

R&D and the Deficit

The Reagan Administration has submitted to Congress a \$1.024-trillion budget for fiscal year 1988—an increase of \$8.8 billion above spending in 1987. In theory the budget will reduce the federal deficit from an estimated \$174.5 billion in FY 1987 to \$108 billion next year. This level was specified by Congress in the Gramm-Rudman-Hollings deficit reduction law passed in 1985. The White House aims to meet this goal by cutting federal spending in the civilian sector, selling off government assets, and imposing new user fees to recover federal costs.

Without trimming back federal services, the Office of Management and Budget (OMB) estimates that next year's budget deficit would be \$150.1 billion. The Congressional Budget Office (CBO) projects an even higher deficit—\$169.2 billion. John H. Makin, an economist at the American Enterprise Institute goes still further, estimating the baseline deficit at \$185 billion. This results from "a likely" \$16-billion loss in revenues attributed to tax reform and a lower growth rate in the gross national product (GNP), Makin notes.

The outlook for revenues in the next few years is "very fuzzy" because of tax reform, says Gail S. Fosler, chief economist for the Republican staff of the Senate Budget Committee. In a talk presented recently at the Allied Social Science Associations' economic conference in New Orleans, Fosler noted it is uncertain "exactly how financial innovations . . . and taxpayer avoidance behavior is going to affect [revenue] estimates."

Further undercutting the Administration's ability to hold the deficit to \$108 billion is the fact that its strategy rests in part on politically unpopular proposals such as selling part of Amtrak and slashing subsidies for student loans and grants by \$2.5 billion. Moreover, the White House is proposing a 3% real increase in defense spending while cutting expenditures on Medicare, Medicaid, and farm subsidies. Domestic spending cuts would total almost \$19 billion. Many Democrats and some Republicans have already made clear that they will not go along with these priorities.

What all this means is that once again Congress will be scouring the budget for dollars to continue programs slated for the budget ax. In the course of this exercise proposed spending increases for research programs at the National Science Foundation, Department of Energy, National Aeronautics and Space Administration, and elsewhere could be shaved. The temptation to cut these increases may, however, be muted by congressional deliberations this year on restoring America's industrial and technological competitiveness.

Talk of a compromise on the deficit goal has been floating around Capitol Hill for weeks. But Administration officials are unwilling to give in to the notion at this early stage of the budget debate. Says OMB's director, James Miller, "It is not that \$108 is the magic number. But the minute the President says 'Okay, I will go along with some increase in [spending], it [the deficit] could become a lot bigger.'"

CBO director Rudolph G. Penner, in a 2 January report to Representative William H. Gray III (D-PA), chairman of the House Budget Committee, noted that projections show that if current services were maintained the annual deficit would decline by FY 1992 to \$84.8 billion, or 1.4% of GNP. Makin argues that the Gramm-Rudman deficit targets "are probably too stringent in light of the need to avoid risking a recession." His view is generally shared by a broad spectrum of economists (*Science*, 21 February 1986, p. 789).

Whether a compromise can be struck remains to be seen. Although House Majority Leader James Wright (D-TX) has talked about a tax hike, Congress is unlikely to add another tier to the income tax code. In particular, some members of Congress, economists, and Wall Street analysts fear that the tax reform package could fall apart if rates were raised for upper-income taxpayers. The President also remains opposed to "tax increases" even though the FY 1988 budget contains new revenue measures.

Democrats in both houses, nevertheless, are likely to push for some sort of tax increase to raise significant new revenues. "We must sensibly ask," says Lawton Chiles (D-FL), chairman of the Senate Budget Committee, "how much longer we can pretend a budget ax unsharpened by revenues is the ultimate weapon against deficits." ■ **MARK CRAWFORD**

With uncertainty over FY 1987, the proposals for NIH in FY 1988 are even less meaningful than usual. One new idea being proposed is that money be appropriated in advance for the full amount of multiyear grants, instead of annually as at present. When both the 1987 spillover and the advanced funding for multiyear grants are taken into account, the Administration's proposals would permit NIH to actually spend \$5.512 billion in FY 1987 and \$5.762 billion in FY 1988.

The Administration is proposing a substantial increase in funds to combat AIDS, from \$411 million in FY 1987 to \$471 million in 1988. The total, which would be spread across several agencies, includes \$357 million for research and \$114 million for public health measures. In addition, authority is being requested to transfer another \$100 million from other health programs into AIDS if necessary, without having to obtain approval from Congress.

Increased funding for AIDS programs would help offset decreases proposed for the Alcohol, Drug Abuse, and Mental Health Administration (ADAMHA). Nevertheless, the budget for the National Institute of Mental Health is set to decline by about \$11 million to \$232.5 million next year, according to an ADAMHA spokesman.

Some new research money will, however, come with the establishment of an Office of Substance Abuse Prevention in ADAMHA. It will allocate a total of \$30 million to research in FY 1987 and 1988.

■ **National Science Foundation.** Not only is NSF's total budget request of \$1.89 billion almost 17% above this year's figure, but the White House has given a commitment to double the foundation's budget over the next 5 years. That may be the reward for aiming high: NSF director Erich Bloch is said to have asked for a boost of over 30% and a doubling in 3 years.

The additional funds will be spread across the foundation's programs, with engineering and computer sciences getting the largest increases. No startling new initiatives are proposed for FY 1988, but NSF is hoping to put some emphasis on efforts such as science education, fellowships, and young investigator awards to help increase and improve the flow of scientists entering the research pipeline. The budget for a variety of such education and human resources programs is set to increase by 50%, from \$152 million to \$205 million.

Another thrust is to increase support for research centers and group research. Several new engineering research centers, combining university and industrial funds, will be established, and for the first time NSF is