LISTS PROBLEMS FOR PRESIDENTS

Here are some of the problems the President must resolve in setting the dimensions of the 1968 budget:

(1) 1967 revenues benefited from non-recurring amount of about $5 billion, mostly in accelerated tax payments by corporations. This speedup is at the end of the road now, so no longer can the government tap corporations for more than a year's taxes every 12 months. Comparatively, this means an immediate loss in revenue of $5 billion that has to be made up in other ways.

(2) Sales of government assets, amounting to almost $5 billion, were subtracted from expenditures in the 1967 budget, but the President had to call a halt because government financing in this way was interfering with the money markets and was unduly costly. While the next budget may again use this device to make total expenditures seem less than they are, it is conjectural whether it will be any more effective next year than it has been this year.

(3) The inflation that hits the average man also hurts the government. Its wages and salaries, its pensions, and the things it buys are moving up in price. The 1968 budget will have to face this fact, to the tune of several billion dollars.

(4) The postal service is in trouble. It will lose about $1.2 billion this year, besides being under constant attack for deteriorating mail service.

(5) The vast number of new programs initiated in the last few years had low price tages to start, but they are scheduled to grow rapidly. There is probably $4 to $5 billion of automatic built-in growth to be faced in the 1968 budget, unless the President uses a heavy ax on the Great Society plans.

(6) The Vietnam war, which was scheduled in the 1967 budget to end precisely on June 30, 1967, shows no signs of coming to an end. The same factors that are pushing up defense spending in fiscal 1967 by many billions will continue into 1968 and may even escalate some more. There is therefore no relief in sight for the military budget and it is likely to continue to advance in 1968 by several billions, at least. And this does not count the staggering cost of an anti-missile, if the Pentagon finally decides that it must have one.

(7) In the offing is the serious risk of a decline in tax revenues, especially on corporate profits. The economy is showing sluggishness on the civilian side, productivity is on the decline, wage demands are up, and the general outlook is for a considerable squeeze on earnings. Depending on whether or not this condition extends into a genuine recession, there could be a substantial decline in corporate income taxes. For every 10 percent reduction in corporate profits, the government loses roughly $3.5 billion in taxes. The Administration obviously must do all it can to support a profitable business cilmate, or its loss of loss of tax revenue can be devastating.

These are just some of the major dilemmas the President is facing in the 1968 budget. Depending on how they are resolved, it is possible to foresee a wide range of possible forecasts in the budget. And depending on the course of the economic trend, it is possible to foresee a final outcome for the year anywhere between a balanced budget and a deficit of $30 billion or more.

No President since World War II has had such a difficult range of choice or such a wide range of possible consequences.

What *can* the President do?

Since he is one who likes to spring surprises, it is reasonable to expect that some unusual items may appear in the 1968 budget. It is also likely that some advance conditioning of the public will begin to take shape in the next few weeks.

As for specifics, these are a number of likely candidates that will probably get his serious attention this year in the budget figures:

An across-the-board increase increase in postal rates.

Renewed effort to increase user charges, and to change budget bookkeeping by transferring costs against trust funds.

The long-due return of some American troops and dependents from the European theatre.

A substantial slash in government public works programs.

A reduction in foreign aid.

A stretchout in the space program and a substantial cut in its current costs.

A reduction in agricultural subsidies.

A cut in government-financed research.

A further scaledown in manufacture of atomic weapons and other AEC activities.