

Part 8/14/71

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Now Nixon Likes His Budget Deficit

THE COUNTRY IS being treated to the odd sight of a Republican administration defending a huge, multibillion-dollar federal budget deficit.

It never has happened before but it is certain to happen often again. The important, doctrine-wrenching fact is that President Nixon has abandoned his old-line opposition to big deficits in favor of a more modern view that deficits are good when business activity is weak.

Nixon did his historic and politically awkward backflip a year ago last month. He declared that budget deficits are all right so long as federal spending does not exceed the amount of revenue the government would collect if the economy were roaring along at a full employment pace.

WHEN SECRETARY of the Treasury John Connally and Office of Management and Budget Director George Shultz announced the fiscal 1971 budget results last week, they reported that the government had gone \$23.4 billion into the red, the second biggest deficit since the end of World War II.

But the massive deficit did not bother the White House. Press Secretary Ronald Ziegler called it "healthy."

The conservative Connally and equally conservative Shultz stressed in a joint statement that there would have been a \$2.5 billion "surplus," if the country had been fully employed. The explanation is that a booming, full employment economy would have produced \$214.1 billion in tax receipts instead of the \$188.3 billion that the Treasury collected. The extra \$25.8 billion would have more

than wiped out the \$23.4 billion deficit.

USING THE FULL employment theory is pretty good economics but big deficits still shock many voters. These are the same sound-dollar citizens that Nixon made a special point of playing up to when he originally sent his deficit-ridden budget to Congress. The President predicted then that it would yield a razor-thin \$1.3 billion surplus instead of the near record \$23.4 billion deficit it actually produced.

"I have pledged to the American people that I would submit a balanced budget for 1971," Nixon proudly told Congress. "The budget I send to you today — the first for which I bear full responsibility as President — fulfills that pledge."

But Nixon switched to the novel full employment theory six months later and Ziegler, Connally, Shultz and other administration spokesmen now are anxiously trying to assure the President's more conservative backers that massive deficits are to be welcomed when business activity is sluggish.

THE MAIN CRITICISM that most advocates of the full employment approach would make is not that the huge Nixon deficit was too big but that it was not big enough.

Connally and Shultz boasted of the \$2.5 billion "surplus" the country would have had at full employment, but there actually should have been no "surplus" under the Nixon doctrine. With a weak struggling economy, Nixon should have increased spending or cut taxes to eliminate the theoretical "surplus."

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