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The New Economic Philosophy

By James Reston

WASHINGTON, Jan. 30—President Nixon has been talking ever since the November election about changing the philosophy and direction of the American Government in his second term, but it wasn't until his budget was published that the capital really took him seriously.

"I don't understand why so many people were surprised," Secretary of the Treasury George P. Shultz remarked. "The President has been talking reform, and he means just that."

Mr. Shultz explained the change this way: Over the years, the Federal Government accumulates a lot of expensive programs, which either don't work or outlive their usefulness, and are kept on for political rather than for economic or even social reasons. He cited excess military bases.

Occasionally, however, he added, there is a brief period when the Congressional elections are far enough away and the President cannot run again, when there is a chance to unload some of this "baggage," and this the President is determined to do.

The Secretary observed that the President was now in a position to make a breakthrough on the domestic front, as he did in the China and Soviet trips abroad in his first term.

First of all, this was, Mr. Shultz observed, a much more experienced Administration, with a better command of its subject matter, more time to think about domestic matters, and greater confidence in its philosophy.

Vietnam would not be the preoccupation it was in the first term. The cities were quieter, and so were the colleges. Some programs had been introduced in the past almost as a kind of bribery to keep the cities from burning. And while there would be a battle with Congress, many members on the Hill were prepared for new approaches

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to our domestic problems and there was a new sense of local responsibility.

Others, of course, take a quite different view of the new budget. Walter Heller, former chairman of the Council of Economic Advisers, reached in Minneapolis, said it was true that some programs had not worked, but "the problems won't go away just because you scrap some of the programs."

Mr. Heller said the Administration

was "investing less in people and more in machinery," and that the President made "a fiendishly clever appeal to the worst instincts of the people, and couched it all in high moral tones."

Some of the President's proposals were good—he mentioned cutting the waste in the impacted military areas program—but he noted that Mr. Nixon had not really tackled many of the tough Federal subsidies which had been built into the structure of the Government, and he had not really addressed himself to the tax inequities which benefit the very rich.

While Mr. Heller said he had read many of the President's "Ben Franklin maxims" over the last two or three months, he had not expected to see a budget that would try to reverse so many of the gains of the past or remove the wage and price controls so soon. The question now, Mr. Heller observed, was whether the Democrats in Congress would get themselves well enough informed and organized for the coming battle. He didn't sound very confident that they would.

What the President is counting on is that he can get enough support from the country to overwhelm the opposition on Capitol Hill. He has already appealed to the people over the head of the Congress, and he has his arguments well organized.

His major appeal is to the relatively comfortable majority of the American people, who gave him such a substantial victory last November. His assumption is that, while Franklin Roosevelt could carry the country by appealing to the poor, who were in the majority in the thirties and forties, he has a different appeal to make to a different majority that is no longer poor. And in addressing what he calls his "new majority," the President refers to the Federal Government almost as if it were a third political party, if not an enemy of the people.

"Do we want to turn more power over to the bureaucrats in Washington in the hope that they will do what is best for all of the people?" he asked last Oct. 21. "Or do we want to return more power to the people and to their state and local governments, so that the people can decide what is best for themselves?"

"This country has enough on its plate in the way of huge new spending programs, social programs, throwing dollars at problems," he told Jack

Horner of The Washington Star-News on election eve. "What we need basically is reform of existing institutions and not the destruction of our tried values in this country."

Here then is his main theme: It is time to cut back on overseas commitments, overseas adventures, foreign aid and handouts of that kind, and time to cut back on social programs that haven't produced a Great Society or won the war on poverty.

No higher taxes, no more Vietnams, no more "coddling loafers." No more paternalism from Washington. Of course, the poor are still with us, and the unemployment, and the crime; but it is still a powerful political argument, and while the Democrats are howling about it, they know they have a fight on their hands.