



CONGRESSMAN'S REPORT

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Taxes and Spending II **Can We -- Or Will We -- Reduce Federal Spending?**

In this series of reports I am exploring with you some aspects of the big issues of 1963 -- taxes and spending. My first report dealt with some basic tax facts. This time we'll take a look at spending.

Almost no one opposes the idea of tax cuts. However, many people seriously question any large reduction of federal revenue NOW -- for the new budget is \$5 billion more than the current one, and a \$6-8 billion deficit is already in sight, even without the proposed tax cuts. Thus many people write me expressing support for tax cuts, but only if there is at the same time a sharp reduction in federal spending.

I am seriously concerned that federal spending seems to go up \$5-7 billion every year, regardless of whether Democrats or Republicans are in power. Our last five federal budgets have gone like this:

1960 (Eisenhower)	\$76.5 billion
1961 (Eisenhower)	\$81.5 billion
1962 (Kennedy)	\$87.8 billion
1963 (Kennedy)	\$94.3 billion
1964 (Kennedy)	\$98.8 billion

I receive letters every day posing these concerned questions: Will these big annual budget increases ever stop? Why does President Kennedy propose \$5 billion more this year than last? Why doesn't Congress blow the whistle on this spending? These questions are very proper ones, and they deserve to be answered.

A LOOK AT LONG-TERM TRENDS

Sometimes long-term trends are more significant and revealing than year-to-year changes, and I think it might help us to stand back from a five-year vantage point and take a good hard look at our federal budget.

When I first ran for Congress I made an extensive analysis of the budget for the fiscal year 1959 -- the middle of President Eisenhower's latter term. Today Congress is debating President Kennedy's fiscal 1964 budget proposals. (Fiscal 1964 runs from July 1963 to June 1964.) I have compared the 1959 and 1964 federal budgets. In summary here's what I find:

** In these five years spending is UP a big \$18 billion. But of this increase:

\$14.5 billion (or 81%) is in "war-related" expenditures.

\$3.5 billion (or 19%) is increased "domestic" spending.

** National Security and Space expenditures alone account for \$13 billion of the \$18 billion increase.

** In these five years spending in all categories is UP, except for:

Agriculture (down \$1 billion), and

International Affairs and Finance (down \$1.1 billion, chiefly cuts in Foreign Aid.)

** In 1959 the federal government spent 16 1/2% of our Gross National Product in its regular budget. In 1964 the percentage is the same 16 1/2%.

The details of my study appear below. I know that columns of figures can be a big bore to most of us, but these figures are your tax money and they vitally affect every citizen and taxpayer. I urge you to take a few minutes to study what your government is doing, and where your money is going.

WAR AND PEACE -- A GROUPING OF EXPENDITURES

In previous discussions, and in this one, I have grouped (for clarity of discussion) all the various budget expenditures into two broad categories: 1) War Related Expenditures, the monies needed for national security and preparation for wars we hope we'll not have to fight, and paying the costs of past wars; and 2) all other expenditures, which I have termed Domestic of Non-Defense Expenditures.

The War Related Expenditures include:

- * Major National Security -- monies for all armed forces, atomic energy programs, military assistance to allies, military technology, etc.
- * Space Programs -- an activity primarily designed to prevent any aggression from Soviet space activities.
- * Interest on Public Debt -- included here because 95% or more of our \$303 billion debt was caused by our involvement in two huge global wars plus Korea.
- * International Affairs and Finance -- such "Cold War" expenses as foreign aid, United Nations, Voice of America, embassies and consulates.
- * Veterans Services and Benefits -- a debt of honor to survivors of past wars, their widows and orphans.

The Domestic or Non-Defense Expenditures include:

- * General Government -- Congress, the courts, buildings, the FBI, etc.

- * Natural Resources -- reclamation such as proposed Central Arizona Project, flood control, national parks, mineral resources, Indian Affairs.
- * Commerce and Housing -- the Post Office, Weather Bureau, aviation, and the FHA and VA housing programs which have enabled 60% of our people to own their own homes.
- * Agriculture and Agricultural Resources -- price supports for farm products, Soil Conservation, Forest Service, etc.
- * Labor, Health, Education and Welfare -- aid to states for aged, blind, disabled and dependent children, medical research, federal impact aid to schools, policing of labor unions, school lunch program, National Science Foundation, Kitt Peak National Observatory, etc.

FISCAL 1959 AND 1964 -- A COMPARISON

Now for the comparisons themselves. In the columns below I have compared the 1959 and 1963 budgets, indicating whether expenses are up or down, and by how much, in each category. (Figures represent billions.)

<u>WAR-RELATED EXPENDITURES</u>	<u>1959</u>	<u>1964</u>		<u>Change</u>
Major National Security	46.4	55.1	Up	8.7
Space Programs	NONE	4.2	Up	4.2
Interest on Public Debt	7.7	10.1	Up	2.4
International Affairs & Finance	3.8	2.7	Dn	1.1
Veterans Services & Benefits	5.2	5.5	Up	.3
TOTALS	\$63.1 billion	\$77.6 billion	Up	\$14.5 billion
<u>DOMESTIC OR NON-DEFENSE EXPENDITURES</u>	<u>1959</u>	<u>1964</u>		<u>Change</u>
General Government	1.6	2.2	Up	.6
Natural Resources	1.7	2.5	Up	.8

Commerce & Housing	3.4	3.7	Up	.3
Agriculture & Agricultural Resources	6.6	5.7	Dn	.9
Labor, Health, Education & Welfare	4.4	7.1	Up	2.7
TOTALS	\$17.7 billion	\$21.2 billion	Up	\$3.5 billion

In summary form for the two categories here are the same figures:

WAR-RELATED EXPENDITURES	63.1	77.6	Up	14.5
DOMESTIC OR NON-DEFENSE EXPENDITURES	17.7	21.2	Up	3.5
TOTAL BUDGET	\$80.8 billion	\$98.8 billion	Up	\$18.0 billion

SOME OBSERVATIONS

I would make a few additional observations regarding these figures:

- ** In 1959 the "war-related" expenditures were 78% and "domestic" expenditures 22%. In 1964 the "war-related" category is up to 79%; "domestic" is down to 21%.
- ** Interest on the public debt is up \$2.4 billion in these five years. Three-fourths of this increase in interest is the result of higher interest rates in effect today. One-fourth is caused by the increase of \$27 billion in our public debt -- up in five years from \$276 billion to \$303 billion.
- ** While the Health, Education, Welfare and Labor category (the so-called "welfare state" spending) is up \$2.7 billion, most of this increase comes NOT from new programs requested by President Kennedy but from increased cost of OLD programs:

- * Payments to the states for aid to the aged, blind, dependent children, etc., are up \$1 billion.
 - * In 1959 we had no Kerr-Mills law authorizing matching grants to the states for their programs of medical assistance to the aged. This takes \$0.2 billion.
 - * Payments to state and local governments for hospitals, matching grants, sewer and water improvements, "impact" aid to education (all "old" programs) have been increased in these five years.
- ** Of the \$98.8 billion budgeted for 1964, more than \$10 billion is for different kinds of grants to the states. This means that state taxes are reduced by \$10 billion --
- and that money actually spent by the federal government is \$88.8 billion, not \$98.8 billion.

DOLLARS PER CAPITA -- THEN AND NOW

It might be interesting also to compare our increased budget expenditures in this five-year period against our huge population growth. Between 1958 (when the fiscal 1959 budget was in effect) and 1963 our country added 15 million new Americans -- almost enough to populate New York or California. These people demand new post offices, more mail carriers, new federal impact school aid, new highways, weather bureaus and other federal services. Thus it is important that we compare PER CAPITA spending. Here are the figures:

	<u>Federal Expenditures Per Capita</u>		
	<u>1959</u>	<u>1964</u>	<u>Change</u>
WAR-RELATED EXPENDITURES	\$363	\$411	Up \$48
DOMESTIC OR NON-DEFENSE EXPENDITURES	<u>\$102</u>	<u>\$112</u>	<u>Up \$10</u>
Total Expenditures	\$465	\$523	Up \$58

I think it is interesting to note that figures showing the month-by-month Purchasing Value of the Dollar reveal that approximately half the \$10 increase in per capita expenditures for non-defense purposes can be attributed to inflation.

DOLLARS FROM OUR ECONOMY -- THEN AND NOW

Another important approach is to study federal spending in relation to our national income, or Gross National Product. In 1959 the GNP was \$483 billion. In 1963 it should reach \$578 billion. Is the federal government spending a greater or lesser percentage of the income of our nation? Here are the figures:

	Expenditures as Percent of GNP		
	<u>1959</u>	<u>1964</u>	<u>Change</u>
WAR-RELATED EXPENDITURES	13%	13%	NONE
DOMESTIC OR NON-DEFENSE EXPENDITURES	<u>3 1/2%</u>	<u>3 1/2%</u>	<u>NONE</u>
Total Expenditures	16 1/2%	16 1/2%	NONE

CAN WE CUT FEDERAL SPENDING -- AND WHERE?

These, then, are the facts with which responsible citizens must contend when talking about reducing the federal budget. It is obvious from this analysis that wholesale slashes in the budget are not possible. The question remains: are there savings that could be realized in specific areas without hurting our economy, crippling essential programs or undermining our strength in the Cold War? I think there are. In my next newsletter I will make some concrete proposals for reducing federal spending. In the meantime, I hope you will give me the benefit of any thoughts you have for responsible reductions you feel might be possible. I look forward to hearing from you.



A CORRECTION AND AN APOLOGY -- In my last report (February 8th) I listed various categories of income exempt from taxation. The column totaled \$228 billion, which is correct, but one item was omitted from the tabulation, and one figure was out of line. I apologize for the slip-up. The two items should read as follows:

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|---|-----------------|
| * Donations to charity are exempt, as is interest paid. These items reduce the tax base by | \$41.6 billion |
| * Social Security pensions, veterans' benefits and employer contributions to private pension funds take another | \$40. 1 billion |