

Shadow and Substance

Nixon's New Budget Lays a Claim To Some Economies Already in Effect

NYTimes

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JAN 31 1973

The new Nixon budget mixes shadow and substance. It puts one in mind of a famous Washington budget-cutter who came home from the office one day to be met by his jubilant son. The boy sang out, "Daddy, I saved a quarter today." "How did you do that, son?" "I walked home instead of taking the bus," the boy answered.

Economic Analysis "Why didn't you save a dollar?" asked the great budget-cutter. "You could have walked instead of taking a taxi."

Puritanism Is Reflected

There is a certain amount of this kind of puritanism in Mr. Nixon's new budget. For instance, among the 100 cuts he has listed is the following item:

"Limit outlays through the operation of the Administration-supported statutory ceiling on social service grants (already enacted by the Congress)."

This refers to Federal grants to enable cities to provide social services for the needy aged, dependent children, narcotics addicts and the mentally retarded. The funds have been provided on a 75-25 matching basis, with the Federal Government picking up the 75 per cent share.

Through this economy, the Nixon Administration proposes to save \$2.7-billion in fiscal 1974 and a whopping \$4.7-billion in fiscal 1975.

This is one of the biggest single chops enabling the President to say he will reduce spending by a total of \$19-bil-

lion in fiscal 1974 and by \$24-billion in fiscal 1975. This, he says, will prevent outlays from soaring from \$250-billion this year to \$288-billion next year and \$312-billion in fiscal 1975.

Big Savings Estimated

However, as the parenthetical next year note in the budget document implies, Congress has already put a \$2.5-billion ceiling on social service grants, which were getting out of hand as cities grabbed for funds. And Congress has no intention of uncapping them.

So the Nixon budget's claimed savings of \$2.7-billion for 1964 and \$4.7-billion for 1975 for social service grants are the equivalent of not taking a taxi instead of not taking a bus.

Obviously, even more enormous savings lie ahead for fiscal 1976 and 1977 as these mythical social service expenditures continue to grow and not be spent.

To be sure, there is far more substance than shadow among Mr. Nixon's entire list of 100 cuts. Even the social service economies are not entirely phony. Actual expenditures on such grants to cities will be held at \$2.44-billion this year, slightly below the \$2.5-billion ceiling, and reduced to \$1.89-billion in fiscal 1964—an ac-

Continued on Page 57, Column 2

Economic Analysis

Continued From Page 51

tual cut of more than half a billion dollars next year.

Special Revenue Sharing

Even though some of the cuts in Mr. Nixon's budget will show up again as expenditures in other ways or under his program of Special Revenue Sharing with state and local governments, these are not entirely phony either.

Mr. Nixon is proposing to spend \$6.9-billion on four types of Special Revenue Sharing in fiscal 1974—urban community development, education, manpower training and law enforcement.

These special, comprehensive grants to cities and states replace what the President calls "70 outmoded, narrower categorical grant programs."

But this approach recalls another episode in the life of the great budget-cutter and his son. "Son," said the puritanical dad one day, "I am going to give you an allowance of \$3 a week from now on, so cut out asking me for money for the movies, dates, record albums, basketball games, haircuts, shoes and all those other categorical items."

Shadow Receipts

The largest single shadow item in the new Nixon budget is no innovation this year; it is the shadow receipts that the Treasury would collect if the economy were actually at full employment—defined as 4 per cent unemployment.

Those shadow receipts are expected to total \$268-billion in fiscal 1974—which is \$12-billion higher than actual receipts are expected to be.

Happily, the larger shadow receipts will give Mr. Nixon a balanced full-employment budget; in fact, they will yield a surplus of \$300-million, with the help of shadow Government expenditures.

Of course, the actual budget deficit for fiscal 1974 is projected at \$12.7-billion. But, as the just-released Economic Report of the President's Council of Economic Advisers makes clear, the Nixon Administration wants and expects rapid expansion of the economy to start slowing down after mid-

year, and it believes that its actual deficit and balanced full-employment budget will help achieve that objective.

Bipartisan Support

The C.E.A. has bipartisan support—at least among professional economists—for its view.

Secretary of the Treasury George P. Shultz said last week that in the Administration's policy-making economic "Troika," the proverb is that the Office of Management and Budget has the spending, the Treasury has the tax revenues, and the Council of Economic Advisers has the deficit.

In this year's budget exercise, Mr. Shultz added, Herbert Stein's C.E.A. is the loser—because its deficit figure has fallen from \$24.8-billion in fiscal 1973 to \$12.7-billion next year.

The President's Council of Economic Advisers has sustained another moderate loss, as the budget makes clear. In the reduction of the personnel of the Executive Office of the President, the staff of the C.E.A. has been cut from 57 to 46, while the Office of Management and Budget, at 660 in 1973, will stay at 660 in 1974. To be sure, the Office of Economic Opportunity, the centerpiece of President Johnson's War on Poverty, has been cut from 1,935 to 0, the major slash in the 60 per cent cut in the size of the Executive Office of the President.

A former Johnson economic adviser characterized the philosophy of the new Nixon budget as, "Do less, want less, think small." In 1796 Edmund Burke, in his "Letter to a Noble Lord," put the same thought somewhat differently. "Mere parsimony," said Burke, "is not economy... Expense and great expense may be an essential part of true economy."

But Mr. Nixon also has supporters for his belief that the new budget, in a hard-nosed pecuniary way, has launched his "new American Revolution."

On Capitol Hill, the battle over Mr. Nixon's budget cuts—and its increases, especially for the Department of Defense—has already begun.

As one weary observer put it, "One war ended, another begun."