

Nixon and the Erratic Budget

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"I have pledged to the American people that I would submit a balanced budget..." President Nixon wrote in the first paragraph of his first budget message to Congress two years ago. "The budget I send to you today... fulfills that pledge."

And indeed it did. Mr. Nixon's budget for fiscal year 1971 — the one that ended last June — called for a modest surplus of \$1.3 billion.

But things didn't quite work out the way he planned. According to Treasury figures, there was a deficit for fiscal year 1971. It amounted to \$23.2 billion.

Company
If Mr. Nixon thinks back to those unfortunately bold words when he presents his third budget document —

and America's fist — to Congress at 9 a.m. today, he may wince for a moment. But he needn't. He has lots of company.

For as even a cursory examination of past budget documents will show, their brittle numerical predictions have rarely been borne out with any precision.

Franklin D. Roosevelt predicted that defense expenditures in the fiscal year ended June 30, 1941, would be \$1.5 billion; they turned out to be \$6.3 billion. Lyndon B. Johnson predicted a budget deficit of \$8 billion for fiscal 1969; instead, there was a surplus of \$3.2 billion, for the first time since 1960.

Practice
Indeed, as far as accuracy of predictions are concerned, Mr. Nixon's first two budgets followed well-established practice. Some other exam-

• For fiscal 1971, President Nixon predicted the number of civilian federal employees would decline by about 30,000. Instead the number rose by about 10,000

• Also for fiscal 1971 he predicted federal revenue would grow to \$202.1 billion; the total fell \$14 billion short of that. Meanwhile, outlays grew by nearly \$16 billion five times the \$3 billion predicted rise.

For fiscal 1972, Mr. Nixon projected a deficit of \$11 billion. That deficit is now being estimated at \$40 billion — the highest since World War II.

So staggering have been the surprise Nixon deficits, in fact, that to rationalize the huge negative numbers (the budget he submits today is expected to project another deficit of about \$20 billion), the President has had to adopt a new budget invention, introduced last year:

The full employment budget concept. This allows him to calculate the size of the deficit as if unemployment were only 4 per cent instead of the current 6 per cent.

Magic

On this basis, Mr. Nixon's unexpected \$23.2 billion deficit of last year, for example, is magically transformed into a \$5 billion surplus, since with lower unemployment, incomes would be higher and so would federal tax revenue.

How can presidential budget predictions turn out wrong so often?

Part of the problem is that budgets submitted in January cover a period that ends 18 months later. (Fiscal 1973 runs from July 1, 1972, to June 30, 1973.) Hence they are based on long-range forecasts that can quickly go awry.

Another problem is that no President has total control over the expenditures and

revenues of the government during his stewardship. Before any federal money can be spent or taxes collected, Congress must vote its approval, and Congresses have been known to disagree with Presidents on such matters.

Control

Finally, there is this mounting problem: The vast bulk of federal spending involves programs over which the President and Congress together have little real control. As retirements go up, so must Social Security payments. If people are unemployed unemployment insurance outlays rise automatically.

"To a large extent, we are prisoners of these programs," acknowledges Caspar W. Weinberger, deputy director of the President's Office of Management and Budget. He estimates that these "uncontrollable" expenditures now amount to 71

per cent of total spending, up from 65 per cent a few years ago.

"Environmental quality" was one of the major themes of Mr. Nixon's budget message, and on the wings of a broad public consensus, he has had little problem fulfilling his promise to accelerate federal anti-pollution expenditures. They are now running at a rate of more than \$1.4 billion a year, quadruple what they were in 1969.

Crime fighting was another major theme in Mr. Nixon's first two budgets, and again consensus has helped him boost these expenditures. In fact, outlays for this purpose have expanded even faster than the President programmed. For example, he called for fiscal 1971 anti-crime expenditures to rise to about \$1.25 billion from \$900 billion in 1970. The actual total was more than \$1.4 billion.