

POLICIES OF THE NIXON ADMINISTRATION

The prospective developments considered so far are those which may be expected to flow from a continuation of policies adopted by the previous administration, or imposed on it by Congress. As this is written no really clear picture has yet emerged of the economic policies to be followed by the Nixon administration. (One exception is the firm statement by Labor Secretary George P. Schultz that there will be no increase in the minimum wage in the immediate future. This will continue to condemn some millions of workers and their families to live in poverty, even though they work steadily at full-time jobs.) The general impression, however, is that there will be no abrupt change in policy and, if any change is made, it will probably be in the direction of further restraints on economic growth—slowing down the economy as a means, hopefully, of slowing down inflation. The consequence, of course, must be a rising level of unemployment, and this is recognized by President Nixon's economic advisers.

Thus, for example, Paul McCracken, the new Chairman of the Council of Economic Advisers, said at a meeting of the National Industrial Conference Board, last September:

"We must recognize that there is no steady state trade off between the rate of price increase and the unemployment rate that will be acceptable or even viable on a continuing basis. At some times the reduction of unemployment is the prime problem. At other times minimizing the present value of future economic distress will require a disinflationary policy even if it means some short-term rise in unemployment. And clearly now is one of those times."

David Kennedy, Secretary of the Treasury, under questioning by Senator Vance Hartke, said, according to the *Congressional Quarterly*:

"The effort would be to take the inflationary steam out of the economy with a minimum of increase in unemployment." He agreed that some increase in the jobless rate was inevitable and said an increase of one-tenth of 1 percent 'would sound better at the moment but 1 percent would be more likely.'"

We have already referred to the disastrous consequences of a 1 percentage point rise in the unemployment rate, which would mean that an additional three-quarters of a million men and women would join the ranks of the unemployed. But an even more serious danger is that the slowdown will not stop there. We can expect Mr. McCracken to agree with Mr. Ira T. Ellis, chief economist of the Du Pont Corporation, who said in *U.S. News & World Report* for February 17, 1969:

"The critical problem is to adjust slower growth and not scream for the Government to do something about it. If we rush in with big spending programs, we're going to keep prices continuing to rise too rapidly."

Mr. McCracken can be relied upon not to rush in with big spending programs. He has already said that he feels the big mistake of the previous administration was that they were "economic hypochondriacs who were excessively worried over every wiggle in the business statistics." McCracken instead is worried about the perverse effect economic policy can have if it tries to follow the economic indicators too closely, and about the danger of overreacting. For these reasons he will insist on fixed policy rules. One of these rules is the concept of full