Mr. President:

The communist ideology is based in a large part on a prediction made by the early writers of communist philosophy, and uniformly adhered to by the Kremlin powers over the years, that the countries founded on the economic basis of a free enterprise system would collapse from within. The prediction that free enterprise in the United States will succumb to the pressures generated by communism and socialism was reiterated by Mr. Krushchev in a broadcast to the American people in June, 1957, as follows:

"... I can prophesy that your grandchildren in America will live under Socialism. And please do not be afraid of that. Your grandchildren will not understand how their grandparents did not understand the progressive nature of a socialistic society."

When the predictions of the collapse of free enterprise systems were first made, and indeed until very recently, they appeared, to all sensible and thinking men, to be absurd. In our own country, private enterprise had enabled us to achieve, in our short history, a standard of living and a freedom from want that was and is unequaled anywhere in the world. The accomplishments of individual, unfettered initiative, as demonstrated under our constitutional republican form of Government, stand as a beacon of inspiration and hope to all mankind.

Recently, Mr. President, there have been indications that many were becoming less dubious of what had earlier been considered only wishful thinking by the communists -- that our economic system would collapse from within. This reappraisal has not been caused by any defect which has appeared in our private enterprise system, nor by any lag in our continually rising standard of living. The doubt is attributable to the irresponsible fiscal policy that has characterized our National Government in recent years; a fiscal policy which has resulted in a precarious fiscal condition, and which has contributed substantially to a sickening inflationary spiral.

Mr. President, to anyone who was unaware that the motivation of those of us who share in the making of fiscal policy was basically humanitarian, it could appear that we were deliberately contributing
to the fulfillment of the dreadful predictions of our internal economic collapse. It is only common sense to expect that the most productive country in the world could operate its National Government on a pay-as-you-go basis. At least this is not too much to expect in times when we are not at war or other grave emergency, nor in the throes of a staggering depression.

Such does not appear to be the case. In the last 20 years, the Federal budget has grown to nearly seven times its 1939 size. Since 1900, we have been able to operate within our income in only 25 fiscal years, and have exceeded our income with expenditures in 34 years. Even this distressing comparison does not indicate the depth to which we have sunk, for an examination of the last 20 years shows that only one-fourth of them were years of balanced budgets. Last year, fiscal 1959, saw the deficit climb to a new peacetime high of almost $13 billion. Despite the already astronomical size of the national debt, this was an addition of 4.6 per cent.

It is easy to understand why the average citizen of our country finds figures so large as those of our debt almost incomprehensible. Only when it is reduced to a figure such as $5,240 for every family in the United States, do they realize under what an obligation they have been placed. Were we to attempt immediate, direct collection of even a minor portion of the debt, as for instance last year's deficit, the realization would be brought home with an impact. It would require the confiscation of all personal incomes above $4,000 to pay the fiscal 1958 deficit.

While the average citizen may have difficulty comprehending the unbelievable size of the national debt, there is one resulting condition that is readily understandable. This is the pinch of inflation. It makes itself felt daily at the shopping counters and cash registers all over the country. While not so impressive as the experience of being unable to stretch the family income for the bare essentials, the following figures on comparative purchasing power of incomes in 1939 and 1959 indicate the harshness of inflation, particularly to retirees, annuitants and others with fixed incomes. To maintain an equal purchasing power, one who earned $2,000 in 1939 must earn $4,806 in 1959; one who earned $5,000 in 1939 must earn $13,604 in 1959; and one whose income in 1939 was $10,000 must now
earn $30,971 to maintain the identical purchasing power.

Mr. President, although I am no economist, I realize that factors other than Government deficit spending are contributing to the inflation/which we are experiencing and which threatens to grow much worse. I am cognizant that such things as the relation of wages to productivity, and the relation of profits to prices, have a direct influence on the inflationary spiral. Despite the contributions of these forces, which are themselves responsive to Government policies, common sense dictates that Government policy, and fiscal policy in particular, is the basic cause of the inflation of our currency.

Mr. President, not only has deficit spending by the Federal Government been primarily responsible for inflation, but the cycle has now run its course, so that the very inflation promoted by deficit spending/is making further deficit spending even more dangerous than it has been in the past. There is a growing reluctance to lend money to the Federal Government/at any rate of interest. This is well illustrated by the fact that in the Treasurer's latest debt refinancing attempt, the attrition rate has increased to 22 per cent, as compared to the normal 10 per cent. The obligations which were sought to be refinanced/bore interest rates of one and seven-eighths and two and one-half percent, and the offer was to renew them with securities paying three and three-quarters and four per cent. No realist can doubt that, in the absence of inflation, there would have been much less than the normal 10 per cent rejection of the offer/at these substantially increased rates of interest. This illustrates that the rate of inflation is in excess, by far, of the prevailing interest rates. Investors and savers have/by now/been thoroughly impressed by the disastrous results of investing in fixed-income securities. The current round of Government borrowing/ was necessitated by the maturity of $9.1 billion of debt obligations. The sum sought to be borrowed to cover the attrition is $1.5 billion. Lest we console ourselves with the thought that it could be more, we should remember that during this year/a total of $42 billion of Government securities will fall due.

It is obvious that as far as borrowing is concerned, we are nearing the end of our rope. It will be extremely difficult to continue securing private funds for refinancing the existing debt.
Even if we manage to hold the debt at its present level, it is also evident that unless inflation is checked immediately, the Congress will be faced with an increase in the statutory interest ceiling, passed in 1918, of four and one-quarter per cent on National debt securities.

Mr. President, there are those who would rely on a hoped-for increase in our gross national product, and the increased government revenue resulting therefrom, to remedy the impasse with which we are faced. The same people would hold the line on taxes and, in some cases, increase them. An increase in gross national product will undoubtedly help, and I fervently hope that those who predict an eight per cent increase will have their prognosis justified. As a realist, however, I cannot forget that the only year in which there has been an increase in gross national product of eight per cent was following 1954’s 7.5 billion-dollar tax cut. Additionally, in all candor, we must admit that a measurement of gross national product increase, when measured in dollars, has a built-in inflation factor.

As much as I would like to see our fiscal problems painlessly solved by a big increase in national product, to place any reliance in what is essentially wishful thinking, would be an expansion of our irresponsibility.

We should not overlook any possible avenue of escape from our dilemma, no matter how fantastic it may be. Along this line, we have heard advanced proposals, truly fantastic, that we should raise taxes in order to meet the expenditures which we are making. As unrealistic, impractical, confiscatory, and incentive-destroying as any thought of further raising our already burdensome and stifling taxes, such a course would be sounder, on a long term basis of pay-as-you-go economy, than our present bent-on-deficit-spending course we are now pursuing. An increase in taxes at least offers the hope that the American people would rise up and demand a curtailment of spending. There is, however, no real necessity for any general tax increase.

Mr. President, there is a practical and effective course to lead us from the road of fulfillment of communist prophesy of our internal economic collapse. It is the course of economy and fiscal soundness. It requires a quality which is notably lacking in the
Supreme Court, and of which the Congress and the Administration have not indicated an excess. I speak of the quality of restraint. In this case, I mean legislative restraint. The legislative restraint, of which I speak, should be applied to spending.

The American public is ready and clamoring for restraint in Government spending. Too often, in answer to their clamor, they are told that we must continue to spend in order to insure a strong national defense. There is some truth in the answer, for we must maintain a strong defense posture, regardless of the cost. I am not satisfied, personally, that we are spending enough in this vital field. Nevertheless, this is not a wholly true answer, for it is deceptive. It would leave the public to believe that we could not reduce overall spending drastically without endangering our defense posture. This is not true. The fallacy is well illustrated by the fact that defense spending for 1959 will be $4.3 billion lower than the 1953 Korean war defense budget, while non-defense expenditures for 1959 are estimated at $9.2 billion above the 1953 level. Also, non-defense spending for fiscal 1959 is to be increased by $5.9 billion, against an increase of only $2 billion for defense purposes.

Spending can be cut without injury to our defense posture by reducing such items among others, as foreign aid, public housing and urban renewal, by declining to provide Federal funds for the fields of community facilities and area redevelopment, and by rejecting any increase in Federal aid to education. Even desirable programs should be postponed until Federal expenditures can be reduced well within our income. Special interest groups must not be allowed to sap the strength from our free enterprise system, regardless of their attempts to increase their doles from the United States Treasury and the taxpayers' pockets.

Mr. President, direct deficit spending by the Federal Government is only one of the fields in which we must exercise a so-far unexhibited degree of restraint. There is a corollary field deserving the same treatment — that of Government lending. Most of the American public is at least aware of the fact that the Federal Government is spending vast sums, if not of the exact extent of these expenditures. I fear, however, that they are not nearly so well informed of the extent to which the Federal Government has usurped
the function of private lending institutions. It is estimated that direct Federal loans on June 30, 1959, will be at a level of $21.8 billion, and that insured or guaranteed loans will be at a level of $70.1 billion. This is a total of $91.9 billion, for which the full faith and credit of the United States is pledged. To emphasize the rate at which the Government's participation is accelerating in this field, compare the fact that in 1958, the net addition to private debt, both of business and individuals, was $20 billion, while in the fiscal year 1959, the net addition of Government-backed credit, alone, will be $15 billion. It would appear that nothing could be more absurd than, for an entity — which is over $283 billion in debt, which has no capacity to produce wealth, and which must rely as a parasite on taxpayers for income — to plunge head over heels into a program of lending. But we go even further into the absurd! We are lending much of this public money at an interest rate below the interest rate which the Government must pay to borrow the money we lend. Let us not delude ourselves. The great majority of citizens may not be aware of this voluminous pledge of credit; but it is quite evident that those, from whom we seek to obtain funds to finance our monstrous debt, are computing these lending programs in the liability column of the Federal Government. Undoubtedly, this factor, also, is reflected in the attrition rate on maturing Government securities. Ours is not a fiscal policy to inspire confidence of investors.

Mr. President, the time has come to set our house in order. No individual would receive, or expect, any respect, were he to conduct, if such were possible, his personal or business finances as the Federal Government conducts its fiscal policies. I suspect that if the American public were fully aware of how their Government's fiscal policy is conducted, we who make that policy would have to seek any respect we thought we deserved from a position of retirement in private life. We are facing a fiscal crisis every bit as grave, and with just as serious consequences, as that posed by the threat of armed conflict. A loss, in either case, means the destruction of our country as we know it.

I reiterate, there is no substitute for the exercise of restraint in spending and lending by the Government. To better enable us to restrain ourselves, there are certain procedural steps which
could, and should, be taken. I now address myself to one of such procedural steps.

Mr. President, the Constitution of the United States is a document of truly inspiring greatness. The wisdom which contributed to its composition was unbounded. Almost without exception, the governmental policies which lead us down the road to despair and frustration prove to have violated, in letter or spirit, or both, some provision of this great document.

Article I, Section 9, Clause 7, of the Constitution provides as follows:

No money shall be drawn from the Treasury, but in consequence of Appropriations made by Law;

Mr. President, we are surely violating the spirit, and probably the letter, of this clause of the Constitution. We are allowing money that has never been appropriated to be withdrawn from the Treasury. There are two principal methods by which our deviations are effectuated. One is by the authorization of direct borrowing from the Treasury, by legislative acts which have not followed the prescribed appropriations procedure; the other is through the use of the much utilized contract authority, or commitment authorization.

While we in Congress are all familiar with these procedures, I would like to cite specific examples of each, so that there may be no misunderstanding of the existence of the abuse I propose we correct.

There is no better example of the by-passing of appropriations procedure by the authorization of direct borrowing from the Treasury, than one contained in the Omnibus Housing Bill, S. 57, which passed the Senate earlier this month. I refer to the provisions of Section 304 of Title III on Urban Renewal. Section 102(e) of the Housing Act of 1949 authorized the Housing Administrator to make direct borrowings from the Treasury to finance Urban Renewal Projects, subject to a one billion-dollar limitation. Section 304 of Title III of the Housing bill, which passed the Senate on February 5 of this year, would repeal the one billion-dollar limitation on these borrowings, and make the sky the limit. Direct borrowings from the Treasury are unjustifiable even when limited, and if this ceiling repeal becomes law, the attrition rate on government obligations will reflect it immediately; and even worse, the Treasury Department will
have another addition to the attrition/which it must now already attempt to secure on the open market. I might add, Mr. President, short term revenue anticipation notes are only a stop-gap measure, which will merely postpone the inevitable day/when the Treasury Department must seek to place long term securities.

The same Housing bill/contains just as flagrant an example of the commitment authority method/of by-passing appropriations procedure. Section 405, of Title IV of the Omnibus Housing Bill, authorizes the Housing Administrator to enter contracts for annual contributions/for the construction of 35,000 additional public housing units. This is in addition, incidentally, to the renewal of the authorization for 45,000 other units. The total cost of this commitment for 35,000 new units cannot be computed positively at this time, for we have no way to know what these units will cost, especially in view of the continually spiraling inflation. We do know/that the present maximum is $17,000 per unit. Even if the average cost is only $10,000 per unit, this commitment will involve approximately $84 billion/over the period of the next 40 years. To be sure, it is most unlikely that this commitment will have to be paid in full by the Federal Government, but a major portion of it will undoubtedly fall on the shoulders of the Federal Government; and the full faith and credit of our Government/is pledged on all of it. This money is committed as soon as the contracts are executed, without any appropriations procedure having been utilized.

I am convinced, Mr. President, that were these and the many other programs, which utilize direct borrowings and contract authority in lieu of appropriations, to follow the normal appropriations procedure through Congress, there would be provided additional incentive and opportunity for the Congress/to apply the admirable quality of restraint on the outgo from the Treasury. We would also be adhering to the letter and spirit of the Constitution. The latter is desirable, not only because the Constitution is the basic law of the land and was meant to control in our system of government, but also because the entire country would benefit by following its prescriptions.

In order to remedy the defects of our present course of by-passing appropriations procedure, I send to the desk for
appropriate reference/a resolution, which would modify the existing Senate Rules. This resolution provides that any bill or resolution/which the Senate seeks to consider, which authorizes direct borrowings from the Treasury, or contains authority for contract commitments of United States funds, would first have to be referred to the Senate Appropriations Committee/for its approval. I sincerely hope that this initial step/of an effort to prove the absurdity of the predictions of our internal collapse/will meet with early and favorable action of the Senate.

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