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From Associated Press reports

Economy remains 'dead in the water'

WASHINGTON

Treasury Secretary Donald Regan pronounced the economy "dead in the water" Thursday as the government released figures showing industrial production down for the seventh month in the past eight.

Regan, who is Pres. Reagan's top economic spokesman, had predicted as recently as February that the economy would "come roaring back" by late spring. But he said Thursday that recovery now can be expected by summer — and then only if the administration and Congress can trim huge projected federal deficits.

High interest rates, caused at least in part by lenders' and investors' worries about deficits, "have brought this economy right to its knees," Regan said in an interview on ABC-TV.

He commented just before the Federal Reserve Board released figures showing output by the nation's factories and mines dropped 0.8 percent in March. That decline, which had been expected, followed a February gain that had broken a string of six straight decreases.

"We're in a very steep recession at this point and the economy is dead in the water," Regan said. Private analysts generally agree.

Robert Gough, of Data Resources Inc., said the March production figures "indicate that the economy is still on the way down."

Gough, like most economists, says the scheduled income taxrate cut in July, with increases in Social Security payments, should stimulate consumer spending and thus retail sales and ultimately production.

Budget bargainers settle on deadline

WASHINGTON

Negotiators for the White House and Congress are giving themselves a deadline of early next week to submit details of a budget compromise to Pres. Reagan and House Speaker Thomas O'Neill, congressional sources say.

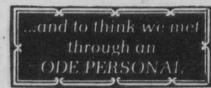
These sources stressed Wednesday that the bargainers themselves are far from certain they can produce an agreement by then that will be acceptable to the two men.

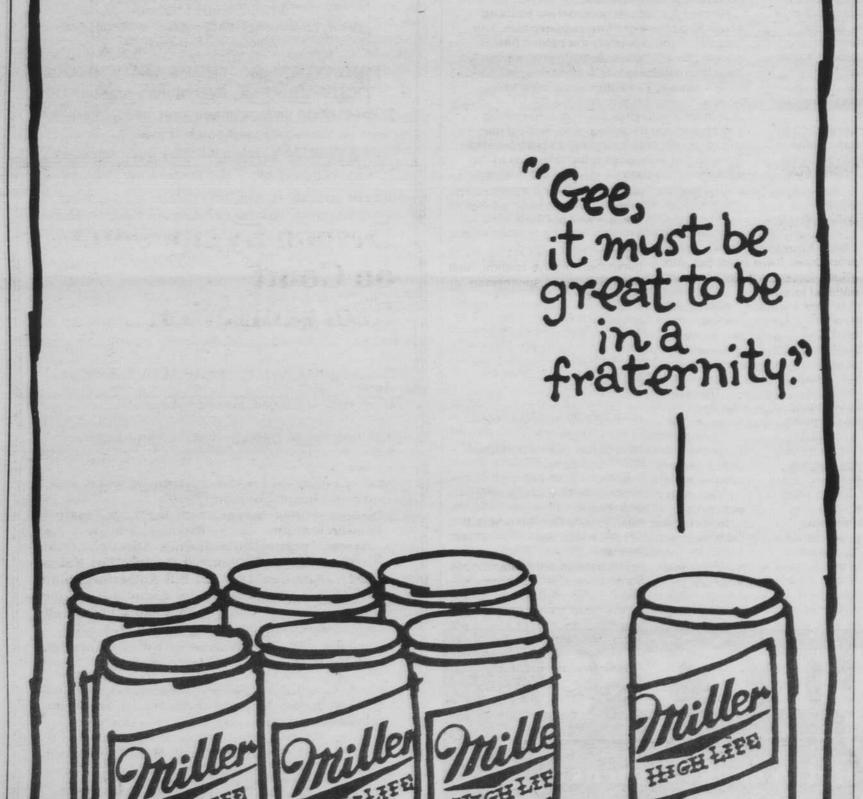
The blueprint being discussed calls for about \$125 billion in higher taxes over three years, perhaps including the surtax and a type of excise tax on energy products, excluding home heating oil, or a \$5-per-barrel oil import fee.

Other elements of a plan include a reduction in Reagan's defense buildup of about \$28 billion over three years and a reduction and delay in cost-of-living increases for Social Security, government pensions and other benefit programs. Domestic programs also would be cut.

In all, the proposals would produce estimated budget deficits of \$93 billion in 1983; \$77 billion in 1984 and \$45 billion in 1985. Without action to raise taxes or cut spending, officials estimate the 1983 deficit at \$180 billion, rising to \$240 billion in 1985.







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