Dear friend,

The Problem of the Budget and Waste in Government

I want to take this opportunity and this method of discussing with you some of the problems in connection with the budget and economy in government and to report to you on my own activities in the first session of the 85th Congress.

When the President sent his budget to the Congress in January I felt that it was too large. It called for fiscal 1958 spending in the amount of $571.8 billion which was an amazing contrast to the $60 billion budget promised by General Eisenhower at Morningside Heights in the 1952 campaign.

I felt that the budget was not only too large but that it would add to inflationary pressures in the very areas where our economy was experiencing price inflation, namely, in the capital goods field. In addition to this, I felt that some of the priorities as to what we should spend our money on were misplaced. I felt too that in periods of relative prosperity the Federal Government should have a surplus and pay off some of the debt. As we all believe that the Government should try to prevent or soften recessions and depressions by building needed public works in those periods, we should be honest with ourselves and run a surplus and pay off some of the debt in times of prosperity. If we do not do this now, when shall we ever do so?

With this in mind I tried to apply several yardsticks to the budget. I do not favor indiscriminate cuts or the meat-ax approach, but I do believe that there is a responsible way to cut the budget.

Yardsticks Applied

First of all, this budget included almost $8 billion, about equally divided, for military and civilian public works projects. I knew from an analysis of them that many of these were not economical and it seemed to me that about one-quarter of them could be postponed or cut back until they were needed. Such action would have produced a savings of $2 billion.

Secondly, while I favor government aid to the poor and the weak, I saw no need to grant huge subsidies to the rich and powerful. It is unfortunately true that most of the government subsidies go to those who need them least and that those who most oppose government aid to schools, for health, and for social purposes yet favor subsidies to the wealthy. Many of these groups have split personalities--or what the psychiatrists call schizophrenia--on this subject. Therefore, I felt that subsidies such as those to the silver mines, for overseas airlines, for ship construction
and operation, excessive payments to the railroads for carrying the mails, interest free government deposits in the banks, fast tax write-offs to the large public utilities, and the stockpiling of strategic materials at prices well above the market price, could be cut or done away with.

Thirdly, I felt that government agencies, just as private businesses, should increase their productivity and output by about 3 per cent per man per year. Government employees have had pay raises and the budgets of most agencies have been increased year by year. Some of these increased costs should be absorbed by greater efficiencies.

Finally, I knew from previous experience that there was great waste in our defense establishment. The Defense Department has a personal property inventory of some $111 billion scattered throughout the world. They have another $22 billion in their real property inventory. This is an incredible amount and suggests the need for economy.

Further, it has been established that 92% of the contracts of the Defense Department have been "negotiated" and not bid for under competitive conditions as should be done with most procurement. There is some excuse for this when an item is secret--such as missiles--but there is little excuse for such a vast proportion of these contracts not to be opened to public bidding in the accepted manner.

In addition, I studied very carefully the contracts--those eight per cent--of $10,000 or more which were bid for competitively and I found what appeared to be serious waste among them. For example, there were numerous contracts--all in excess of $10,000--for swimming pools, bathhouses, bowling alleys, shuffleboards, air conditioning, and even one contract to provide diaper laundry service at Ft. Bragg!

Action Taken

With these principles in mind I offered a number of specific amendments to the appropriation bills. Among these were an amendment to the public works authorization bill to cut it by one quarter or by $375 million, an amendment to cut the public works of the Coast Guard by 25% or by $2 million, and I voted against the public works appropriation bill of $900 million because at least one-quarter of those projects would not pay out and be beneficial.

In addition, I moved to cut the money for transportation of the mails by $150 million for I found that there were excessive charges made and that the Government was paying for railroad space it did not actually use.

When the Treasury Department appropriation was before us I moved that money for Secretary Humphrey's own office should be cut by 3 per cent or by $100,000 because I thought that he, as the person who had raised the economy issue, should show some economies and savings and productivity increases in the operation of his own office. He had asked for increased funds each year he had been in office.

Further, I felt that the Government should receive some interest payment from the banks for government monies deposited with them and which are now
interest free. These Government demand deposits in private banks have ranged in amount from $3.2 to $5.5 billion in recent years. By taking the lowest amount in demand deposits in each bank in recent years I calculated that the Government could transfer at least $500 million from demand deposits to time deposits for which interest is paid. At two percent that would net $10 million per year and I proposed by way of an amendment that such action should be taken.

It is ironical that a bank knows that the Treasury will not demand all the funds which it has on deposit at any one time. The bank, therefore, can invest these government funds in short-term government bonds and thereby receive interest from the Government for monies which belong to the Government.

During the session I further moved to amend appropriation bills to cut the subsidy which is paid to the Senate restaurant by $30,000 and to cut in half or by $500,000 the $1 million provided for office furniture for the new Senate Office Building. I could see no reason why the public should subsidize the hamburgers and bean soup which we Senators and our guests eat at the Senate restaurant and I see even greater objections to spending $1 million for new office furniture when Senators could move the existing furniture from the old to the new Senate Office Building.

Finally, I moved to cut the Defense appropriation bill by $971 million. This would have cut the bill to the level of appropriations made by the House of Representatives. However, I provided that one-half of these savings should be used to arm at least two non-nuclear Army combat divisions and to arm additional Marine combat units. My purpose was to transfer some of the fat in the $11 billion in inventories and in swimming pools, shuffleboards, and diaper laundry service into military muscle so that we might get more actual defense for our military dollars.

All in all, I personally offered amendments to the appropriation bills which amounted to $1,508,630,000.00 and I voted against final passage of other appropriation bills containing many more billions which I felt were too large.

Long Range Effects

In all candor I must report that my personal efforts to cut this budget were not highly successful. In fact, the only major action taken was by the Senate Rules Committee which increased the price of food in the Senate restaurant in order to reduce the subsidy following my attack on it.

However, I am not dismayed. I remember when as a Member of the City Council in Chicago I proposed that the bridge tenders should tend more than one bridge. I was voted down overwhelmingly then but today several bridges are operated by one man. Beginning several years ago, and in each succeeding year, I have fought the huge subsidies to the overseas airlines. Although I was not immediately successful those subsidies have been reduced from $17 million to $6 million and next year they may almost disappear because of administrative action which my fight on the floor of the Senate helped to bring about. Further, the military construction bill this year was cut in the
Committee itself by about one-quarter, as I had proposed, and this was also true of several other items which I had argued should be cut.

In addition to this the Congress cut the President's budget by about $6.0 billion. This is a welcome reduction although a word or two of warning should be made. First of all, this was a reduction in the appropriations and does not necessarily mean that spending by the Administration will be cut. It will be a year or two before these reduced appropriations will have any large effect because of the backlog of funds. Second, each year there are several supplemental and deficiency appropriation bills. We can expect that from January to July next year various agencies will come to Congress for additional money for fiscal year 1958. Not until the end of the fiscal year in July of 1958 will we know by how much we have actually reduced spending.

Questions Often Asked

Now I want to turn to some questions which are often asked of me. I am a liberal and I am proud of that fact. People have asked me why I am also such a strong advocate of government economy. There are several answers.

First, to be a liberal one does not need to be a wastrel. There is nothing good, as such, in waste. It provides no jobs, it makes people no happier, and it does not help our government promote human welfare and the blessings of life and liberty. A servant of the people has an obligation to spend other people's money with the greatest caution and only after the most detailed justification.

Second, we cannot have everything we want at the same time. Therefore, we must make judgments about what the Government should spend money for. Personally, I prefer that we build schools, provide for the health and welfare of our people, and for their old age and their misfortune, rather than throw away our money in unneeded and uneconomic public works. It is a question of social priorities and personally, I prefer, in times like these, to postpone material needs rather than human needs. I would rather build schools, help the sick, the unemployed, the aged, and the crippled, than to give huge government subsidies and hand-outs to the owners of silver mines, railroads, banks, ship builders, public utilities, and even Senators of the United States by way of subsidized meals and unneeded office furniture. These groups need Government subsidies least of all. They are already powerful which is, perhaps, the reason they use their influence to gain subsidies for themselves.

People ask me why I voted for the Hells Canyon project and against many of the public works projects in this year's bills. The answer to that is also quite clear. I am not against public works. I am for those which are economic and which will pay out and provide needed services but I am unalterably opposed to those which will never pay out and which are not justified. Thus, I voted for Hells Canyon where electricity will be produced at 2.5 mills per kilowatt but I opposed the Upper Colorado Project which, incidentally, President Eisenhower endorsed, where power will cost at least 5 mills and probably 6 or 7 mills per kilowatt. It is only by cutting back on those projects which are wasteful that we can afford those which are economical.
Local Contributions

Finally, let me say that I believe the answer to many of these problems is to be found in some system of direct payments by local groups towards the cost of Government projects. The pressures from local business groups, Chambers of Commerce, and citizens in general in favor of projects in their own area while, at the same time, many of them call for a reduction in government spending, is such that elected officials can often turn them down only at the risk of losing their own jobs. Thus, it is the people as well as the politicians who must be responsible in this endeavor. I believe that some arrangement whereby local groups would be required to put up half the money on the average, but with some discretion for them to pay as little as 25 per cent or as much as 75 per cent depending upon who benefits and the economic conditions which prevail locally, would go a long way to relieving these pressures for uneconomic projects.

Conclusion

I hope this letter will help to let you know what I have done about the budget during this session. I hope my actions and my views meet with your approval and that you will think about the amendments I offered and the points I have made and let me know whether you agree with them or not.

As was often the case in this session, I was in a very small minority and often a minority of one in pressing these amendments. If I have been wrong in my stand I want to know that for there are certain dangers which one must accept if one tries to cut these appropriations.

If, however, I have been right, I shall continue to press in whatever practical way I can find for economy in government and for an end to all waste so that our government may truly serve the best interests and welfare of all of our people.

Faithfully yours,

[Signature]

Paul H. Douglas