

Housing starts, income down

WASHINGTON — Economists in and out of government see more reasons to be encouraged than discouraged in the latest reports of a decline in housing starts and only moderate increases in the income of Americans.

The December report on housing starts, which Tuesday showed a 13 percent decline from November, reflected continued underlying strength in the construction industry, the Commerce Department said.

The 1.22 million housing starts were 39 percent above the figure a year earlier.

However, 1982 ended as the worst year for housing production since 1946.

In a separate report the department measured a 0.6 percent increase in the personal income of Americans in December. Analysts were encouraged that wages and salaries showed some increase instead of remaining stagnant as they did in November.

Manufacturing payrolls dropped, but not as much as in November.

The figures illustrated the depth of the recession last year, showing that 1982's personal income as a whole increased only 6.4 percent, the smallest advance since 1963.

The increase in building activity and in housing sales since the middle of last year, de-

spite the December decrease, means residential construction will be an important contributor to the general recovery which should get under way this quarter, said Robert Dederick, Commerce Department undersecretary.

"Even if starts remain at their November-December average pace, new homebuilding will add about \$3 billion at an annual rate to first-quarter real GNP (gross national product)," he said.

Dederick predicted this year about a 1.5 million housing units will be started, over 400,000 more than last year.

Mark Riedy, executive vice president of the Mortgage Bankers Association, said the recovery lives on and the increase in building permits in December means the trend is upward.

The annual rate of building permits, 1,291,000 in December, was at its high point for 1982.

Administration economic policy spokesman Robert Ortner said of the income report, "Manufacturing payrolls still declined reflecting a further drop in employment. It was a smaller decline than in November and wasn't big enough to offset the gain in service industry and government payrolls.

"We should continue to see improvement as employment turns up," he said.



staff photo by Rob Johnston

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Former Cabinet officers say deficits need to come down

WASHINGTON — Three former Cabinet officers said Wednesday high government deficits will come down only by dealing with interest rates, military expenditures and government benefit programs.

Peter Peterson, former Commerce secretary under President Nixon, W. Michael Blumenthal, former Commerce secretary under President Carter, and John Connally, former Treasury secretary under Nixon, said they shared the blame for the deficits on ABC's "Good Morning America" program.

"What is striking and frightening about these deficits is that they will occur even if the economy grows in the next three years," Peterson said.

But Peterson said he is not pointing fingers at the administration as the cause for the economic woes.

"Many of these programs were launched 10 years ago, 15 years ago, 20 years ago and more, back when we were in power and we share in the blame," he said.

Blumenthal said that over the years, "We have added a lot of benefits, we have indexed these programs to the consumer price index and that has resulted in really uncontrolled conditions into the benefits that are paid out and there is a very major gap."

Connally said, "We think that you have to really address the structural Social Security programs and the entitlement programs. You have to deal with that."

Connally also said defense expenditures must be cut by \$25 billion a year and there should be an additional \$60 billion in taxes.

"We think we have to raise an additional \$175 billion in the 1985 budget in order to bring the deficit down to where we still have a \$175 billion deficit," he said.

Peterson said the "non-means tested entitlement programs — Social Security pensions, military pensions — have not only been cut much less, but they're nearly five times larger than the so-called poverty prog-

rams. And fairness dictates, we think, (that) those programs share in the burden now.

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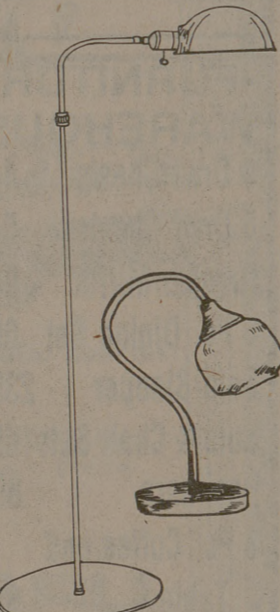


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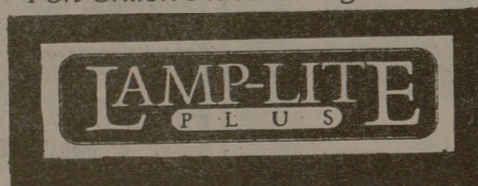
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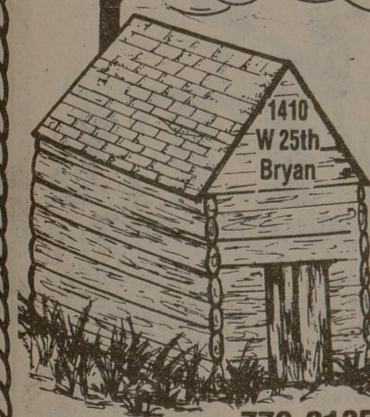
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