Speech by Senator Harry F. Byrd (D. Va.), Chairman of the Senate Finance Committee, in the Senate, opposing increasing the federal debt limit, Thursday, November 21, 1963.

The pending bill (H. R. 8969) would authorize increasing the federal debt by $6 billion in the coming seven months. The present statutory limit on the debt is $309 billion. The bill before the Senate would raise the limit to $315 billion through June 29, 1964. (Signed By Johnson — 1 of First 2 Signed 11-27-63.

I voted against this bill in the Finance Committee yesterday. I shall vote against its passage today. It is in view of my opposition to the bill that, as Chairman of the Committee, I have asked the Senator from Florida, Mr. Smathers, to manage the bill on the floor.

I am voting against the bill as an indication of my opposition to the new and dangerous fiscal policy now being undertaken by the Administration. The policy calls for federal tax reduction and increased federal expenditures at the same time, with planned deficits throughout the foreseeable future.

Tremendous increases in the federal debt are obviously the keystone on which this fiscal adventure must depend. This bill to borrow money at the rate of nearly $1 billion a month through next June is the first of a new series of debt increases which admittedly will continue for a minimum of three years.

Both the Secretary of the Treasury and the Director of the Budget have testified that the deficits planned under their policy for tax-reduction-and-expenditure-increase will run to $9 billion this year, nearly $9 billion next year, and still more billions in the third year.

The Secretary of the Treasury said there might be still another deficit in the fourth year. Dr. Arthur Burns, former chief of White House Economic Advisers, has raised the question as to whether deficits under the plan might run until fiscal year 1972.

But for the first three years of which Secretary Douglas Dillon and Budget Director Kermit Gordon were certain, the cumulative deficits would total upwards of $25 billion. This would run the federal debt to some $330 billion.

This bill to raise the debt limit contemplates enactment of a tax bill with first-year corporate and individual tax reductions effective from January 1, 1964. The $6 billion to be borrowed under the pending bill would be used to meet the deficit created by both tax reduction and expenditure increase between now and the end of June.

The Government's witnesses have testified that in this period it would be necessary to borrow $1.8 billion to cover the revenue loss from tax reduction, and that the remainder would be necessary to meet increased expenditures.

The proposed tax reductions total $11 billion over a two year period, and there is unanimous agreement among Dr. Walter Heller, present chief of the Economic Advisers to the President, Budget Director Gordon, and Treasury Secretary Dillon that federal expenditures should rise in terms of billions a year.

The expenditures have been rising on an average of more than $5 billion a year for the past three years. Expenditures this year will approach $98 billion. The Government's witnesses would not predict how much the increase for next fiscal year, beginning July 1, will be, but there was no doubt that increased expenditures were planned and expected.

Appearing before the Finance Committee, on either the tax bill or this debt limit bill, these Government witnesses have been read the preamble to the tax bill relative to federal expenditures, as adopted by the House of Representatives, and asked how they would construe it.

The preamble reads:

> "It is the sense of Congress that the tax reduction provided by this Act through stimulation of the economy, will, after a brief transitional period, raise (rather than lower) revenues and that such revenue increases should first be used to eliminate deficits in the administrative budgets and then to reduce the public debt. TO FURTHER THE OBJECTIVE OF OBTAINING BALANCED BUDGETS IN THE NEAR FUTURE, CONGRESS BY THIS ACTION RECOGNIZES THE IMPORTANCE OF TAKING ALL REASONABLE MEANS TO RESTRAIN GOVERNMENT SPENDING AND URGES THE PRESIDENT TO DECLARE HIS ACCORD WITH THIS OBJECTIVE."

I think it is fair to report that the reaction of Secretary Dillon, Mr. Gordon and Dr. Heller to this preamble was that they would construe the language to mean that they <u>reduce</u> the INCREASES, not cut expenditures.

On the contrary, witness after witness before the Finance Committee on the tax bill has testified in favor of reducing federal expenditures, or at least holding them to present levels. This was the position of the Business Men's Committee organized to favor the tax reduction on this basis.

The Washington Post, in an editorial of November 19, 1963, said in part that:

> "In his zeal to gain support for the tax bill, Treasury Secretary Douglas Dillon has made statements which are being broadly construed as invitations to make deep cuts in appropriations."

But then the Post editorial pointed out that Chairman Walter Heller of the Council of Economic Advisers "set the issue straight, when he told the Senate Finance Committee that, while he favors prudence, he is OPPOSED TO REDUCTIONS IN GOVERNMENT EXPENDITURES."

The Post concluded with its own view to the effect that, "Other Administration officials would be well advised to emulate Dr. Heller's candor and fight this issue through."

Frankly, there is no official disposition among Government spokesmen on this bill, or the tax bill, for reduction in Government expenditures. Careful examination of their language invariably reveals that they speak of controlling <u>increases</u>.

And in view of the testimony I have heard in connection with this bill to authorize more debt, and with the tax bill, it is my intention to watch the President's Budget in January closely, and to read the fine print.

If there were any intention constructively to reduce expenditures, the necessity for this bill could be avoided. Beyond this, it would be contrary to the new fiscal policy of reducing taxes and increasing expenditures at the same time, and paying for both from the proceeds of increasing debt.

The policy is based on the theory that reducing taxes, increasing expenditures and going deeper into debt will raise the gross national product high enough some day to produce enough revenue to balance the budget.

This usually is expressed in terms of "stimulating the economy." How much the economy will be stimulated by the proposed tax reduction is questionable. As it is proposed, the tax reduction per taxpayer would average $110 a year, or about $2 a week.

We are dealing here with the fiscal integrity of the United States. Lurking in the background of continually rising debt is always the threat of inflation. These are vital to our well-being. I shall not gamble with them.

And it seems to me that to adopt this policy of increasing the debt as long as anyone can predict to finance rising federal expenditures and reduction in taxes at the same time, in the hope of more revenue, is a dangerous gamble.

Such a proposition is new and untried. No administration in the history of this Nation until now has ever proposed that we should borrow money to pay for the planned combination of cutting taxes and increasing expenditures simultaneously.

The situation has been bad enough, just meeting the increased expenditures. This is the fifth request in the past 25 months -- since June 1961 -- to raise the statutory debt limit. And since that time the actual debt under the limit has been increased by some $18 billion.

Now -- with the federal debt standing at more than $308 billion -- it is proposed that we should start raising the debt at the rate of $850 million a month to cover BOTH a tax cut and increased spending.

There is one basic reason for federal taxes. That reason is to meet federal expenditures. Federal taxes are too high. They are too high only because federal expenditures are too high. No one wants them reduced more than I do. But I know the bills have to be paid -- and that includes debt.

If expenditures were reduced, there would be no question about tax reduction. But I can not vote to increase the debt to pay for tax reduction, without expenditure reduction.