

Excerpts From President Nixon's Budget

Special to The New York Times

WASHINGTON, Jan. 24—Following are excerpts from President Nixon's Budget Message as presented to Congress today:

To the Congress of the United States:

The Budget of the United States for the fiscal year 1973 has as a central purpose a new prosperity for all Americans without the stimulus of war and without the drain of inflation.

To provide for the needs of our people by creating new peace-time jobs and revitalizing the economy, we are spending \$38.8-billion more in the current (1972) fiscal year than our receipts.

I make that estimate fully aware that it is a large deficit, but one that is necessary in a year of reduced receipts, as we increase jobs and bring the economy back toward capacity.

I am able to project a 1973 budget, with rising revenues, that cuts this year's actual deficit by \$13½-billion and brings us strongly forward toward our goal of a balanced budget in a time of full employment.

If we were to spend less, we would be "too little and too late" to stimulate greater business activity and create more jobs; if we were to spend more, we would be spending "too much, too soon" and thereby invite a renewal of inflation. Instead, we must spend "enough and on time" to keep the economy on a steadily upward peacetime course while providing jobs for all who want them and meeting the urgent needs of the American people.

The budget for fiscal 1972 reflects this Government's confidence in the American economy's ability and capacity to respond to sensible stimulation. The budget for 1973, held to full-employment balance, diminishes stimulation as the new prosperity takes hold and, by so doing, acts as a barrier against the renewal of inflationary pressure.

Respect for Wage-Price Guidelines

I strongly urge the Congress to respect the full-employment spending guideline this year, just as business and labor are expected to respect wage and price guidelines set forth to protect the earning and buying power of the American worker and consumer.

Deficit spending at this time, like temporary wage and price controls, is strongly but necessary medicine. We take that medicine because we need it, not because we like it; as our economy successfully combats unemployment, we will stop taking the medicine well before we become addicted to it.

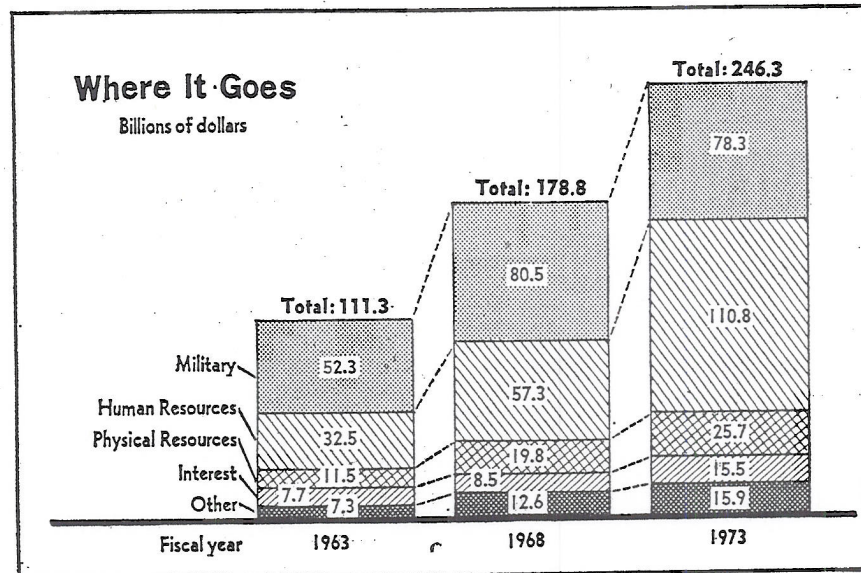
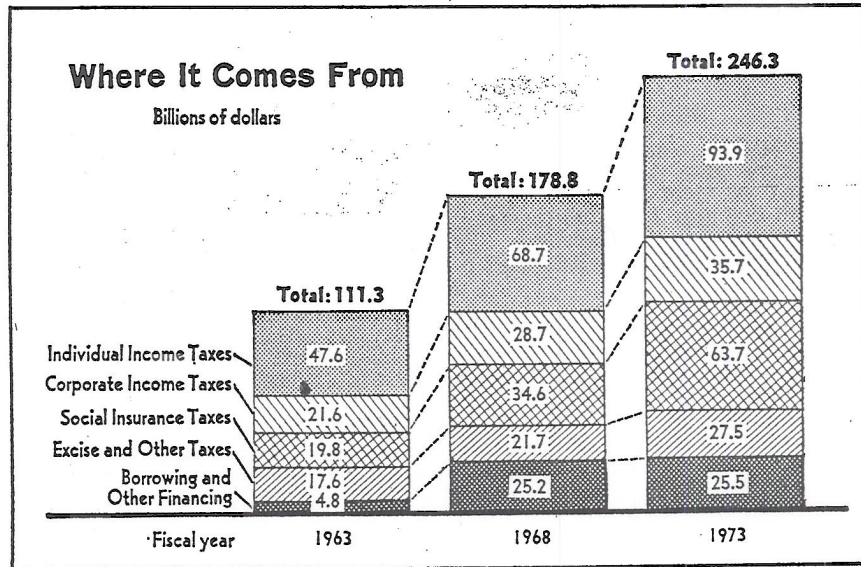
The budget is a superb deflator of rhetoric because it calls to account the open promises heard so often in an election year. Proposals, no matter how attractive, must be paid for, and when spending is proposed that takes us beyond full employment balance, that payment must either be in the form of new taxes or rising prices. As the budget submitted herewith proves, I intend to resist the kind of spending that drives up taxes or drives up prices.

One priority that most Americans will agree upon is the return of power to people, after decades of the flow of power to Washington. One good way of turning rhetoric into reality is to put that principle into practice in the tax area.

Accordingly, over the past 3 years, the rate of increase in Government spending has been cut nearly in half compared to the 3 comparable years before this Administration took office.

Proposed Rise Is 4.1%

From 1965 to 1968, Federal spending increased by 51%—an annual average of 17%; over the 3-year period 1969-72, spending rose by 28%—an average of 9% per year. The increase from 1972 to the spending level proposed in this budget is only 4.1%. This slash in the momentum of Federal spending is all the more dramatic when you consider 71% of Federal spending is "uncontrollable"—that is, locked into the budget by previous Congressional decisions.



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By putting the brakes on the increase in Government spending, we have been able to leave more spending power in the hands of the individual taxpayer. In 1973, individuals will pay \$22-billion less in Federal income taxes than they would if the tax rates and structure were the same as those in existence when I took office. To a family of four that earns \$7,500 a year, that means a reduction of Federal income taxes of \$272 this calendar year. I believe that members of that family can use that money more productively for their own needs than Government can use it for them.

Another priority—one upon which so much of our progress at home depends—is to create a peaceful world order. We could never fulfill our hopes for a full generation of peace from a position of weakness; we can only negotiate and maintain peace if our military power continues to be second to none.

A demagogue may find it easy to advocate that we simply allocate necessary defense dollars to social programs, but a responsible Congress and a responsible President cannot afford such easy answers.

Our success in reducing our involvement in Vietnam by 480,000 men before May 1, 1972, and comparable matériel reductions will help enable us—for the first time—to spend more in the Department of Health, Education and Welfare than we spend in the Department of Defense.

Asking Increase of \$6.3-Billion

But it would be foolhardy not to modernize our defense at this crucial moment. Accordingly, and still within our full-employment guideline, I propose a \$6.3-billion increase in budget authority for military programs, including vitally needed additions to our strategic forces and our naval strength.

In the 1972 defense appropriation bill, which the Congress did not pass until December of 1971, the Congress cut my appropriation request by \$3-billion. My 1971 defense request was cut by the

Congress by \$2.1-billion. These were costly cuts, especially in the field of research and development.

We must be prudent in our defense spending, making certain we get the best defense for each taxpayer dollar spent. Productivity here too must be increased, but we cannot afford to be "penny-wise and pound-foolish." Nothing could be more wasteful than to have to pay the price of weakness. It costs far less to maintain our strength than it would cost to fall behind and have to catch up, even if that could be done. I urge the Congress not to make the costly mistakes it has made in previous years in its defense cuts; the budget as submitted represents America's actual military needs, and offers the best means to secure peace for the coming generation.

Another priority of this budget is to direct the resources of the Federal Government toward those needs the American people most want met and to the people who are most in need.

Welfare reform, with training and work incentives, with a new fairness toward the working poor and a minimum income for every dependent family, is a good idea whose time has come. It has been proposed and studied; it has been refined and improved upon; it is ripe for action now. Further delay in enactment would not only be unwise in fiscal terms, but cruel in human terms. The proposed program is infinitely better than the wasteful, demeaning system that now calls itself welfare. This budget proposes appropriation of \$450-million to start the replacement of welfare with "workfare."

The Need for Revenue Sharing

Revenue sharing has been debated at length. Each day and each state's experience only confirms the inescapable fact that it is wanted and needed—now. The states and cities urgently require this aid; individual Americans need it for everything from improved law enforcement to tax relief. This budget allocates \$2.5-billion in 1972 and \$5.3-

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billion in 1973 to make general revenue sharing a reality now.

Schools need emergency assistance now to make necessary adjustment to provide equal educational opportunity. This budget allocates \$500-million in 1972 and \$1-billion in 1973 for this purpose.

Government reorganization is needed now, to deliver more services for each tax dollar collected. The pain this change will bring to special interests and bureaucracies is less important than the pain existing bureaucratic arrangements now cause the people. A reorganized Government will be a better, more efficient Government.

Health care must be improved and made available to all Americans, without driving up medical costs. The budget provides for legislative actions and necessary funding to make better health care available on the most widespread basis, to emphasize preventive medicine, and to pursue an all-out campaign to eliminate cancer and sickle cell anemia.

Drug Abuse Prevention

Drug abuse prevention must be intensified to curb narcotics trafficking and to expand Federal drug rehabilitation efforts coordinated by the White House Special Action Office. The budget allocates \$594-million to these and other drug abuse prevention campaigns.

A new commitment to the aging is long overdue to add dignity and usefulness to their lives. This budget provides for total spending of \$50-billion on behalf of the aging, \$16-billion more than in 1969. Most importantly, \$5½-billion will be added to the incomes of older Americans when proposed Social Security and welfare reform legislation is fully in effect. In addition, service initiatives will be launched that will focus on better nutrition and other services designed to help the elderly live independently in their own homes.

Scientific research and technology, so essential to our national security, also must focus more directly on solving our domestic problems, increasing our productivity, and improving our competitive position in international trade. The budget allocates \$17.8-billion for this, an increase of \$1.4-billion over 1972.

Veterans of the nation will receive the special consideration they deserve, with particular emphasis on those reentering civilian life after service in Vietnam. This budget provides more than \$12-billion in budget authority for veterans benefits, with an increase of over \$1-billion for modernization, replacement and record staffing of V. A. hospitals, higher compensation for disabled veterans and enhanced job training opportunities, higher G. I. bill allowances, and other improved services.

Budget Policy

The full-employment budget concept is central to the budget policy of this Administration. Except in emergency conditions, expenditures should not exceed the level at which the budget would be balanced under conditions of full employment. The 1973 budget conforms to this guideline. By doing so, it provides necessary stimulus for expansion, but is not inflationary.

We have planned the 1973 expenditures to adhere to the full-employment budget concept, even though this has required making many difficult decisions. It now appears that the 1972 full-employment budget will be \$8.1-billion in deficit. While our economy

Budget Receipts And Outlays

In millions of dollars

	1971 actual	1972 estimate	1973 estimate
Receipts by source:			
Individual income taxes	86,230	86,500	93,900
Corporation income taxes	26,785	30,100	35,700
Social insurance taxes and contributions:			
Employment taxes and contributions	41,699	46,367	55,113
Unemployment insurance	3,674	4,364	5,016
Contributions for other insurance and retirement ...	3,205	3,361	3,554
Excise taxes	43,205	5,200	16,300
Estate and gift taxes	3,735	5,200	4,300
Customs duties	2,591	3,210	2,850
Miscellaneous receipts	3,858	3,525	4,052
Total receipts	188,392	197,827	220,785
Outlays by function:			
National defense ¹	77,661	78,030	78,310
International affairs and finance	3,095	0,960	3,844
Space research and technology	3,381	3,180	3,191
Agriculture and rural development	5,096	7,345	6,891
Natural resources and environment	2,716	4,376	2,450
Commerce and transportation	11,310	11,872	11,550
Community development and housing	3,357	4,039	4,844
Education and manpower	8,654	10,140	11,281
Health	14,463	17,024	18,117
Income security	55,712	65,225	69,658
Veterans benefits and services	9,776	11,127	11,745
Interest	19,609	20,067	21,161
General government	3,970	5,302	5,531
General revenue sharing		2,250	5,000
Allowances for:			
Pay raises (excluding Department of Defense)		250	775
Contingencies		300	500
Undistributed intrabudgetary transactions:			
Employer share, employee retirement	-2,611	-2,687	-2,893
Interest received by trust funds	-4,765	-5,190	-5,697
Total outlays	211,425	236,610	246,257
Budget surplus or deficit (-)	-23,033	-38,783	-25,472

¹ Includes allowances for military retirement systems reform and civilian and military pay raises for the Department of Defense.

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can absorb such a deficit for a time, the experience of the late 1960's provides ample warning of the danger of continued, and rising, full-employment deficits. The lesson of 1966-68, when such deficits led to an intolerable inflation, is clear and too close to permit any relaxation of control of Government spending.

Keeping the 1973 budget in full-employment balance will not be easy. The tax changes that have been made during my Administration have reduced 1973 full-employment revenue by a net total of \$20-billion. This reduction has been good for the economy, and has given each of us more freedom to decide how he will spend his money and live his life. However, the lower receipts and the need to balance the 1973 full-employment budget require that the Congress carefully consider the nation's priorities, as I have done in preparing this budget. The task is made harder by the fact that the growth of programs—especially, uncontrollable programs, which now account for 71% of total outlays—could easily lead to another full-employment deficit in 1973 if the Congress adds to my recommendations for domestic spending as it did last year.

The simple fact is that not all programs can or should grow. I urge the Congress to face squarely the difficult questions involved in setting priorities within the over-all constraint of a full-employment balance, and not to take the dangerous course of trying to match domestic spending increases with cuts in vitally needed defense funds.

The Longer View

In 1976, our nation will celebrate its 200th birthday. Three basic questions must be answered as we look toward a proper celebration of our bicentennial.

How can we best achieve our great national goals?

What role should the Federal Government have in this effort?

How can we best rededicate ourselves to the ideal of personal freedom?

In considering these questions, we cannot ignore the hard fact that the increase in uncommitted resources between now and 1976 will be small in comparison with the magnitude of the

tasks, forcing us to make difficult decisions about priorities.

My basic preferences in allocating our national resources are clear.

First, I believe that to avoid permanent inflation and waste we should assure that we count the costs before we make spending decisions. We can do that by adhering to the principle that spending must not exceed the level at which the budget would be balanced if the economy were at full employment.

Second, I believe that an increasing share of our national resources must be returned to private citizens and state and local governments to enable them—rather than the Federal Government—to meet individual and community needs.

Responsible Budgeting

The first principle—the full-employment budget principle—imposes a necessary discipline on Federal spending.

Last year, the budget margin projected for 1976—the potential Federal budget surplus assuming full employment and only the programs and tax structure in existence or proposed then (1971)—was \$30-billion. Action taken in the last 12 months and those proposed in this budget will reduce that margin to only \$5-billion. This margin is less than \$25 for each man, woman and child in the expected 1976 population and is less than 1.6% of projected 1976 budget receipts. And yet, it must be sufficient to cover the 1976 costs of all new proposals not included in this budget.

The moral is clear. A strong fiscal discipline will be necessary in the years ahead if we are to preserve the buying power of the dollar. New spending programs must be evaluated against the most stringent of standards: Do they have enough merit to warrant increases in taxes or elimination of existing programs?

This Administration has measured its proposals against this standard. I have made the hard choices necessary to assure that they can be financed within a full-employment budget policy.

I urge the Congress to engage in a similar self-discipline in making the hard choices that will be required during the next few years.

The Budget Totals

Fiscal years, in billions

	1971 actual	1972 estimate	1973 estimate
Budget receipts	\$188.4	\$197.8	\$220.8
Budget outlays	211.4	236.6	246.3
Deficit (-)	-23.0	-38.8	-25.5
Full-employment receipts	214.1	225.0	245.0
Full-employment outlays ¹	209.2	233.1	244.3
Full-employment surplus or deficit (-)	4.9	-8.1	0.7

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