

Economic Gridlock

UNCLE Sam soon may be borrowing all of our personal savings to finance the federal budget deficit. Perhaps we shouldn't worry, as the loans may be paid off some day with our own tax money, if Congress raises taxes and decides to reduce the national debt.

That last contingency would depend on cutting the budget enough to eliminate the deficit and have some tax money left over to apply on the accumulated debt, an unlikely prospect.

During the fiscal year just ended, the government borrowed \$202 billion to finance the latest deficit, setting a record for the third year in a row. The new proposed debt limit is \$1.615 trillion.

Today's budget deficits account for 5 to 6 percent of our gross national product, while total personal savings average only about 7 percent of the GNP. The tax cut allowed last year didn't produce as big a jump in savings as some had predicted.

"With government absorbing the bulk of private savings, we face an inexorable push in the years ahead toward poorer productivity, diminished investment, high unemployment, higher interest rates, reduced U.S. competitiveness abroad and a steadily eroding standard of living."

That is the bleak picture painted by Willard C. Butcher, chairman of Chase Manhattan Bank, in a recent speech. He might be accused of extreme pessimism, but he could be right, too.

Butcher said that we will not solve the problem by imposing wholesale tax increases. In-

stead, he thinks that the only real answer is a serious long-term plan to cut federal spending. He called for focusing on three areas that together account for nearly two-thirds of federal spending — Social Security, medical care and defense.

That just about creates an absolute standoff. Reaction from contributors and recipients of Social Security when adjustments have been proposed previously were enough to cause any officeholder coming up for reelection to back off.

Medical care is a runaway entitlement program that is almost untouchable. Health care costs are rising, but so many voters are dependent upon Medicare that lawmakers don't seem to want to touch this political hot potato.

As for defense, the newest outbreak of international incidents is enough to squelch cutbacks from all but the staunchest of the anti-nukes. Americans may be puzzled by situations that we have been plunged into but they still want us to be able to take care of ourselves.

A Washington report says members of Congress are trapped between their desire to reduce federal deficits and their wariness over raising taxes to do so. President Reagan has made it clear that he will not sign any tax increase bill.

Overall, the situation looks like an economic gridlock, in which any one adjustment won't be made until others are begun, and nobody appears ready to assume that political responsibility.