

Republican Policy Committee

U.S. HOUSE OF REPRESENTATIVES

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FIRST CONCURRENT RESOLUTION ON THE BUDGET - FISCAL 1976

Last year, Congress undertook a major overhaul of the budget process. Instead of considering each spending measure separately on its merits and then adding them all up at the end of the year to find out the total, Congress under the new procedure is supposed to set spending and revenue totals in advance and then discipline itself to see that individual spending and revenue measures adhere to the overall plan. The idea is that under the new budget process, Congress will control fiscal policy rather than succumb to every attractive spending scheme with no notion of the total impact of its actions.

This week the new budget process gets its first test on the Floor of the House, and its credibility is at stake. The First Concurrent Resolution on the Budget, H.Con.Res. 218, neither proposes meaningful curbs on the uncontrollably ballooning deficit nor even accurately predicts the final size of the unfettered budget shortfall.

The Resolution proposes a \$73.2 billion deficit, a figure scarcely compatible with the idea of fiscal discipline even in a recessionary economy. House Republicans oppose this \$73 billion deficit not only for its sheer size, but for several other reasons as well:

1. \$73 billion is a cosmetic figure which does not accurately reflect the true amount of federal borrowing that will be required in Fiscal 1976. Errors in estimating the costs of pending legislation total perhaps as much as \$30 billion, while so-called "off-budget" activities, federally-sponsored enterprises and borrowing will add more than \$20 billion in federally related borrowing requirements. The

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report accompanying the Resolution sweeps these troublesome items under the rug.

2. The proposed deficit will necessitate enormous Federal borrowing -- by one estimate, more net funds, both in absolute terms and in relation to the size of the economy, than have ever been borrowed before in the capital markets in any single year by the public and private sectors combined. Total Federal borrowing could approach \$100 billion in Fiscal 1976, a magnitude that will push up interest rates and crowd much private borrowing out of the capital market, thereby delaying business recovery and an easing of the recession.

3. Inordinate deficit can be curbed either by increasing revenues -- an option eliminated by the just-enacted tax cut -- or by cutting spending. In calculating the aggregate totals, only four budget categories were cut, including an excessive cut in the Administration's proposed defense budget. But in the 15 other spending categories, many opportunities for reducing outlays were ignored and new items were added. Although perhaps some of these new programs might be desirable in the abstract, to undertake them in Fiscal 1976 would be irresponsible in light of their impact on the current fiscal predicament.

4. In this year's preoccupation with recession, we have forgotten last year's alarm over inflation. Federal borrowing of the level projected in the Resolution could set off another cycle of inflation followed by recession. Even a \$73 billion deficit goes beyond desirable stimulation of the recessionary economy into the realm of over-stimulation. Because many of the "temporary" stimulative programs assumed in the Resolution may become permanent fixtures, Congress instead of administering discipline is locking us into a higher tier of uncontrollable spending for future years.

5. This process of uncontrollable spending and growing inflation has gained momentum for many years. During the last two years we have begun to recognize how severe the consequences can be, in runaway prices, lost jobs, and lost productive activities.

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The Budget Committee's first Resolution comes just in time to reveal a government out of control and sliding into a state of fiscal disaster. The Republican Policy Committee cannot support the proposed deficit or the specifics contained in H.Con.Res. 218. No amount of juggling of figures can salvage fiscal credibility. The problem is not cosmetic but basic.

Major legislative efforts are needed to rein in "uncontrollable" items and to establish a new pattern of legislative authorizations and appropriations. The new budget procedure is no panacea, and the First Resolution on the Budget makes it clear that our whole legislative process must be rededicated to a will to govern.
