

Nixon budget 7/71 - 6/72

Probably a response to the January 28, 1972 letter from Nixon. Burns does not agree with the budget numbers for 1972.

February 3, 1972

Dear Mr. President:

I have read and reread your recent letter. I share your basic thought, and I am confident that monetary policy will promote rather than impede economic expansion this year.

I want you to know that I have some serious doubts about the numbers in the recent budget message. The doubts are of two kinds, first, whether actual expenditures will reach the figure estimated for fiscal 1972, second, assuming this target is met, whether the economic stimulation suggested by the budget will be realized.

My doubts on the second point derive from four sources: (1) General revenue sharing, even if enacted this fiscal year, will not be passed before May or so, and in any event cannot lead to prompt outlays on hardware and people; it is this that really matters. (2) The budget contains a substantial sum in advance payments to defense contractors and other contractors. Again, such payments have little or no economic punch. (3) The preceding point applies also to advance payments (1 billion dollars) to state and local governments. (4) The budget document appears to have underestimated by a significant sum the withholding of income taxes. (The increased withholding this year is a most unfortunate development!)

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I have communicated these doubts to Messrs. Shultz, Connally, and Weinberger, and I communicate them now to you because I think there is substantially less stimulation in the budget than you are counting on.

Sincerely yours,

Arthur F. Burns

The Honorable Richard Nixon
The President of the United States
The White House
Washington, D. C.

AFB:ccm