

Reagan revises budget

Economists skeptical as ever, Stockman isn't

WASHINGTON (AP) — Unswayed by the recession that upset his glowing forecasts of a year ago, Pres. Ronald Reagan says he still expects robust economic recovery — just one year later than planned. But after one year of "Reaganomics," private economists are as skeptical as ever.

Reagan's budget for fiscal year 1983, released this weekend, calls for the biggest federal deficits in history over the same three year period in which Reagan predicts the nation will climb out of recession and head into a strong recovery.

At this time last year, Reagan said overall U.S. economic growth would be slight in 1981 but would bounce back at a healthy 4.2 percent rate in 1982 after adjusting for inflation.

Now, Reagan says growth this year will be much less — just two-tenths of 1 percent. But once again, he is saying wait till next year, when he predicts economic growth will be 5.2 percent.

Private economists tend to agree that the president's plan — coupled with continued tight control of the money supply by the Federal Reserve Board — make strong recovery only possible, rather than probable and make the lasting recovery Reagan promises not very likely.

In fact, they say, the nation could be thrown into a new recession by this time next year if things go really wrong.

"It all depends on interest rates," said Michael K. Evans, president of Evans Economics in Washington.

High interest rates, a major cause of the current recession, have been widely attributed to the Fed's restrictive control of the nation's money supply — a policy backed at least in name by the Reagan administration.

And although rates fell last fall, they have been rising again recently.

Evans isn't as upset as some economists about the size of the projected deficits: \$98.6 billion this year, \$91.5 billion next — the year that as a candidate, Reagan promised a balanced budget — and \$82.9 billion in fiscal 1984, the last year of Reagan's four-year term.

The economist said the red ink could be even greater — \$100 billion to \$120 billion a year for the next three years, compared with the record \$66.4 billion in 1976.

Treasury Secretary, Donald T. Regan, said that despite the huge projected deficits, "in light of the tax incentives we have enacted, and historical evidence, there is ample reason to expect a period of better than average growth."

Others aren't so calm about the projected

deficits.

"During a period of recovery, deficits approaching the current magnitude would threaten prolonged strain and congestion in the financial markets," Paul Volcker, chair of the federal reserve board, recently told Congress. His recommendation: Cut that deficit.

ADMINISTRATION OFFICIALS DEFENDED

Reagan's budget Sunday — record deficits and all — as essential for the nation's economic recovery. They predicted that despite initial protests, Congress would wind up approving most of the 1983 spending plan.

And Budget Director David Stockman said that when Congress looks at the "hard, stark choices... they will understand very quickly that unless measures of magnitude that we've proposed by way of savings are adopted, that there could well be a severe threat to the economic recovery.

Reagan is asking for about \$56 billion in savings for 1983, including cuts of \$27 billion in domestic programs.

In all, Reagan proposed spending for the 1983 fiscal year of \$757.6 billion. His plan would require taxpayers to spend \$99.1 billion in interest payments on the national debt — more than the entire budget in 1961.

Despite the confidence Stockman expressed on CBS' "Face the Nation," Reagan's big-deficit budget sparked talk of open rebellion among administration allies in Congress.

"The Republicans I talk to... are frightened about the deficits," said Sen. Bob Dole, R-Kansas, chairman of the tax-writing Senate Finance Committee.

Stockman said the 1982 deficit is about \$50 billion higher than it was originally forecast because of the recession and because inflation is coming down more rapidly, cutting into tax revenues.

But he said that in proportion to the economy as a whole, the deficit is smaller than the \$66.4 billion record set in 1976, when the nation was emerging from an earlier recession. He insisted the administration has not abandoned its goal of a balanced budget, although official figures indicate deficits of \$50 billion through 1987.

"We have another chance next year and the year after," he said.

Stockman said there was widespread skepticism a year ago when Reagan first called for big cuts in domestic spending and taxes but increases for defense. But, he said, "We got more than 80 percent of what we proposed."

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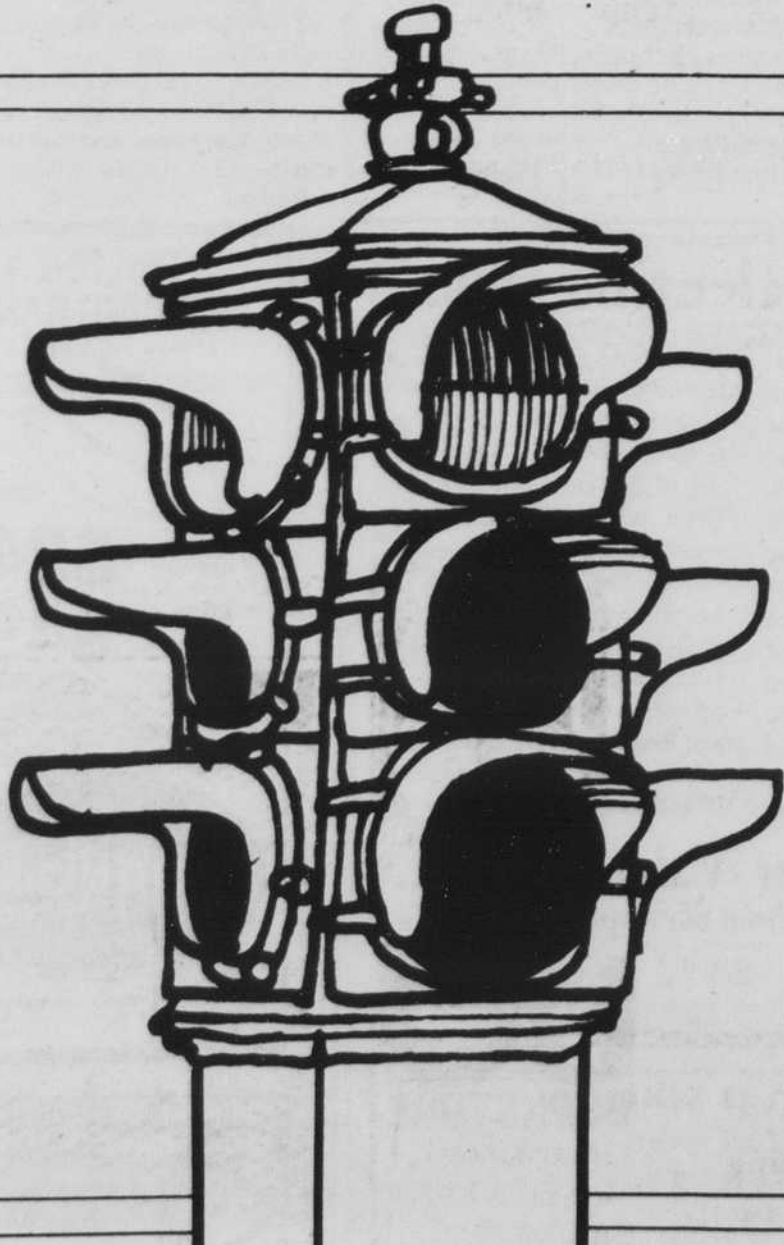
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