

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<sup>ELECT</sup> 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

But Rather

Mr. Peter Mohr  
 Clear Election

on Tap not  
 on Tap

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~~ <sup>we</sup> CANNOT REALISTICALLY SEPARATE THE

TWO.

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~~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.

COMING GENERATIONS. <sup>However</sup> THE THREAT TO OUR  
ENVIRONMENT <sup>need</sup> ~~IS~~ NOT, AS SUCH, ARISE FROM A  
HIGH AND EXPANDING GROSS NATIONAL PRODUCT.

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. <sup>*social*</sup> *What* FOR INSTANCE, WILL BE

THE ECONOMIC AND ECOLOGICAL RAMIFICATIONS

OF TWO "DEAD SEAS." *L* 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. *L* 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;

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--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 ~~WERE~~  
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.

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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.

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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.

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~~ 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~~ EASY IT IS TO OVERSPEND AND BE  
FORGIVEN, WHEN YOUR MOTIVES ARE SO PURE AND  
YOUR GOALS SO RESPONSIBLE.

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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.

*this "adjustment"*  
THINK OF IT <sup>1</sup> - IT WILL HAVE COST US OVER  
\$120,000,000,000 -- BY THE END OF CALENDAR  
YEAR 1971.

*Losses*

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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.

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

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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.

~~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.

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~~THIS IS THE TIME WHEN THERE IS A NEED TO~~  
~~EXERCISE LEADERSHIP AND CONFRONT THE SPIRAL~~

~~OF INFLATION HEAD ON, THIS IS WHY POSITIVE~~

~~EFFORTS CAN BRING RESULTS.~~ IF EVER THERE WAS  
~~strong leadership in~~

A TIME FOR PURSUING AN INCOMES POLICY AND

FOR JAWBONING IT IS NOW AND, IT SHOULD HAVE

BEEN THUS FOR THE PAST 18 MONTHS.

~~over the~~  
L 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."

L 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. !

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

THERE HAVE BEEN RUMBLINGS OF  
SEMI-ENLIGHTENMENT LEAKING FROM THE WHITE  
HOUSE. L BUT, MANY PEOPLE ARE NOT CONVINCED THAT  
A NEW PATTERN OF ECONOMIC MANAGEMENT WILL  
EMERGE. I HOPE THEY ARE WRONG.!

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

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

*could*  
SUCH A BOARD ~~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  
FIRES 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. <sup>pro</sup> 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.



*There should be*

*e* ~~TWO~~, RENEWAL OF AUTHORITY FOR IMPOSITION  
OF CREDIT CONTROLS. *L* 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.

*L* THE PRESIDENT SHOULD ESTABLISH A  
*ll* NATIONAL ECONOMIC POLICY *Council* ~~BOARD~~ WITHIN THE  
GOVERNMENT. *L* 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.

*L* THE PRESIDENT AND THE <sup>85</sup>~~COUNCIL~~ *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.

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L I DO HOPE PRESIDENT NIXON WILL ACCEPT  
AND IMPLEMENT ~~LIST~~ <sup>must</sup> 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 *ind* BY MORE  
THAN 2 MILLION PERSONS AND PRICES CONTINUED *ind*  
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.

*Too 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. *(I doubt that)*

IT COMES THROUGH RHETORIC OR EXHORTATION.

GOVERNMENT POLICIES AND ACTIONS ARE MORE

IMPORTANT THAN JUST TALK.

1 THERE 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. 1 FOR MY TASTE,

THE TARGET IS NOT TOO HIGH. 1 BUT, IT IS THE

NIXON POLICIES OR LACK OF POLICIES THAT MAKE

THE TARGET LACK CREDIBILITY. 1 DR. BURNS HIMSELF

HAS INDICATED THE \$1065 BILLION FIGURE IS

"VERY OPTIMISTIC."

1 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 <sup>5</sup> 1065 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.~~

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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?

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 Transport*

I SUGGEST THAT WE SET OURSELF TO THE

TASK OF MAINTAINING FULL EMPLOYMENT AND

STEADY ECONOMIC GROWTH IN PEACE. !

THIS SHOULD BE OUR NATIONAL GOAL, AND HERE IS

WHERE THE MEN OF LEARNING AND THE MEN OF

PUBLIC AFFAIRS SHOULD COME TOGETHER.

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.



001199

↳ 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~~ *Kap!*  
~~DEVELOP AN ECONOMY OF THE HUMANIST.~~

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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.

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.)



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