-making expertise is essential to giving the Congress a measure of equality with the administration over budgeting matters and a greater measure of responsibility for excessive expenditures.

As most of you know, each budget is divided into "controllables" and "uncontrollables." The size and number of the "uncontrollables" leaves us very little to work with in budget cutting as I will explain.

Using estimates for fiscal year 1976 we find over \$76 billion in payments to individuals under the Social Security and Railroad Retirement programs. We note almost \$16 billion in federal retirement and insurance payments to military and civilian workers. Some \$19 billion is designated for unemployment compensation payments. (This figure may increase as unemployment worsens.) Another \$12 billion is in veterans benefits; \$24 billion in Medicare and Medicaid payments; \$2.6 billion in housing payments; and \$15.6 billion in public assistance and related programs. This gives us a grand total of more than \$165 billion in income transfer programs that cannot be controlled. Even if we could get all the welfare chiselers off the rolls we could reduce this sum only very slightly. It must be further recognized that the bulk of these payments go to people who bear the heaviest burden from inflation and the recent economic stagnation. Unless we renege on our commitments to the elderly, the veterans, the unemployed and the poor, those expenditures are truly uncontrollable.

Another whopping portion of the "uncontrollables" is the \$26 billion annual payment on the national debt.

General revenue sharing accounts for some \$6.3 billion; farm price support payments--one of the few programs which are being phased out--somewhat less than \$1 billion; the postal deficit--even with postage increases--some \$1.5 billion; the cost of running the legislative and judicial branches, about \$1 billion; with \$1 billion more for the Executive Offices; and what is classified by the Office of Budget and Management as "others" some \$5 billion.

To the above list must be added some \$23.5 billion in outlays for prior-year contracts and obligations for the Department of Defense and some \$30.5 billion in such contracts for non-defense programs.

So out of a total budget request from President Ford of \$349.4 billion, even he admits that \$260.7 billion or 74.7% are relatively "uncontrollable" items. And of the \$92.5 billion controllable items, \$63.4 billion are national defense expenditures which the President calls "the minimum prudent level of defense spending consistent with providing armed forces...adequate to maintain the military balance." In other words, the President is telling the Congress "hands off the Defense budget."

If only \$29 billion out of a \$350 billion budget is "controllable", what then can we cut? How can the budget be reduced? Is there any hope for governmental belt tightening?

I do not despair that some steps can't be taken. For one, I am committed to reducing our Foreign Aid expenditures. As Chairman of the Foreign Operations Subcommittee in the Senate, I was in great part responsible for a cut of some 50% of the Foreign Aid expenditure for fiscal 1975 requested by the President. I anticipate sharp cuts in the \$5.1 billion which has been requested of my Subcommittee for fiscal 1976. Specifically, I believe we can make sharp cuts in the sums requested for foreign military assistance.

Additionally, I think it is time we reduce slightly our expenditures on behalf of NATO--the North Atlantic Treaty Organization. While we have long been committed to the defense of Western Europe, Greece and Turkey against the threat from nations behind the Iron Curtain, it is a commitment not fully shared by all NATO nations. Only Western Germany has met its military obligations fully.

Each time we raise the prospect of reducing our expenditures or manpower, the NATO countries point with horror to the threat from the East. Meanwhile, they trade freely with the Soviets while we continue to limit our trade. We can anticipate Administration spokesmen discussing the "linkage" of the threat of NATO troop reductions with our so-called "lack of resolve in Southeast Asia." To that I say, "Hogwash."

A reduction in NATO spending will in no way minimize our commitment. The military situation has changed dramatically in the past two decades. We have Polaris and Poseidon Submarines, long range intercontinental ballistic missiles and manned bombers all armed with nuclear warheads. These weapons of destruction were not available when NATO was first conceived and organized. We maintain our capability to airlift additional combat forces on a moment's notice. Our NATO allies are far more secure and better defended today than they were some 2 1/2 decades ago.

These examples prove that government expenditure cuts are possible. We must do our best to achieve them. Though inadequately staffed, the legislative and appropriations committees can pass the message to the executive that cuts can be made--the each of us can live more frugally.

Some 3 1/2 years ago, when I first became a member of the Appropriations Committee, I received as my first assignment, supervision over the appropriations for the District of Columbia. At that time the District government had some 45 chauffeur driven limousines for its senior officials. I cut this number to 3--a car for the Mayor, the Chief of Police and the Fire Chief. It didn't save millions of dollars but it did pass the message loud and clear that unnecessary frills were out. Cuts of this nature add up.

Similar cuts can be made in other departments. Certainly, the time is long past when the military should observe similar restraints on limousines and the use of enlisted personnel as personal servants. If a United States Senator can drive his own car, mow his own lawn and take care of other personal and household tasks, so can the military brass.

It may be nit-picking to focus on such items but it sets the tone. Savings must become a way of life--for government and for all of us--if we are to bring inflation under control and keep it there. Even though a \$5 billion to \$10 billion cut in federal expenditures is estimated to reduce inflation only 1/10th to 2/10th of a percent during an inflationary spiral, it can prove worthwhile particularly in reduced tax burdens.

In the final analysis, it is up to the American public to demand and secure frugality in government. For the support for spending control must come from the majority of our taxpayers and voters.

Some Americans rage with indignation over welfare payments to individuals who have come on hard times, but give their support to subsidies for tobacco, wheat and sugar and for businesses that may be threatened with going under--such as Pan Am, Boeing, and the New York Central Railroad--to name a few. Middle income homeowners do not decry the fact that \$6 1/2 billion will be lost to the U. S. Treasury as a result of the interest tax deduction that is allowed on home mortgages. How many wealthy Americans have called on the IRS to end the favorable tax treatment of capital gains which denies over \$7 billion to the Treasury which could otherwise be used to balance the budget?

It is time for the American public to be honest with itself, as well as demanding honesty from its public servants. For the truth is that Americans in all walks of life benefit from government subsidies costing billions. If government spending is ever to be brought under control, we all cannot demand that the Congress protect and extend our subsidies, but eliminate or limit everyone else's. It is eminently unfair to blame the Congress or the President for runaway spending or high taxes if, individually or in groups, voters continue to ask for more government than they are willing to pay for. We the people, and that means all of us, must curb our appetites, or stop complaining.