Economist considers US deficits, tax cuts

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Q: When Reagan was campaigning, he was very antagonistic to the idea of deficits. One of his campaign promises was to reduce the federal deficit and in fact move toward a balanced budget. What has changed to make deficits palatable?
A: Nothing has changed, except that the President ran for a program that called for reducing taxes and for strengthening defense, and for reducing inflationary finance through reduced domestic spending. Now you've got four very desirable objectives, and the essence of leadership is saying, "Well, I've got very desirable objectives, how do I rank them? Which are the most important?" And rather than flip-flopping back and forth—this is important today and this is important tomorrow and this is important the third day—I think the one thing you've seen that should be encouraging is a consistent set of priorities from the Administration.
Q: Are you saying that those four priorities may be in part contradictory, that you can't achieve all four—
A: You can't achieve all four simultaneously. That's what the budget says, that's what the budget document says.
Q: Isn't it that the criticisms that were levied at Reagan by his detractors during the campaign?
A: I wasn't part of the campaign. I don't know quite how they were all packaged up and presented.
Q: At what point in the future will we have a balanced budget? I think the latest estimates are now fiscal year 1986.
A: Well it isn't—and our projections, actually don't show a balanced budget in our five-year projections, which I think is probably the first really honest set of projections that have been sent up to Capitol Hill in terms of realities of the situation and the process. I think the Administration clearly remains committed to the goal of a balanced budget. The question is how and when can you get there. I think in this respect it is interesting to note the great interest by the Congress as well as by the Administration, in the Constitutional Amendments that basically will call for moving toward a balanced budget.