

Layton Fritchey

Inflation: Blaming the Taxpayer

Not since Voltaire created Dr. Pangloss ("everything is for the best in the best of all possible worlds") has there been anyone quite like Mr. Nixon's official optimist, Dr. Herbert Stein, who, as chairman of the Council on Economic Advisers, has proved time and again that even the President's most disastrous domestic policies are really blessings in disguise.

Now, on the eve of his departure from the government to resume teaching (heaven help the students), Prof. Stein has surpassed himself in demonstrating once more that Mr. Nixon's economic policies are just what the doctor ordered or, if they aren't, somebody else is to blame.

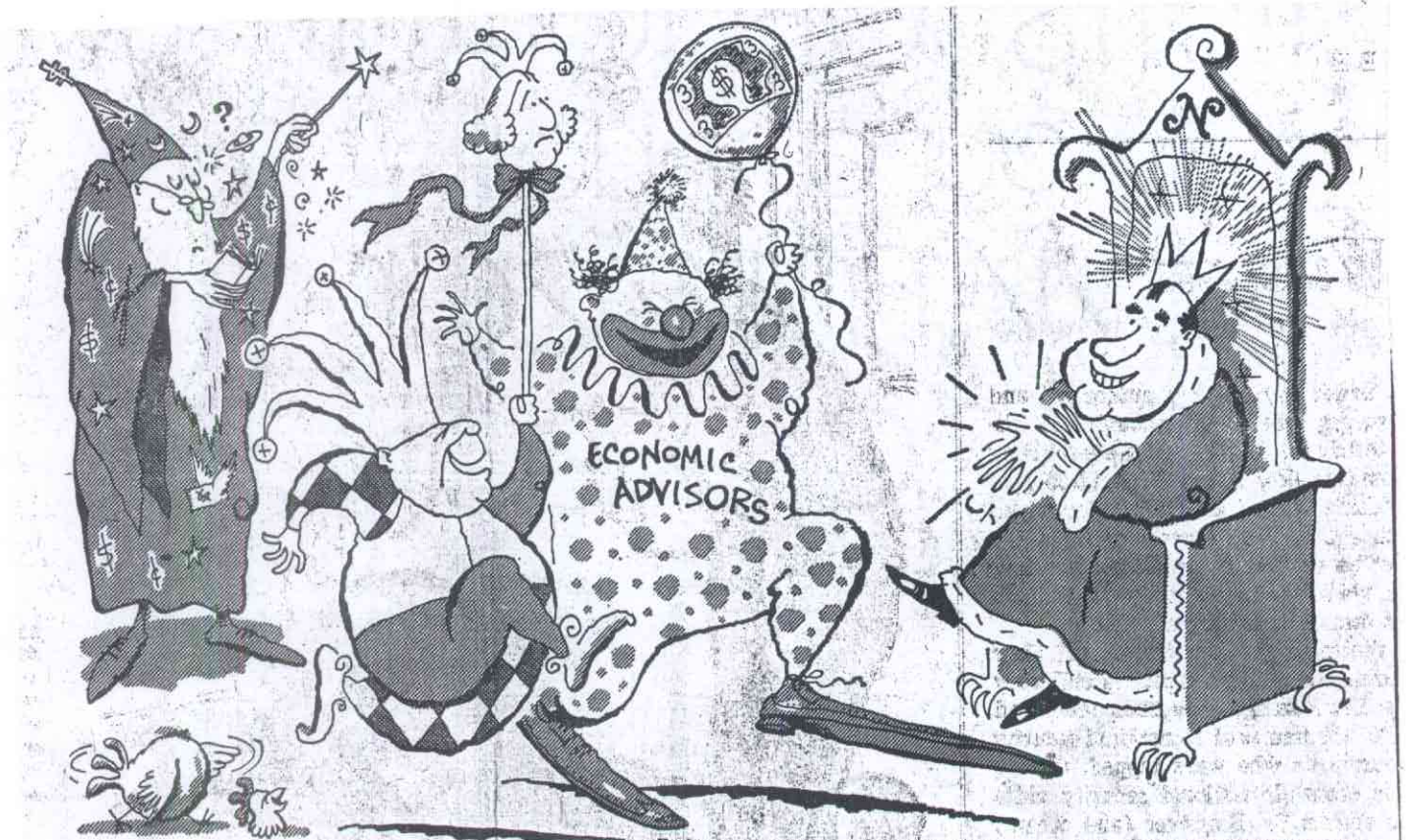
For some years, Dr. Stein has specialized in explaining away the inflation that has plagued the Nixon administration. First, it was nothing to worry about. Then the story was that Americans are really "better off." Finally, it was that the administration had it under control and it would soon subside. Be patient. Today inflation is rising at a rate of almost 12 per cent. Even Dr. Stein can pooh-pooh it no longer. So in his latest pronouncement, he reluctantly admits it is bad and blames the public for causing it. The public, it appears, should be impeached for obstructing the President in the performance of his duty. The fact is that inflation couldn't be stopped without raising taxes, but Mr. Nixon's hands were tied because the people were so reluctant to have a tax increase.

It is a libel on the American people, who have consistently accepted sacrifices when necessary in the national interest. They have often borne heavier taxes, wage ceilings and rationing with good grace. No President has ever demanded essential, patriotic demands on the people and been rejected.

Much of the present inflation can be traced to the Vietnamese war, which caused large budget deficits year after year. Mr. Nixon's response was to cut taxes rather than raise them. He probably was taking no chances on re-election.

Former President Harry Truman did the opposite when inflation was triggered by the Korean war in 1950. He quickly called for a tax boost, and Congress passed an increase shortly af-

POST, WEDNESDAY, JULY 17, 1974



By Auth in the Philadelphia Inquirer

ter the war started. Two more tax bills were passed before the year was out. How did the public react? The late Sen. Robert A. Taft, who strongly supported the tax legislation, was easily re-elected in the fall of 1950.

The upshot of Mr. Truman's early and decisive action was that Korea became virtually a pay-as-you-fight war. The deficit averaged only about \$2 billion annually for the peak years of 1950-52, and the rate of inflation in the same period was held to 4.5 per cent, dropping to less than 1 per cent for 1952-55.

Dr. Stein says he is against any tax cut for Americans at the present time because "we should not be putting \$5 billion or \$10 billion in their hands which they'd only go out and spend." But the whole point of a tax reduction would be to stimulate employment and production through more purchasing power. Hoarding would simply defeat that objective.

The way to salvation, Dr. Stein ad-

monishes us, is through "old-time religion" economic policy, as allegedly practiced by the administration. It is described as strict governmental spending limits, tight monetary policy, a balanced budget and no tax reduction. Dr. Stein must be joking.

Mr. Nixon has been in office well over five years, and this is how his practice compares with Dr. Stein's preaching: Administration spending has broken all previous records, producing both the first \$200 billion budget and the first \$300 billion one. The monetary policy, rather than being "tight," has until recently been notoriously free and easy. The budget has been unbalanced by more than \$100 billion. And there have been several tax reductions.

With that performance, inflation was inevitable. Would Dr. Stein still like to insist that the public is the guilty party? He should heed Dr. Karl Brunner of the University of Rochester, who says, "An irrelevant or poorly con-

ceived explanation of inflation cannot yield useful suggestions for an effective and successful anti-inflationary package."

Not long ago, Dr. Arthur Burns, chairman of the Federal Reserve Board, broke ranks to warn that "the gravity of our current inflationary problem can hardly be overestimated." Mr. Nixon was not impressed. His crystal ball saw "encouraging signs that the worst is behind us."

Nobody really knows Richard Nixon. Even Gen. Eisenhower misjudged him. Back in 1968, the former President is quoted as having privately said, "I think Dick's going to be elected President, but I think he is going to be a one-term President. I think he's really going to fight inflation and that will kill him politically." Well, Mr. Nixon is certainly in trouble politically, but not because he killed inflation which, alas, is alive and well and living it up all over the land.

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