

'No Judgment'

The budget that President Ford has submitted will force the nation to continue to suffer from high unemployment for many months to come—unless Congress intervenes.

According to Mr. Ford's budget, unemployment will average 7.7 percent in 1976 and 6.9 percent in 1977. This rate of joblessness will be far higher for minority groups, women, young people and others with the least secure hold on jobs. But Mr. Ford has proposed, at the same time, to give sizable tax cuts to business, investors and the middle class generally.

This is a class-oriented and inhumane policy, theoretically aimed at keeping inflation down. However, the rates of inflation projected by the President remain very high by earlier postwar standards—averaging approximately 6 percent in both 1976 and 1977, a level that will fall hardest on the poor. The "new realism" that underlies this economic policy will be costly not only for the jobless and the poor but for the nation as a whole. It will mean lost output of real goods and services amounting to more than \$150 billion a year.

Slow growth and excess capacity will mean a damped rate of saving and investment, and therefore a far lower rate of capital formation than the nation needs in order to provide it with the plant and equipment, energy, public utilities and other capital goods to furnish the greater productivity required to raise living standards.

The impact of the budget on the economy is best measured by the changes in "full-employment" revenues and expenditures it sets forth. The Administration estimates a swing from a \$16 billion full-employment deficit in the current fiscal year to a surplus of \$3 billion next year. This net increase of \$19 billion in fiscal restraint will slow the recovery of an economy still operating far below its capacity.

* * *

A President's budget is not only a means of influencing the over-all national economy but of setting priorities for the nation. Mr. Ford wants the nation to accord its highest priority now to higher defense spending. He calls for defense programs to rise from \$92.8 billion in 1976 to \$101 billion in 1977, over one-fourth of his budget's total outlay of \$394.2 billion.

The reason for this defense increase is said to be to maintain a worldwide military balance, in the face of a Soviet buildup. But this rationale cannot justify the wasteful use of manpower or unnecessary new weapons. Congress should give a careful and meticulous screening of Mr. Ford's inflated defense budget.

The President's ready acceptance of the Pentagon's shopping list and overblown manpower costs strongly contrasts with his hard-as-nails approach to social programs, where he is proposing cuts in health, education, training, employment and similar areas that benefit those far down on the income ladder.

At the same time, he proposes to rework the tax-cut package of \$27.5 billion to favor the middle class and business corporations. He would, for instance, give a tax deduction to those investing in common stocks, so long as their income does not exceed \$40,000, but would boost Social Security and unemployment taxes.

* * *

The President seeks to justify many of his tax breaks to individuals and businesses as means of spurring saving and investment. But the damage to capital formation in the United States in recent years has been done by misguided Administration policies that have caused the economy to stagnate. Wrong-headed economic policies are the real cause of the enormous budget deficits of the "conservative" Nixon and Ford Administrations.

The way to return to budget balance—and before fiscal 1979, as the President proposes—is to foster a more rapid economic recovery, which would yield the budget surpluses that would do far more to increase national savings needed for noninflationary economic growth than the tax and budget cuts at the expense of the poor which the President favors.

As the great conservative Edmund Burke put it two centuries ago, "Economy is a distributive virtue, and consists not in saving but in selection. Parsimony requires no providence, no sagacity, no powers of combination, no comparison, no judgment."