

# It's Better Economics New Budget System Cuts Deficit

The single, most important change that President Johnson made in his new budget was not in any such category as defense or housing. Rather it was the style of the budget itself. And the change will be politically controversial.

UNTIL THIS year, presidents had presented Congress an "administrative" budget, covering the basic foreign, defense, debt service and domestic programs. This year, for the fiscal year beginning July 1, Johnson presented a "unified" budget. It includes the administrative budget plus the Social Security, Medicare and highway trust funds.

If Johnson had used the "administrative" budget only, his proposed outlay would have been about \$139 billion.

Under the "unified" budget, however, the outlay would be \$47 billion higher—or a total of \$186.1 billion.

WHY THE change? Republicans—for example, 19th District Congressman Jack McDonald—point out that the "unified" budget shows a smaller deficit than the "administrative" budget.

"I think the President misrepresented the real situation in this budget with the new accounting," said McDonald. "His projected deficit falls short by about 10 billion dollars. The Social Security revenue is greater than Social Security payments. What we have is an accounting gimmick to make the administrative deficit look smaller than it really is."

To understand McDonald's point, take a look at the accompanying chart, in the revenue column, note that "Social Insurance Retirement Taxes" are 22 cents. On the spending column, note that payments from that fund are only 20 cents.

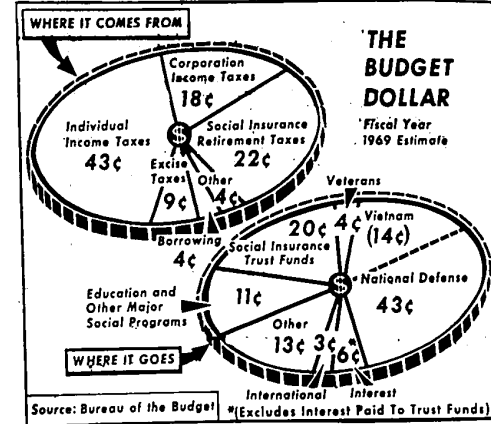
Under the "administrative" budget, the deficit would be \$11.5 billion. Under the "unified" budget, it would be only \$8 billion.

THE CHANGE was recommended last year by a 16-member presidential commission. Most economists would approve it.

For one thing, the unified system shows more accurately the full impact of federal taxing and spending in the American economy.

For a second thing, the unified budget avoids the confusion created last year when the president presented three different budgets—the "administrative," the cash consolidated and the national income accounts budget.

HERE'S HOW the new budget would compare to the current fiscal year's budget, both shown on a unified basis:



perhaps enough to damage the housing recovery, is seen in a proposed curtailment of the Federal National Mortgage Association. The FNMA's mortgage purchases—which funnel money into the hands of mortgage lenders—would be cut from this year's \$2.3 billion to less than \$1 billion in 1969.

War-Vietnam costs add up to \$25.8 billion in the new budget, rising \$1.3 billion from this year. In four fiscal years, 1966-69, the U.S. will have poured \$75 billion into the war.

Excises—The 10 percent telephone tax and 7 percent auto excise should be extended beyond April 1, Johnson said, instead of dropping them to 1 percent and 2 percent respectively. Thus, plus the surtax and proposed speedup of corporate tax payments, would bring total tax increases to \$12.9 billion in fiscal 1969.

Construction—A broad slowdown looms in federal construction. Cutsback will reduce 1969 building programs by about \$1.6 billion below the appropriated levels of 1968, Johnson said.

Federal debt—The national debt, as measured by the unified budget, will total \$287.2 billion on June 30, 1969. Since part of this is not subject to the congressional debt ceiling, which rises automatically to \$365 billion on July 1—Johnson said no increase in the legal limit will be needed. But if Congress fails to vote the surcharge, he will have to ask an increase.

Credit—A possible squeeze on the supply of mortgage credit, structure, to be cut \$8 billion; other education and health programs, to be cut \$176 million.

lion; farm operating loans, to be cut \$50 million; rural electrification loans, to be cut \$45 million. A slash of \$200 million to space agency funds was urged. Nevertheless Johnson promised an aggressive space program to reach the goal of a man on the moon by 1970 and develop a "new spacecraft for launch in 1973 to orbit and land on Mars."

On the up side, about \$3.3 billion of the \$10.4 billion budget increase would go into the military budget, Johnson said, producing an over-all national defense outlay of \$72.8 billion. The latter figure includes not only the Pentagon's \$76.7 billion but indirect defense outlays in the atomic energy, stockpile and other programs.

Another \$3.9 billion increase reflects enlarged Social Security, medicare and other social insurance benefits. About \$1.6 billion reflects the government pay increase voted by Congress last year.

Steadily climbing interest charges on the federal debt will add \$900 million to the total interest outlay to \$14.4 billion.

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