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Mr. Nixon's Red Ink

When President Nixon submitted his budget for fiscal 1971 eighteen months ago, he noted that he had "pledged to the American people that I would submit a balanced budget for 1971." Indeed, his new budget showed a $1.3 billion surplus. But this week the Government announced that the actual deficit for fiscal 1971 had climbed to $23.2 billion, the second largest deficit since World War II. And Government economists have let it be known informally that the deficit for fiscal 1972, which began July 1, is currently estimated at $25 billion.

Budget deficits of that size are bitter pills for any President to swallow, but especially for a Republican who wants to emphasize his "fiscal responsibility." The Nixon Administration does not mean to give up that claim, and it is using its version of the "full-employment budget" concept to prove it. Simply put, the full-employment budget shows the balance between what expenditures and revenues would be, if the economy were operating at an unemployment rate of only 4 per cent — rather than close to 6 per cent, as at present.

One might suppose that Secretary of the Treasury Connally would blush to use the full-employment budget concept at all, since only a few weeks ago, after the Camp David meeting, he denounced the 4 per cent unemployment norm as "a myth." But now Mr. Connally and Budget Director Shultz proudly declared that "for the third year in a row a full-employment balance or surplus had been achieved. . . ." They might have added that a fourth full-employment surplus is in the works for fiscal 1972, despite the likelihood of a deficit of $25-billion or more.

Deficits in themselves are not inherently undesirable, and it would be economically foolish as well as politically unfair to attack the Nixon Administration merely because it has incurred them. But the Administration deserves criticism because it has substituted budgetary semantics and questionable economics for a serious efforts to use fiscal policy to help move the economy back more vigorously to full employment. This would have involved a willingness to provide stronger budgetary support at a time when the economy has been suffering from excess unemployment and over-all slack. To provide that extra support would, however, have meant a willingness to put the full-employment budget into deficit.

If such a fiscal policy had been followed, the economy might have had less of a slump, tax revenues might have been higher, the actual deficit lower. But the Administration was unwilling to take that course, partly because it regarded fiscal policy as inferior to monetary policy and partly because it thought that more fiscal stimulus would cause inflation to accelerate. It was unwilling to combine greater fiscal stimulus with a stronger incomes policy to check inflation.

This remains the Administration's posture. With the economy still advancing sluggishly, unemployment persisting, the indicators sagging, and inflation still strong, the nation urgently needs a change in economic policy.