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How Tough Is Gerald Ford?

Having tentatively decided to move economic policymaking off dead center by convening a high-level national conference, President Ford now faces this important and difficult proposition: whether to aim at the heart of inflation by proposing politically unpopular tax incentives for industrial expansion.

Business confidence was boosted by the mere Ford-for-Nixon substitution and helped still more by the new President's masterful inaugural speech Friday. But Wall Street and Main Street will slip back to fearful despondency if Mr. Ford does not follow this with new anti-inflation proposals.

Thus besides turning the White House from paranoid hostility to candor and openness, the President must make policy changes. Never pretending to be a profound economic theoretician, Mr. Ford as Vice President was content to mouth the Nixon administration fiction about inflation easing off. As President, he must quickly abandon that line.

To display an immediate cosmetic change, intimate advisers have convinced Mr. Ford to convene a summit conference of business, labor and government to discuss the economic crisis. But after that must come decisions, and businessmen desperate for policy changes have seen disturbing signals in the new President's first days in office.

One signal was his private briefing by Dr. Paul McCracken of the University of Michigan, principal architect of economic policy in the Nixon administration's first years. "Not again! Once is enough," stormed Dr. Pierre Rinfret, sometime adviser and sometime critic of Mr. Nixon (who has no relationahip with Mr. Ford). Business economist Rinfret and other critics fear McCracken will invest his old Michigan friend with standpat economic doctrine.

Actually, McCracken is not all that hidebound. What most worries not only Rinfret but a great many others in the business community is Ford's revelations of deep affection and respect for George Shultz, the high priest of Nixonomics as budget director and later Secretary of the Treasury "Bringing Shultz back would destroy all the confidence produced by Nixon's leaving," one administration economic policymaker confided to us.

Nearly as disturbing were reports Ford was giving serious consideration to replacing Treasury Secretary William Simon, the government official who is most respectd by the business community and who most thoroughly understands the operations of business markets. However, on Thursday afternoon, Vice President Ford asked Simon to stay on a permanent basis.

Retaining Simon will bolster business confidence in Mr. Ford. Nevertheless, intensive study since he first became Vice President has led one high-priced New York consulting firm to privately term the new President "Mr. Vanilla" because of his lack of strong economic ideas. The firm's clients have been told to expect no needed changes in stagnant Nixon policy.

But this may be one of those many occassions when the view from New York is murky. In Washington, government oifcials feel Jerry Ford is a practicing politican, not an economic Talmudist who will adhere to disastrous policies for the sake of doctrine.

Thus, inside the administration there is concern for the fate of Alan Greenspan, the widely respected business economist just named by Mr. Nixon as chairman of the Council of Economic Advisers. Though a superb analyst and forecaster, Greenspan is a rigid disciple of no government interference Since government officials believe Mr. Ford will reject this theology for political reasons, Greenspan may find himself in a subordinate role—or in no role at all.

Moreover, a growing consensus of dissimilar business figures in and out of the administration reject Shultz-Greenspan nonintervention and push this anti-inflation formula: substantial tax incentives to promote expanded industrial capacity, accompanied by equally substantial reductions in federal spending. Since liberal Democrats will attack this as big business economics, it would have to be sweetened by truly serious tax reform. By advocating such a program, President Ford would be making a total economic departure from President Nixon.

Even old enemies have come around to advocating this general strategy—Rinfret and economic consultant Eliot Janeway, Simon and budget director Roy Ash. Dr. Arthur Burns, chairman of the Federal Reserve Board, only a few months ago opposed even the present investment credit but has come around to supporting capacity-building tax incentives. This change has been fully supported and encouraged by Rep. Wilbur D. Mills, chairman of the House Ways and Means Committee.

Abandonment of traditional positions and innovation are distinctly out of character for Jerry Ford. But with old friends on Capitol Hill urging him to act swiftly and decisively in the economic crisis, he is under strong pressure to prove from the start that he is not "Mr. Vanilla."