

001151

THE ECONOMY OF THE HUMANIST

NATIONAL ECONOMISTS CLUB

FEBRUARY 24, 1971

201-435

WE SPEAK FREELY OF A "POLITICAL ECONOMY."
 THAT PHRASE HAS NEVER BEEN MORE TRUE THAN
 TODAY. BUT I THINK WE SHOULD BE THINKING,
 AS HOWARD BINKELEY, YOUR NEW PRESIDENT^{ELECT} MENTIONED
 TO ME TONIGHT, IN TERMS OF A "SOCIAL ECONOMY"
 -- AN ECONOMY THAT HAS AS A FOCUS THE
 FULFILLMENT OF MANKIND'S ASPIRATION FOR A LIFE OF
 QUALITY AS WELL AS QUANTITY.

ECONOMICS, PERHAPS MORE SO THAN ANY
 OTHER DISCIPLINE, SHOULD REPRESENT THE
 MARRIAGE OF THE SCIENTIST AND THE HUMANIST.
~~YOU DEAL IN MINUTE DETAIL WITH THE ECONOMIC~~
~~FABRIC OF OUR LIVES.~~

Harold Passer
 + source

Bob Nathan

Mr Peter Moh
 Clear Election

on top not
 on top

BUT MORE THAN THAT, YOU SEE REFLECTED IN THE
EBB AND FLOW OF OUR ECONOMIC FORTUNES THE
DESIRES, HOPES AND FEARS OF HUMAN BEINGS.
YOU MEASURE, AND TO NO SMALL DEGREE,
DIRECT THE POWER AND WHEREWITHAL WE EXCHANGE
FOR THAT LIFE OF QUALITY, WHICH IS EVERYMAN'S
RIGHT.

THIS IS WHY IN THIS PERIOD OF
ECONOMIC AND SOCIAL DISRUPTION, I AM

PARTICULARLY PLEASED TO BE HERE WITH YOU

TONIGHT. L YOU HAVE YOUR WORK CUT OUT FOR YOU

IN BOTH THE SOCIAL AND THE ECONOMIC FIELD

AND ~~WE~~ ^{we} CANNOT REALISTICALLY SEPARATE THE

TWO.

~~I WANT TO TALK TO YOU TONIGHT ABOUT BOTH
FACETS OF THIS SINGLE HUMAN PROBLEM.~~

↳ THOUGH TIMES CHANGE, OLD PATTERNS OF
THOUGHT HAVE A HABIT OF COMING BACK INTO
STYLE. ↳ FOR THE FIRST TIME IN SEVERAL DECADES
ECONOMICS IS AGAIN BEING REFERRED TO AS THE
DISMAL SCIENCE. SOME PERSONS USE EVEN
STRONGER ADJECTIVES. ↳ MANY ECOLOGISTS AND
CONSERVATIONISTS TODAY SPEAK OF THE "GROSS
NATIONAL PRODUCT" AS THOUGH IT WERE A
CONTAGIOUS DISEASE.

20155

I AM SURE THAT ALL OF YOU, INCLUDING THE
 MOST GROWTH-ORIENTED ECONOMISTS, ARE MUCH
 CONCERNED ABOUT THE QUALITY OF LIFE AND THE
 KIND OF ENVIRONMENT THAT WILL BE PASSED ON TO
 COMING GENERATIONS. ^{However} THE THREAT TO OUR
 ENVIRONMENT ~~IS~~ ^{need} NOT, AS SUCH, ARISE FROM A
 HIGH AND EXPANDING GROSS NATIONAL PRODUCT.

^L I HAVE BEEN IN MANY OF THE LESS
 DEVELOPED COUNTRIES, AND IT IS OBVIOUS TO
 ME THAT A POOR AND DEPRIVED ECONOMY DOES NOT
 PROVIDE OR EVEN HOLD OUT THE PROMISE OF AN
IDEAL ENVIRONMENT.

OUR PROBLEM IS NOT THAT WE PRODUCE TOO
MUCH BUT RATHER THAT WE MAY BE PRODUCING
INEFFICIENTLY AND WANTONLY AND WITHOUT ANY
ORDER OF PRIORITIES. WE ARE NOT EXERCISING
THE CARE THAT TAKES THE FUTURE AS WELL
AS THE PRESENT INTO ACCOUNT.

But,

WE MUST NOT BECOME BLINDLY ENAMORED OF
ECONOMIC EXPANSION IRRESPECTIVE OF PRIORITIES
AND CONSEQUENCES. ^{*social*} WHAT FOR INSTANCE, WILL BE

THE ECONOMIC AND ECOLOGICAL RAMIFICATIONS
OF TWO "DEAD SEAS." IT IS BELIEVED BY
COMPETENT AUTHORITY THAT UNLESS A CRASH
PROGRAM IS INITIATED, THE MEDITERRANEAN
WILL DIE IN TWO YEARS TIME.

~~BUT~~ WE MUST ~~ALSO~~ SEEK THE FULFILLMENT
OF OUR TREMENDOUS UNSATISFIED PUBLIC AND
PRIVATE NEEDS. IN A NATION WHICH CAN INCREASE
ITS TOTAL OUTPUT BY NEARLY \$50 BILLION A YEAR,
WE CERTAINLY HAVE THE RESOURCES TO BOTH
PREVENT DETERIORATION IN OUR ENVIRONMENT AND
IMPROVE OUR LIVING STANDARDS.

L HAVING SAID THESE NICE THINGS ABOUT
ECONOMICS AND ECONOMISTS, LET ME TURN TO SOME
PRESENT, VERY DISTURBING REALITIES. ~~OUR~~
~~ECONOMY HAS BEEN MANAGED BADLY IN THE MOST~~
~~RECENT YEARS.~~

~~W~~ BUT WHAT HAVE BEEN THE SPECIFIC RESULTS
OF THE "GAME PLAN SO FAR?

UNEMPLOYMENT -- APPROXIMATELY 6.2%,
HIGHEST SINCE THE LAST REPUBLICAN
RECESSION,

L GROSS NATIONAL PRODUCT -- SHOWING AN
ACTUAL DECREASE IN REAL GROWTH FOR THE
FIRST TIME SINCE 1958, ~~THE NEXT TO THE LAST~~
~~REPUBLICAN RECESSION.~~

THIS IS PARTICULARLY PAINFUL AND IRONIC,

L GNP IS STALLING DESPITE THAT FANCY NEW

GOP-GNP CLOCK THE ADMINISTRATION STARTED

but,
RUNNING -- APPARENTLY IN THE WRONG ECONOMIC

TIME-ZONE.

L PRICES - in NON-FOOD AND SERVICES --

UP TO 7.2%.

L THIS LEADERSHIP VACUUM HAS PRODUCED:

"ACCELERATED AND UNDULY PROLONGED

INFLATION;

--SOARING INTEREST RATES AND FINANCIAL

DISRUPTIONS;

--STAGNATION OF PRODUCTION AND JOBS, THE

COST OF WHICH CONTINUES TO GROW;

--POLICIES THAT HAVE REMAINED LONG ON
HOPE AND SHORT ON ACHIEVEMENTS."

THESE DESCRIPTIONS OF OUR GAME PLAN
LOSSES ARE BY GARDNER ACKLEY, WALTER HELLER
AND ARTHUR OKUN, ALL FORMER CHAIRMEN OF THE
COUNCIL OF ECONOMIC ADVISERS. IT ISN'T

OFTEN YOU GET THREE ECONOMISTS OF THAT
STATURE TO AGREE ON THE WIND DIRECTION IN A
GALE, SO I FIND THEIR EVALUATIONS AS
CONVINCING AS I FIND THEM DISTURBING.

WHILE DISCUSSING THE ECONOMIC PERFORMANCE
OF THE PRESENT ADMINISTRATION, LET ME DEMONSTRATE
that MY MEMORY IS INTACT BY *recognizing that* ~~SAYING~~ THE INFLATION DID
START DURING THE JOHNSON-HUMPHREY ADMINISTRATION.

L WE WERE PURSUING EXPANSIONIST FISCAL POLICIES
UP TO MID-1965 AND THESE WERE PROPER AND ~~NEEDED~~
NEEDED TO GET US TO FULL EMPLOYMENT. L HAD
IT NOT BEEN FOR THE INCREASE IN MILITARY
EXPENDITURES, WE PROBABLY WOULD HAVE
ENJOYED A SUBSTANTIAL FURTHER CURTAILMENT
IN UNEMPLOYMENT WITHOUT ANY SIGNIFICANT
DEGREE OF INFLATION.

L IN RETROSPECT, IT IS NOW CLEAR THAT
FISCAL POLICY SHOULD HAVE BEEN SHARPLY
REVERSED IN 1966 AND WE SHOULD HAVE CONTINUED
TO EXERCISE MONETARY RESTRAINT EVEN AFTER THE
SURCHARGE WAS ENACTED IN 1968.

~~THERE WAS INADEQUATE FISCAL ACTION IN 1968~~

~~AND THE SURCHARGE CAME TOO LATE.~~ HOWEVER,

I WOULD CALL TO YOUR ATTENTION THE FACT THAT THE FEDERAL GOVERNMENT'S DEFICIT IN THE NATIONAL INCOME AND PRODUCT ACCOUNTS DROPPED SHARPLY AFTER THE SECOND QUARTER OF 1968,

THE ANNUAL RATE OF DEFICIT WAS \$10.5 BILLION IN THAT QUARTER; IT FELL BY MORE THAN HALF IN THE NEXT QUARTER AND WAS ONLY \$1.1 BILLION IN THE LAST QUARTER OF 1968.

THE LARGE SURPLUSES OF \$9.5 BILLION IN THE FIRST QUARTER OF 1969 AND \$13.4 BILLION PEAK IN THE SECOND QUARTER OF 1969 (AT ANNUAL RATES) WERE WITHIN THE TIME PERIOD COVERED BY THE LAST JOHNSON BUDGET.

ANY OBJECTIVE OBSERVER WOULD HAVE TO CONCLUDE FROM THE FIGURES THAT THE MAJOR FISCAL SHIFTS DESIGNED TO CONTROL THE INFLATION HAD ALREADY BEEN PLANNED AND PUT INTO EXECUTION BEFORE MR. NIXON TOOK OFFICE.

THE MAJOR AND WELL-DESERVED CRITICISMS OF THE ECONOMIC POLICY OF "NO POLICY" OVER THE PAST SEVERAL YEARS RELATE TO THE MANNER IN WHICH THE INFLATION HAS BEEN FOUGHT.

But then,
MANY ADMINISTRATION OFFICIALS AND ADVISERS PUBLICLY EXPRESSED GREAT CONFIDENCE IN THE EARLY MONTHS OF 1969 THAT THE RATE OF PRICE INCREASE WOULD SLACKEN SOON AND SIGNIFICANTLY.

THE FACT IS, INFLATION PROVED TO BE FAR MORE POTENT AND ~~FAR MORE~~ PERSISTENT THAN ALMOST ANYONE ANTICIPATED. INSTEAD OF DECLINING, THE RATE OF GROWTH IN PRICES ACCELERATED IN 1969 AND AGAIN IN 1970, THE GNP DEFLATOR IN THE MOST RECENT QUARTER ROSE MORE THAN IN ANY BUT ONE QUARTER IN RECENT YEARS DESPITE THE 6.2 PER CENT UNEMPLOYMENT IN DECEMBER.

ONE REASON, FRANKLY, FOR THIS PERSISTENCE IN THE PRICE SPIRAL, IN ADDITION TO THE CONSUMERS SAVING RATE, SUBSEQUENT SOFTENING OF DEMAND AND LESSENING OF THE ECONOMIES OF PRODUCTION, IS THE GREATER SPREAD BETWEEN WAGE LEVEL INCREASES AS COMPARED TO PRODUCTIVITY GAINS,

IN THIS REGARD, I MIGHT ADD THAT, WITH
PLANT CAPACITY UTILIZATION HOVERING AROUND
73%, RECENT EASING OF THE DEPRECIATION RULES
could BE A STIMULUS TO MAKING PRODUCTION
FACILITIES MORE EFFICIENT AND MODERN. But, it
SHOULD NOT GENERALLY BE USED TO ADD TO A
CAPACITY THAT IS PRESENTLY UNDER-UTILIZED.

L WITH OUR HIGH-WAGE LABOR MARKET, IT IS
ESSENTIAL THAT WE INSIST ON PRODUCTION
EFFICIENCIES THAT PERMIT US TO REMAIN
COMPETITIVE IN FOREIGN MARKETS.

001166

I AM NOT GOING TO SAY THAT THERE ARE NO
SIGNS WHATSOEVER OF PROSPECTIVE ABATEMENT IN THE
PACE OF INFLATION, BUT I WISH THERE WERE MORE
VISIBLE AND MORE DRAMATIC SIGNS ILLUMINATING
A PRICE CURVE THAT IS SLOWING DOWN STEADILY AND
MARKEDLY. AS A MATTER OF FACT, THE
UNDERLYING ASSUMPTIONS IN THE RECENT BARRAGE
OF ECONOMIC MESSAGES FROM THE ADMINISTRATION
INDICATE LESS OPTIMISM ABOUT OVERCOMING
INFLATION WITHIN A REASONABLE TIME THAN WAS
TRUE A YEAR AGO OR TWO YEARS AGO.

STILL, THE DAY-TO-DAY SPEECHES AND POLICY
PRONOUNCEMENTS KEEP TELLING US THAT SIGNS
STRONGLY POINT TO GREATER PRICE STABILITY
AROUND THE CORNER. L IT SEEMS TO ME WE
ARE GETTING SOME LOUD WHISTLING FROM THOSE
WHO ARE WALKING PAST CEMETERIES WHERE
BROKEN PROMISES ARE BURIED.

~~TALKING ABOUT SUCH DOLEFUL MATTERS, I
SUSPECT THE SPIRIT OF HERBERT HOOVER MAY BE
TRYING TO WARN PRESIDENT NIXON ABOUT ELUSIVE
TURNING POINTS. ALSO, I SUSPECT LORD KEYNES
MIGHT BE A BIT SUSPICIOUS OF THE SINCERITY AND
REPENTANCE OF SOME RECENT CONVERTS.~~

FOR YEARS, MY ~~DEAD~~ REPUBLICAN FRIENDS
HAVE LOOKED ON ME AND MY PROGRESSIVE DEMOCRATIC
COLLEAGUES AS UNRECONSTRUCTED ECONOMIC
ALCOHOLICS. ~~ALL~~ ALL WE COULD DO WAS SPEND TO
EXCESS -- SPEND, SPEND, SPEND. WELL, IT'S
TAKEN SOME EXTREMELY FANCY SEMANTIC AND PUBLIC
RELATIONS FOOTWORK BUT WE NOW HAVE ENTERED THE

ERA OF "THE FULL-EMPLOYMENT BUDGET," *an old*
sin has become a new blessing!

~~I WISH WE HAD THOUGHT OF THAT WHEN WE HAD A~~
~~DEFICIT.~~ ~~HOW~~ HOW EASY IT IS TO OVERSPEND AND BE
FORGIVEN, WHEN YOUR MOTIVES ARE SO PURE AND
YOUR GOALS SO RESPONSIBLE.

001169

BUT WE MUST ASK OURSELVES WHAT THE COST HAS BEEN AND WHETHER THE PERFORMANCE HAS BEEN REASONABLY GOOD BY ANY STANDARDS. AS FAR AS I AM CONCERNED, THE COST HAS BEEN HIGH AND THE PERFORMANCE POOR. WE HAVE SUFFERED FROM AN INCREDIBLE COMBINATION OF RECESSION AND INFLATION. IT IS LIKE SUFFERING GOUT AND MALNUTRITION SIMULTANEOUSLY. IN 1968, THE 4.2% INCREASE IN CONSUMER PRICES AND THE 3.6% UNEMPLOYMENT YIELDED A COMBINED FIGURE OF 7.8%. THE PRICE-UNEMPLOYMENT COMBINATION WAS 10.9 IN 1970 AND IN THE FINAL QUARTER OF 1970 IT WAS OVER 11%. WE CERTAINLY DID NOT GET A VERY SATISFACTORY TRADE-OFF. WE GOT THE WORST OF BOTH UNEMPLOYMENT AND INFLATION.

WHETHER WE CALL WHAT WE ARE EXPERIENCING
A RECESSION OR JUST A CESSATION OF GROWTH AND
A LITTLE DIP IS NOT VERY RELEVANT. *!* WHAT IS
IMPORTANT IS THE FACT THAT UNEMPLOYMENT JUMPED
IN LESS THAN 2 YEARS FROM THREE-AND-A-HALF
PER CENT OF THE LABOR FORCE TO 6.2% AND THAT
THE GAP BETWEEN OUR POTENTIAL OUTPUT AND OUR
ACTUAL OUTPUT IS ABOUT \$60 BILLION A YEAR. *o*

this "adjustment"
THINK OF IT *!* - IT WILL HAVE COST US OVER
\$120,000,000,000 -- BY THE END OF CALENDAR
YEAR 1971.

Losses

- 16 -

001171

OVER --

--\$60 BILLION IN REAL INCOME THAT
AMERICANS WILL NEVER SPEND;

--\$22 BILLION IN AFTER-TAX CORPORATE
PROFITS;

--\$6 BILLION THAT OUR CRISIS RIDDEN STATE
AND LOCAL GOVERNMENTS WILL NEVER COLLECT IN
TAXES;

AND

--\$31 BILLION THAT CANNOT BE USED TO FINANCE
THE FEDERAL PROGRAMS THIS NATION MUST CONTINUE
AND EXPAND IF WE ARE TO PROVIDE THAT LIFE OF
QUALITY FOR ALL AMERICANS.

LOOKING AT THE MORE THAN \$14 BILLION LOST
LAST YEAR IN FEDERAL REVENUES ~~IS SURELY THE~~
~~ADMINISTRATION'S JUST REWARD FOR THEIR~~
~~LEADERSHIP FAILURE.~~ *it* IT WOULD JUST ABOUT COVER
THE BUDGET DEFICIT FOR FISCAL 1971.

001173

THE ECONOMIC DEVELOPMENTS OF THE PAST YEAR AND A HALF HAVE COST THE NATION MANY TENS OF BILLIONS OF DOLLARS IN LOST PRODUCTION AND REVENUES, GRIEF TO THE UNEMPLOYED, INSECURITY TO WORKERS, CONTINUED DEFICIENCIES IN SATISFYING SOME OF OUR MOST CRITICAL NEEDS AT HOME AND, FINALLY, DEEP CONCERN TO MANY NATIONS AROUND THE WORLD, ESPECIALLY THE LESS DEVELOPED COUNTRIES, WHICH LOOK TO US FOR MARKETS FOR MANY OF THEIR PRIMARY PRODUCTS AND WHO FIND THAT EVEN A MILD RECESSION IN THE UNITED STATES CAN CUT DEEPLY INTO THEIR EXPORTS.

001174

~~OUR PERFORMANCE HAS NOT MADE IT EASY FOR US
TO SELL THE CONCEPTS OF FREE ENTERPRISE TO
THE DEVELOPING COUNTRIES.~~

THE ADMINISTRATION'S EXCESSIVE RELIANCE
ON MONETARY
POLICY, AS THE INSTRUMENT TO BRING ABOUT A
PROMPT AND SUBSTANTIAL CURTAILMENT IN
INFLATION WAS COSTLY AND LARGELY INEXCUSABLE.

I BELIEVE IN THE FREE ENTERPRISE SYSTEM.

I AM AND ~~ALWAYS~~ HAVE BEEN A STRONG ADVOCATE
OF PRIVATE OWNERSHIP AND PRIVATE PRODUCTION AND
VIGOROUS COMPETITION. ~~HOWEVER~~ *It* IS IRRESPONSIBLE

TO CLOSE ONE'S EYES TO THE FACT THAT WE HAVE

LESS THAN PERFECT COMPETITION IN WAGE AND

PRICE DETERMINATION. *With* BIG UNIONS -- BIG *business*

Big CORPORATE ENTERPRISE -- WITH DIMINISHED

COMPETITION IN MANY AREAS OF OUR ECONOMY --

(I GUESS WE CALL IT OLEGOPOLY) -- PRICE COMPETITION

IS AT A MINIMUM AND ADMINISTERED PRICES AT

A MAXIMUM.

~~THIS IS THE TIME WHEN THERE IS ^{why} ~~an~~ TO~~
~~EXERCISE LEADERSHIP AND CONFRONT THE SPIRAL~~
~~OF INFLATION HEAD ON, THIS IS ^{why} ~~WHY~~ POSITIVE~~
~~EFFORTS CAN BRING RESULTS.~~ ^{strong leadership in} IF EVER THERE WAS
 A TIME FOR PURSUING AN INCOMES POLICY AND
 FOR JAWBONING IT IS NOW ^{AND,} IT SHOULD HAVE
 BEEN THUS FOR THE PAST 18 MONTHS.

~~with the~~
INSTEAD OF MINIMAL

EFFORTS TO USE

LEADERSHIP AND MORAL PERSUASION AND TO MOBILIZE
THE NATION'S DEEP CONCERN ABOUT INFLATION, THE
ADMINISTRATION SPENT MOST OF ITS TIME TELLING
US THAT THINGS WOULD SOON BE BETTER.

THE PRESIDENT ON JANUARY 27, 1969, ISSUED
HIS CARTE BLANCHE FOR WAGE AND PRICE GOUGES.

HE SAID, "I DO NOT GO ALONG WITH
THE SUGGESTION THAT INFLATION CAN EFFECTIVELY
BE CONTROLLED BY EXHORTING LABOR AND MANAGEMENT
AND INDUSTRY TO FOLLOW CERTAIN GUIDELINES."

I SUGGEST TO YOU THAT THIS WAS AND REMAINS AN
INVITATION TO HIGHLY INFLATIONARY WAGE SETTLEMENTS
AND PRICE INCREASES.

THE PRESIDENT HAS SAID TO THE PRIVATE SECTOR:

"DO IT TO THEM, BEFORE THEY DO IT TO YOU."

WE ALL KNOW THE RESULTS.

↳ WHEN ON JUNE 17, 1970, PRESIDENT NIXON
BELATEDLY MADE SOME COMMITMENTS WITH RESPECT
TO LABOR-MANAGEMENT ARRANGEMENTS TO
IMPROVE PRODUCTIVITY, TO ISSUING WHAT
WALTER HELLER CALLED "INFLATION ENERTS,"
AND TO THE USE OF GOVERNMENT PURCHASING AUTHORITY
TO SLOW DOWN THE RATE OF INFLATION, THE PRESIDENT
STILL EMPHASIZED MORE STRONGLY WHAT HE WOULD
NOT DO THAN WHAT HE WOULD DO. !

ONCE AGAIN, THE GREEN LIGHT WAS GIVEN TO
PRIVATE DETERMINATIONS THAT WERE NOT IN
THE NATIONAL INTEREST WITH NO THREAT OF ANY
RESTRAINT WHATSOEVER. LA RECOMMEND THAT YOU
RE-READ THAT SPEECH. !

HOPE THE ADMINISTRATION MAY BE COMING
AROUND TO USING ITS INFLUENCE AND ITS AUTHORITY
SOMEWHAT MORE AGGRESSIVELY THAN BY JUST
ISSUING "INFLATION ^{inerts} ~~UNIT~~" AS WALTER
HELLER CALLS THEM -- OR BY SUSPENDING DAVIS-
BACON IN A RELATIVELY MEANINGLESS, UNINFORMED
AND POSTURING MOVE.

~~But~~

THERE HAVE BEEN RUMBLINGS OF
SEMI-ENLIGHTENMENT LEAKING FROM THE WHITE

HOUSE. ↳ BUT, MANY PEOPLE ARE NOT CONVINCED THAT
A NEW PATTERN OF ECONOMIC MANAGEMENT WILL
EMERGE. I HOPE THEY ARE WRONG!

↳ IT ~~IS~~ COOPERATIVE ~~THAT~~ might be helpful THAT THE PRESIDENT
ESTABLISH A NATIONAL ECONOMIC STABILIZATION
BOARD -- A WAGE-PRICE-PROFITS BOARD AS A
PART OF A TOTAL NATIONAL INCOMES POLICY.

↳ THIS BOARD CAN ADD EXTRA STRENGTH TO THE
POWERS OF PRESIDENTIAL PERSUASION AND JAWBONING
WHICH HAVE BEEN IN THE PAST AND CAN BE HELPFUL.

60181
SUCH A BOARD ^{could} ~~CAN~~ HELP IMPLEMENT A NATIONAL
INCOMES POLICY. ~~THAT WILL BE FAIR TO THE~~
~~WORKER, THE CONSUMER, AND BUSINESS ENTERPRISE.~~

THE ACTIONS OF THE WAGE PRICE BOARD ^{could}
BE ~~ENHANCED~~ ENHANCED BY ESTABLISHING REGIONAL
AND LOCAL PRODUCTIVITY COUNCILS. ^L MANAGEMENT
AND LABOR COOPERATING IN SUCH COUNCILS CAN
HELP IMPLEMENT REASONABLE AND ECONOMICALLY
SOUND WAGE AND PRICE POLICIES AND GUIDELINES.

^L WE HAVE GOT TO QUIT DANCING AROUND THE
FIRE OF INFLATION AND ATTACK IT HEAD ON.

001182

WE HAVE WASTED PRECIOUS MONTHS AND, IN FACT,
HAVE AIDED AND ABETTED THE "INFLATION ENEMY"

BY WEAK-KNEED, HALF-HEARTED, INEFFECTIVE

POLICIES. ^{and} WITH A REAL FULL EMPLOYMENT BUDGET ?

DESIGNED TO STIMULATE AN ECONOMY, IT IS ALL

THE MORE IMPERATIVE THAT THERE BE A

COMPREHENSIVE NATIONAL INCOMES POLICY,

COUPLED WITH AN ANTI-INFLATIONARY MONETARY

AND FISCAL POLICY.

and OTHER THINGS THAT ARE NEEDED, THE CONGRESS

SHOULD RENEW THE EMERGENCY WAGE AND PRICE CONTROL

AUTHORITY, INCLUDING THE POWER TO IMPOSE IF

NEEDED A TEMPORARY FREEZE ON WAGES, PRICES

AND PROFITS.

(B)

There should be

~~THE~~, RENEWAL OF AUTHORITY FOR IMPOSITION
OF CREDIT CONTROLS. *[* THESE POWERS MUST RECEIVE
PERIODIC CONGRESSIONAL REVIEW. THEY SHOULD
BE USED ONLY IN DIRE EMERGENCY, BUT THE
POWER SHOULD BE THERE TO BE USED WHEN AND IF
NEEDED.

[THE PRESIDENT SHOULD ESTABLISH A
ll NATIONAL ECONOMIC POLICY ~~BOARD~~ *Council* WITHIN THE
GOVERNMENT. *[* THE MEMBERSHIP SHOULD INCLUDE THE
SECRETARY OF THE TREASURY, SECRETARY OF LABOR,
SECRETARY OF COMMERCE, CHAIRMAN OF THE COUNCIL
OF ECONOMIC ADVISORS, DIRECTOR OF THE BUREAU
OF MANAGEMENT AND BUDGET, AND THE CHAIRMAN OF
THE FEDERAL RESERVE BOARD.

Council
L THIS ~~BOARD~~ SHOULD MEET REGULARLY WITH
CONGRESSIONAL LEADERSHIP, MAJORITY AND MINORITY,
TO REVIEW THE STATE OF THE ECONOMY. L THE
Council
~~BOARD~~ SHOULD BE BUTTRESSED BY A NATIONAL
ECONOMIC ADVISORY COUNCIL CONSISTING OF
REPRESENTATIVES OF LABOR, MANAGEMENT,
AGRICULTURE, AND CONSUMER.

L THE NATIONAL ECONOMIC POLICY *Council*
~~BOARD~~ SHOULD
MAINTAIN A CONTINUOUS REVIEW OF THE STATE
OF THE ECONOMY, INCLUDING THE INTERNATIONAL
AS WELL AS THE DOMESTIC ECONOMIC SCENE, AND
PRESENT ITS REPORT TO THE PRESIDENT AND
THE CONGRESS AT LEAST QUARTERLY.

Council 85
~~COUNCIL~~

L THE PRESIDENT AND THE ~~COUNCIL~~ MUST BE PREPARED TO USE PERSUASION AND THE PRESSURE OF PUBLIC CONCERN AND OPINION IN SECURING THE VOLUNTARY COOPERATION OF LABOR AND MANAGEMENT IN MODERATING THE WAGE PRICE SPIRAL.

and L A DETERMINED EFFORT MUST BE MADE BY GOVERNMENT AND INDUSTRY TO STEP UP OUR EXPORTS IN MANUFACTURING, PROCESSING, AND AGRICULTURAL PRODUCTS. IN SOME AREAS, THIS MAY CALL FOR MUCH BROADER LENDING AUTHORITY AND EXPORT ASSISTANCE IN ORDER TO MEET FOREIGN COMPETITION.

L I DO HOPE PRESIDENT NIXON WILL ACCEPT
AND IMPLEMENT ~~LIST~~ ^{must} OF CHAIRMAN ARTHUR BURNS'
CATALOG OF STEPS APPROPRIATE FOR AN "INCOMES
POLICY." L BY THE WAY, DR. BURNS' ACTIONS
GRATIFYINGLY COINCIDE VERY CLOSELY WITH THE
REPORT OF MY INFLATION TASK FORCE IN 1968,
CHAired BY OTTO ECKSTEIN.

L MOST SERIOUS ~~#~~ IS THE FACT THAT PAST
FAILURES HAVE PUT US IN A VERY UNSATISFACTORY
POSITION TO REVERSE THE ECONOMIC DOWNTREND
RAPIDLY AND MARKEDLY.

001187

HAD THE RISE IN UNEMPLOYMENT BEEN ASSOCIATED WITH A VERY SHARP REDUCTION IN THE RATE OF INFLATION, WE COULD STIMULATE DEMAND AND REASONABLY EXPECT THAT RELATIVELY FULL EMPLOYMENT COULD BE RESTORED WITH A REASONABLE TIME -- WITHOUT REKINDLING THE FIRES OF INFLATION.

↳ BUT THE NIXON ADMINISTRATION'S PERFORMANCE IN 1970 -- WHEN UNEMPLOYMENT INCREASED *ied* BY MORE THAN 2 MILLION PERSONS AND PRICES CONTINUED *ied* TO RISE AT PEAK RATES -- LEAVES US WITH GRAVE PROBLEMS AND LIMITED PROSPECTS FOR THE NEAR FUTURE.

UNLESS THE ADMINISTRATION'S DIRECT ATTACK ON INFLATION IS FAR MORE AGGRESSIVE AND FAR MORE EFFECTIVE IN THE FUTURE THAN IN THE PAST, WE WILL NOT SOON REACH SATISFACTORY LEVELS OF EMPLOYMENT WITHOUT AGAIN FANNING THE FLAMES OF INFLATION.

Tom High
AS WE LOOK AT THE INDIVIDUAL SECTORS FOR 1971, IT IS HARD TO FIND EVIDENCE OF THE KIND OF GROWTH WHICH WILL GET US BACK TO 5 PER CENT UNEMPLOYMENT AT THE END OF 1971 AND A 4.5 PER CENT ZONE AT THE MIDDLE OF 1972. *<* THESE TARGETS ARE FINE, BUT THEY WILL NOT BE ACHIEVED BY WISHING.

I AGREE WITH ARTHUR BURNS THAT
CONFIDENCE IS IMPORTANT, BUT THE BIG QUESTION
IS HOW ONE INSTILLS CONFIDENCE, *(no doubt that*
IT COMES THROUGH RHETORIC OR EXHORTATION.
GOVERNMENT POLICIES AND ACTIONS ARE MORE
IMPORTANT THAN JUST TALK.

LTHERE MAY BE SOME ECONOMISTS SOMEWHERE WHO
WILL BET ON THE \$1065 BILLION DOLLAR LEVEL FOR
1971, BUT I HAVE NOT FOUND THEM, EVEN IN THE
FINANCIAL OR BUSINESS COMMUNITY. L FOR MY TASTE,
THE TARGET IS NOT TOO HIGH. L BUT, IT IS THE
NIXON POLICIES OR LACK OF POLICIES THAT MAKE
THE TARGET LACK CREDIBILITY. L DR. BURNS HIMSELF
HAS INDICATED THE \$1065 BILLION FIGURE IS
"VERY OPTIMISTIC."

L NOR DO I BELIEVE THAT THE PROGRAMS SET
FORTH BY THE PRESIDENT IN THE PAST MONTH INCLUDE
THE INHERENT INGREDIENTS FOR A RAPID RISE IN
REAL OUTPUT. 6

L GNP WILL RISE BUT THE EXPANSION INDICATED IN THE ECONOMIC REPORT DOES NOT SEEM TO BE IN THE

CARDS. L EXCESSIVE UNEMPLOYMENT WILL LIKELY PROVE TO BE MUCH MORE STUBBORN THAN IS ANTICIPATED.

L WITH THE LABOR FORCE AND PRODUCTIVITY EXPANDING BRISKLY AND WITH THE WAR IN VIETNAM CONTINUING TO WIND DOWN, THE GNP WILL HAVE TO GROW FAR ABOVE THE NORMAL RATE OF EXPANSION JUST TO PREVENT A RISE IN UNEMPLOYMENT.

L I REITERATE, THE HIGH GOAL -- IF THAT IS WHAT THE \$1065 BILLION REALLY WAS INTENDED TO BE -- IS COMMENDABLE.

I PERSONALLY BELIEVE IN THE POWER OF
POSITIVE THINKING. I BELIEVE THAT FAITH CAN
MOVE MOUNTAINS, BUT, SAD TO SAY, THE ECONOMY
LATELY HAS PROVEN TO BE, AT BEST, AN AGNOSTIC.

BY THE WAY, LET ME FOR A MOMENT RESUME
MY RECENT ROLE AS PROFESSOR AND GIVE YOU
ANOTHER READING ASSIGNMENT. IT IS A VERY

SHORT ASSIGNMENT. YOU MUST READ ALL OF
PAGE 84 AND THE TOP PART OF PAGE 85 OF THE
ANNUAL REPORT OF THE COUNCIL OF ECONOMIC
ADVISERS PUBLISHED JUST THREE WEEKS AGO.

IF YOU CAN THEN TELL ME WHETHER THE ⁵1065 IS
A "HIGH TARGET" OR AN "INTERMEDIATE
TARGET" OR A "REASONABLE EXPECTATION," I WILL
BE DEEPLY GRATEFUL FOR THE CLARIFICATION.

WE SHOULD AIM FOR A HIGH RATE OF REAL GROWTH IN ORDER TO RESTORE RELATIVELY FULL EMPLOYMENT AT THE EARLIEST POSSIBLE DATE. THIS IS DESIRABLE NOT ONLY TO REMOVE THE TRAGIC CONSEQUENCES OF UNEMPLOYMENT, BUT ALSO TO OVERCOME THE HORRIBLE WASTE IN A SOCIETY WHICH HAS GREAT UNFILLED NEEDS. FURTHER, THE MOVEMENT TOWARD FULL EMPLOYMENT WOULD YIELD SUBSTANTIAL IMPROVEMENT IN PRODUCTIVITY AND COULD YIELD MORE FAVORABLE PROSPECTS FOR IMPROVED PRICE STABILITY. VIGOROUS MOVEMENT TOWARD FULL EMPLOYMENT CAN HARMONIZE WITH THE OBJECTIVE OF GREATER PRICE STABILITY. THIS DEPENDS, OF COURSE, ON WHAT THE ADMINISTRATION DOES ON THE PRICE FRONT.

IF NO EFFORTS ARE MADE TO RESTRAIN COST AND PRICE INCREASES AND IF THERE CONTINUES TO BE EXCESSIVE RELIANCE ON THE AGGREGATE DEMAND APPROACH, THEN RAPID GROWTH CAN BRING ABOUT A REKINDLING RATHER THAN A SLOWDOWN IN THE RATE OF INFLATION. SO WE ARE BACK TO MY QUESTIONING ADMINISTRATION POLICY.

MAYBE THE ADMINISTRATION WILL BEHAVE DIFFERENTLY IN 1971 AND 1972 THAN IN 1969 AND 1970. ~~FOR THE SAKE OF THE PEOPLE IN THIS COUNTRY, LET US HOPE SO.~~

001-95

L

CERTAINLY THE POLITICAL DEVELOPMENTS OF 1970
 SHOULD HAVE DICTATED A MAJOR CHANGE IN
 POLICY; BUT, IT IS HARD TO SEE A BUDGET
BALANCER REALLY BECOMING AN EXPANSIONIST
BUDGET UNBALANCER TO THE DEGREE NEEDED TO GET
 THE ECONOMY MOVING FORWARD AGAIN. L NOR IS
 IT EASY TO ENVISAGE THE PRESIDENT PURSUING
 A DETERMINED INCOMES POLICY AFTER READING HIS
 EMPHATIC STATEMENTS OF WHAT HE WILL NOT DO
 AND HIS MILD STATEMENTS OF WHAT HE
 WILL DO.

~~WE MUST RELATE POLITICS AND ECONOMICS
 AND SOCIAL NEEDS IN MEANINGFUL AND
 REALISTIC PATTERNS.~~

ADMINISTRATION SPOKESMEN HAVE INSISTED
 THAT MUCH OF THE RISE IN UNEMPLOYMENT IS DUE
 TO MOVING FROM A WAR ECONOMY TO A PEACE
ECONOMY. WHAT IRONY THAT A REPUBLICAN
 ADMINISTRATION SHOULD TRY TO PROVE THAT
KARL MARX WAS RIGHT. ARE WE TO BELIEVE
 THAT THE SAME SPECIALISTS, TECHNICIANS,
SCIENTISTS THAT WERE CALLED UPON TO DEVELOP
WEAPON SYSTEMS UNDER GOVERNMENT CONTRACT
 ARE NOT NEEDED TO DEVELOP NEW CITIES, NEW
 SYSTEMS OF TRANSPORTATION, ADVANCED TECHNOLOGY
 IN POLLUTION CONTROL, AND TO MEET A HOST OF
 OTHER UNMET SOCIAL NEEDS?

CO 97

L

ARE WE TO BE TOLD THAT MEN WHO KNOW HOW TO

BUILD SUPERSONIC PLANES AND SPACE VEHICLES

CAN'T BE HELPFUL IN DESIGNING MODERN METHODS

OF HOUSING CONSTRUCTION?

and Surface Transit

L

I SUGGEST THAT WE SET OURSELF TO THE

TASK OF MAINTAINING FULL EMPLOYMENT AND

STEADY ECONOMIC GROWTH IN PEACE!!

L THIS

SHOULD BE OUR NATIONAL GOAL, AND HERE IS

WHERE THE MEN OF LEARNING AND THE MEN OF

PUBLIC AFFAIRS SHOULD COME TOGETHER.

Wavy line

L

WHAT WE NEED IS A COMBINATION OF

AMBITIOUS GOALS AND FIRM POLICIES THAT WILL

GIVE ALL OF US CONFIDENCE THAT THESE GOALS

CAN BE ACHIEVED.

THEN WE NEED IMPLEMENTATION WHICH WILL HELP
US STRIKE A BETTER AND MORE EFFECTIVE
BALANCE BETWEEN OUTPUT ON THE ONE HAND AND
PRICE STABILITY ON THE OTHER.

THERE IS A DREADFUL LACK OF PLANNING,
GOALS, AND PRIORITIES IN BOTH THE PUBLIC

AND PRIVATE SECTORS. WE HAVE LONG NEEDED
SOME MECHANISM THAT REPRESENTS BOTH PUBLIC
AND PRIVATE INTERESTS TO GIVE US A SENSE
OF DIRECTION IN THE USE OF OUR RESOURCES,
GIVING SOME GUIDANCE AS TO WHAT SHOULD COME
FIRST AND WHAT IT WILL TAKE TO ACHIEVE OUR
GOALS.

↳ A FREE SOCIETY WILL NOT LONG SURVIVE IF IT
WASTES ITS TALENT, TIME, AND RESOURCES.

↳ NATIONAL PLANNING IS NOT SOMETHING TO BE *deplored*
~~FRIGHTENED ABOUT.~~ ↳ IT IS SOMETHING TO BE
DESIRED. WEALTH AND POWER ARE NO SUBSTITUTE
FOR INTELLIGENCE AND JUDGEMENT.

↳ IN RETURNING TO PUBLIC
OFFICE AFTER TWO YEARS AND TO THE SENATE AFTER
SIX YEARS, I AM OVERWHELMED WITH THE FEELING
THAT "HERE IS JUST WHERE I LEFT THINGS."

OUR UNSATISFIED NEEDS ~~NOT DESIRES~~ -- ARE
BOUNDLESS. **L** THIS AFFLUENT SOCIETY IS LITTERED
WITH POVERTY, HUNGER, DISCRIMINATION, SLUMS,
FILTHY AIR, DIRTY WATER, INADEQUATE HOUSING,
FRUSTRATED YOUTH AND A DIVIDED PEOPLE. **L** YES,
WE HAVE MADE PROGRESS BUT WE HAVE MORE TO DO
THAN WE HAVE DONE.

L WHEN I SEE OUR UNFINISHED BUSINESS, I HAVE
A BETTER UNDERSTANDING OF THE REBELLION OF
OUR YOUNG PEOPLE. **L** MUCH OF OUR TRADITIONAL
WISDOM STILL HAS RELEVANCE BUT MUCH OF IT
HAS NO PLACE IN A WORLD OF TRUE AND
MEANINGFUL VALUES.

THE ECONOMICS PROFESSION HAS MOVED FAR AHEAD IN THE PAST GENERATION, BUT LIKE THE INNOVATIVE SCIENTISTS IN HEALTH, IN NUCLEAR ENERGY, IN SPACE, YOU HAVE SO VERY MUCH MORE TO DO.

LEAVING PARTISANSHIP ~~ENTIRELY~~ ASIDE, I ASK YOUR
PROFESSION TO FIND THE BETTER WAYS TO
RECONCILE FULL EMPLOYMENT AND PRICE STABILITY;
DYNAMIC GROWTH AND EQUITABLE DISTRIBUTION OF
THE RESULTING BENEFITS; ECONOMIC SECURITY
AND INCENTIVES FOR SUPERIOR PERFORMANCE; PEACEFUL
INTERNATIONAL RELATIONS AND NARROWING THE GAPS
BETWEEN THE "HAVES" AND THE "HAVE-NOTS;" AND
PROPER BALANCE BETWEEN PRIVATE INITIATIVE AND
PRIVATE RESPONSIBILITY ON THE ONE HAND AND
PUBLIC RESPONSIBILITY FOR ECONOMIC AND
SOCIAL JUSTICE ON THE OTHER HAND. ~~WE MUST~~
~~DEVELOP AN ECONOMY OF THE HUMANIST.~~

← Kap!

WE SHOULD, EACH ONE OF US, BURN IN OUR
 ZEAL TO SEE THIS GREAT PRODUCTIVE BLENDING
 OF THE MINDS, HEARTS AND MUSCLE OF AMERICANS
 CONTINUE ITS GROWTH. THE ECONOMY'S GROWTH
 IS OUR GROWTH. ITS GROWTH IS A MEASURE OF
 OUR ABILITY, AS A NATION AND AS INDIVIDUALS,
 TO ACCOMPLISH WHAT WE KNOW WE CAN AND MUST
 ACCOMPLISH. ITS FAILURE TO GROW IS OUR
 FAILURE. ITS FAILURE TO
 GROW ALSO LEAVES UNDONE THOSE DEEDS THAT
 ENHANCE THE QUALITY OF LIFE FOR ALL
 AMERICANS.

001204

AND THOSE DEPRIVED ARE THOSE WHO CAN LEAST
AFFORD FURTHER DEPRIVATION OF MIND, BODY AND
SOUL -- DEPRIVATION THAT LONG AGO BECAME
INSTEAD, A DEPREDATION.

WHEN TIMES ARE LEAN THOSE VOICELESS ONES:
THE POOR, THE DISADVANTAGED, THE UNEDUCATED
THE HANDICAPPED -- ARE THE FIRST TO SUFFER
TO HAVE THEIR PART OF THE AMERICAN DREAM
DISAPPEAR IN A FLASH -- ONLY A BITTER AFTER-
TASTE LINGERING ON. ~~A "PRESENT HOPE --~~
(THEIR) FUTURE SORROW "

(T.S. ELLIOT -- MURDER IN THE CATHEDRAL,
(PLAY IN BLANK VERSE.)



Minnesota Historical Society

Copyright in this digital version belongs to the Minnesota Historical Society and its content may not be copied without the copyright holder's express written permission. Users may print, download, link to, or email content, however, for individual use.

To request permission for commercial or educational use, please contact the Minnesota Historical Society.



www.mnhs.org