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Economy at the brink

ANALYSIS

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Associated Press

WASHINGTON — While President Nixon said there will be no recession this year, his economic advisers are forecasting the closest thing to it.

The economy will be at the brink of recession in the next six months with prices rising rapidly and the national unemployment jumping to nearly 6 percent, his advisers believe.

Opinion in the economic community is divided on whether there will actually be a recession as it is formally defined — two consecutive quarters of declining economic output.

The administration believes the first quarter of this year will bring declining output but foresees the economy pulling out of a negative position somewhere between April 1 and June 30, just soon enough to avoid a recession.

Economists widely refer to such sluggish economic growth as a "growth recession," meaning the economy is performing below the long-term growth rate of about 4 percent considered necessary to absorb the increase in the labor market.

Lifting of the Arab oil embargo would improve the administration's and private economic outlooks, but the lag in arrival of the Mideast oil means the U.S. economy wouldn't get help for a few months.

The economy is already in the midst of a sharp slowdown. During the fourth quarter of 1973, it grew by a scant 1.4 percent, according to Commerce Department figures.

In his State of the Union message, Nixon said the "familiar voice of the perennial prophets of gloom" had predicted a U.S. recession this year. He didn't name them.

A number of prominent economists have predicted a mild recession this year — among them Walter Heller, former economic adviser to President Kennedy, and Milton Friedman, University of Chicago economist.

Nixon also said that real spendable income — after taxes and inflation — has increased by 16 percent over the past five years.

He was citing the commerce department's less frequently used measure of purchasing power — per capita real disposable income — rather than the Labor Department's figures for real spendable weekly earnings.

The differences in the two figures, which are calculated in different ways, are dramatic.

According to the Labor Department's figures, real spendable weekly income for a married worker with three dependents increased by slightly less than 4 percent between December 1968, and December, 1973, as opposed to the Commerce Department's claim of 16 percent.

Last year, real spendable weekly income actually declined by 3 percent, beset by a combination of rising prices and smaller wage settlements.