

NIXON, IN THIRD BUDGET, INDICATES A 3-YEAR DEFICIT OF \$87-BILLION; SEES A STIMULUS FOR THE ECONOMY



The New York Times/George Tames
John B. Connally, left, George P. Shultz, center, and Caspar W. Weinberger at briefing on the budget. Mr. Connally is Secretary of the Treasury, Mr. Shultz heads the Office of Management and Budget and Mr. Weinberger is his deputy. Session was in Washington.

NO TAX RISE ASKED

Spending in '73 Fiscal Year Is Estimated at \$246.3-Billion

Additional budget articles and excerpts from Nixon message are printed on Pages 16, 17 and 18.

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Special to The New York Times

WASHINGTON, Jan. 24—President Nixon sent Congress today his third budget, showing a cumulative deficit of \$87-billion for the three years of his term.

The deficit figure is without

precedent, for Republican or Democratic Presidents, except during the unusual conditions of World War II.

The new budget for the 1973 fiscal year, beginning July 1, puts outlays at \$246.3-billion and receipts at \$220.8-billion. Both figures, in light of recent experience, are subject to wide margins of error.

Taking 'Strong Medicine'

If the current fiscal year, 1972, is any test, the estimated deficit of \$25.5-billion for 1973 will turn out to be much larger.

Mr. Nixon made no apologies for his big deficits. He said that the deficit planned for next year would stimulate economic recovery at a proper pace, without risking a new wave of inflation.

"Deficit spending at this time, like temporary wage and price controls, is strong but necessary medicine," the President said. "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."

For the current year, now half completed, the President estimated the deficit at \$38.8-billion, by far the largest "peacetime" deficit in history. A year ago, this year's deficit was estimated at \$11.6-billion.

Rate of Increase Cut

The huge difference was caused by a number of factors, but the main one was the failure of the economy to grow robustly last year, which cut back receipts. The sluggish economy is a major element in all three deficits.

The budget contains no proposals for tax increases, except for the perennial request for \$300-million in higher taxes on truckers, a request that is regularly rejected by Congress. Social Security taxes would rise for many, however, because of the proposed increase in the "wage base" from \$9,000 to \$10,200, effective this year.

Despite the growth of Government spending under his Administration to nearly \$250-billion, Mr. Nixon took pride in

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his record. He said: "The rate of increase in Government spending has been cut nearly in half compared to the three comparable years before this Administration took office." Noting that individuals this year will pay \$22-billion less in taxes than under the laws in effect in 1969, he added:

"The basic shift in the Government's fiscal philosophy has gone relatively unnoticed. The upward curve of Federal spending is beginning to flatten out, while the Federal income tax 'bite' out of the individual paycheck is becoming measurably less."

In a separate message today, the President asked Congress to enact for the first time "an absolute limit on spending" for the new fiscal year at the budget level of \$246.3-billion. The ceiling would apply to Congress itself as well as to the executive branch of Government. The President said, "It is vital that the executive and Congress act together to stop raids on the treasury which would trigger another inflationary spiral."

Regardless of the demonstrated inaccuracy of the overall spending and receipts estimates in modern budgets, the new budget, like its predecessors, involved major and meaningful choices on individual programs. The salient choice in this budget, confirmed by high officials talking privately, was a big increase in defense after several years of essential leveling out.

Because of the long "lead times" in building ships, planes and other weapons, actual defense spending will not rise much—about \$700-million in 1973 to an estimated total of \$76.5-billion. But new spending authority, if Congress agrees, will rise about \$6-billion to \$83.4-billion, meaning higher outlays later.

Again, the President made no apologies, saying:

"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 enough 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."

Share Again Drops

Mainly because of the momentum of existing domestic "human resource" programs, above all Social Security, defense outlays will continue for the fifth consecutive year to have a smaller share of the total budget, despite the proposed increase.

Defense outlays will make up 31.8 per cent of the new budget, compared with 40.8 per cent as recently as the 1970 fiscal year.

The same is even more true of other parts of the budget that have long been a matter of controversy—space, foreign aid, farm subsidies, the highway program. Each of these is now, relatively speaking, almost tiny, and some, like foreign aid and space, are actually declining.

The huge growth in total outlays has come in domestic cash grants from Washington—to people and to state and local governments mainly under laws enacted before Mr. Nixon became President, but partly under laws he has proposed.

In the new budget, Mr. Nixon again placed high priority on revenue-sharing with state and local governments—a form of direct grants with few restrictions on use. These grants will total \$5.3-billion in the new fiscal year if Congress approves.

Mr. Nixon asked that revenue sharing be retroactive to last

Jan. 1, and thus he included \$2.5-billion for this account in the current fiscal year.

In his message, the President said that the "central purpose" of the budget was "a new prosperity for all Americans without the stimulus of war and without the drain of inflation."

Mr. Nixon's first full fiscal year as President was 1970, but the budget for that year was prepared by his predecessor, Lyndon B. Johnson. It wound up with a small deficit of \$2.8-billion.

Mr. Nixon's first budget, for the 1971 fiscal year, had a deficit of \$23-billion. On top of this would be the estimated deficits of \$8.8-billion in the current year and \$25.5-billion for the new fiscal year, making \$87.3-billion in all.

During World War II, the 1943, 1944 and 1945 fiscal years, showed deficits of \$53.8-billion, \$46.1-billion and \$45-billion, for a total of about \$145-billion.

H.E.W. Exceeds Pentagon

For the first time, the budget of the Department of Health, Education and Welfare, at \$79-billion, will exceed that of the Department of Defense, in good part because of the steady annual growth of Social Security payments.

The category of the budget called "income security"—cash payments to people—has soared to \$69.7-billion in the new budget, up from \$55.7-billion in the 1971 fiscal year. Social Security is the biggest item. The category also includes rapidly growing programs of welfare, food stamps, unemployment compensation and retirement for military and civilian government employees.

An estimated rise of \$7.2-billion in unemployment compensation payments, in the current year, resulting partly from new legislation, was a major reason for the serious underestimate of over-all spending in 1972.

Total spending for 1972 is now put at \$236.5 billion, compared with the estimate of \$229.3-billion a year ago and a revised estimate of \$232-billion in early September.

If the spending estimate for the new fiscal year proves correct—which is doubtful—the rate of increase in spending will, as the President contends, slow sharply. Outlays rose \$15-billion in 1971 and the rise is estimated at \$25-billion in 1972. This would drop to an increase of just under \$10-billion in 1973 under the new budget.

Looked at another way, the rise of \$25-billion in spending in the current fiscal year was the largest for a year in the entire postwar period—larger even than the biggest increase, in 1967, during the Vietnam war build-up. The 1967 increase of \$24-billion was larger in percentage terms, however.

During his election campaign four years ago, the President persistently criticized the large budget deficits of the Johnson Administration as inflationary, although he said he did not support "a mechanically balanced budget." He justifies his own large deficits on the ground that the economy is now sluggish rather than booming as in the late nineteen sixties and can safely use stimulus from the federal budget.

Many Programs Increased

Although the over-all rise in the new budget was relatively small, it contains dozens of increases in individual programs, ranging from foster grandparents to rural housing.

The biggest rises in dollar terms are for Social Security, including a proposed 5 per cent

benefit increase, revenue sharing, interest on the debt, Medicare, defense and Government employees' pay.

Unemployment compensation is expected to decline.

The other big "decrease"—actually an offset to expenditures—is a \$2-billion windfall to the Government from offshore oil leases, pending for years but now freed by a Supreme Court decision.

Apart from this item, the budget appears to contain very few "gimmicks" designed to hold down the spending total artificially. One such item is a saving of about \$200-million by shifting some programs of the Farmers Home Administration from direct to guaranteed loans.

The budget is also more "honest" than other recent ones in that it does not propose—and count as achieved—a long list of savings by reduction or elimination of existing programs, such as school milk and the agricultural conservation program. Congress has regularly refused most of these requests, so this time the President faced the reality and declined even to propose them.

Partly to help the hard-pressed state and local governments, the budget includes an advance payment for welfare of \$1-billion, moved forward into the 1972 fiscal year. This has the effect of raising the spending total for 1972 and reducing it for 1973.

In this election year, the budget is replete with claims of achievement by the Administration, mainly in the form of very large increases in various types of domestic spending, or people aided, in the most recent three years as compared with the last three years of the Johnson Administration.

The budget also makes a special appeal to two groups in society—the aged and veterans. In both categories spending will rise sharply.

Barbs for Democrats

The budget also contains numerous barbs at the slow pace of the Democratic-controlled Congress in enacting Presidential programs. As an example, the President cited his proposal for more aid to needy college students and concluded:

"I am ready to sign that legislation. But there it sits, in Congress, while thousands of young people miss their chance."

The new budget is balanced on the "full employment" basis of measurement. This adjusts receipts upward to the level they would reach if the economy were booming and unemployment down to 4 per cent of the labor force, and—for the first time—adjusts a few items of expenditure downward, chiefly unemployment compensation.

The budget estimated full-employment receipts at \$245-billion for the new fiscal year and full-employment expenditures at \$244.3-billion.

In the current fiscal year, however, there will be a full-employment deficit of \$8-billion, despite the President's earlier firm position that this should never be allowed to happen except in a national emergency. He said, "While our economy can absorb such a deficit for a time, the experience of the late 1960's provides ample warning of the danger of continuing, and rising, full-employment deficits."

The President noted that the new budget conforms to the principle of full employment balance and added, "By doing so it provides necessary stimulus for expansion, but is not inflationary."