FEDERAL EXPENDITURES—GOALS AND PRIORITIES*

By Maurice H. Stans

Right now, in Washington and in Johnson City, the President of the United States is in the throes of a concentrated annual process of decision-making that has frustrated many presidents before him. He has to choose the program goals and priorities for the nation for another forward year, and he must do this within limits imposed by available resources, considerations of national security, and due regard for political palatability.

Most Americans can sympathize with their President at a time like this. Budgeting means choosing between spending alternatives and it is never a happy chore or a popularity contest. There are always dedicated proponents of spending programs who believe their way is the only sure way to national Utopia. There are honest bureaucrats who sincerely believe that they could do twice as good a job if they only had twice as much money. There are pressure groups and special interests galore, urging action on their causes. And now there is also the problem of continuing a stubborn war that is already several years late in ending.

This year, as the 1968 budget is developed, the problem is more difficult than even, because the President finds himself deep in a trap. It is a trip that is partly of his own making, and he will find it very difficult to extricate himself. He is entrapped now by the consequences of decisions and indecisions of the past several years. He is entrapped by the massive dimensions of his 1967 budget. He is entrapped by inflation. He is entrapped by the military necessities of Vietnam. He is entrapped by a civilian economy that is growing increasingly sluggish. He is entrapped by a continuing unfavorable international balance of payments and loss of gold. He is entrapped by high interest rates on government debt, increasing pay scales for government employees, increasing cost of government purchases and increasing requirements for social security. He is entrapped by the advance commitments of his own ambitious spending programs and those of a runaway Congress. He is entrapped by the threat of a large deficit that may force him into sponsoring an unpopular tax increase. It may take the wizardry of the century to escape this many-sided predicament.

It is hard to guess today how the 1967 budget will turn out. It is even harder to foresee what the 1968 budget will show. The Administration has been highly secretive about current fiscal trends, and this year it has not produced the usual Mid-Year Review, customarily released by the Bureau of the Budget after the end of the Congressional session. The President recently announced spending cuts of about $3 billion for the year, but part of this merely offsets add-ons made by the Congress over his original budget. And even with these cuts, the expenditures may be as much as $15 billion above the original 1967 estimates and more than $20 billion above the 1966 total.

Therefore, to estimate probable 1967 spending, it is necessary to estimate the effect of the Congressional add-ons, the increased cost of the Vietnam action, the extent of failure to sell or borrow on Federal assets, and the results of the President's current economy drive. The administrative budget originally projected outlays of $112.8 billion, but it seems certain that this will be exceeded by a wide margin. Published and private estimates range from $125 to $135 billion, and there are few clues from which to make a more precise estimate. One item of evidence is the Treasury cash statement for the September quarter, which shows net expenditures of $33 billion. This is at an annual rate of $132 billion. While there is no certainty that spending in the first fiscal quarter will continue at that rate for the year, this has been the case in each of the last six years.

Revenues may exceed the original budget estimate of $111 billion. Even if they grow to $116 billion or so, however, it seems likely now that the year will end with a deficit of at least $7 to $10 billion, possibly much more. Even if this estimate misses the mark in one way or another, the problems of the 1968 budget remain, and this is where the subject of programs and priorities takes significance.

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