

# Discerning Gerald Ford's Economic Philosophy

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Suppose Gerald Ford were to become President? What would his economic policies be like? Beyond the assumption that the Vice President is a conservative fellow and probably "safe" from business' point of view, very little has been known about this subject.

Happily, the Vice President himself has attempted to rectify this void in the public's knowledge with a speech last week to the American Bankers Association in White Sulphur Springs, W. Va.

Because Mr. Ford intended to stake out a position on virtually all key economic problems of the day, the speech deserves more attention than it got. As might be expected, the language is very general (which is why it didn't make newspaper headlines).

But a careful reading provides a rather complete picture of a classic, old-fashioned Republican, a step to the right of President Nixon.

The speech labels inflation "world public enemy No. 1" and proposes to deal with it in a "hard way," which includes not only shunning a tax cut but a tougher government spending policy; reducing civilian consumption; and open avowal of a "restrictive monetary policy that means, among other things, the discipline of high interest rates."

The Vice President, moreover, was venturesome enough to put forward four "clear reasons" for the present inflation:

(1) Because natural resources are limited, the worldwide demand for a higher living standard pushes prices up. "More people," he said cryptically, "are dipping into a limited pot."

(2) The failure of the Johnson administration to raise taxes to pay for the Vietnam war created massive government deficits that "are still haunting us."

(3) The two devaluations of the dollar forced by the unrealistic exchange rates of the 1950s and 1960s have now cheapened American goods so sharply that foreigners are able to import them in increasing quantities, improving



"By implication, Ford is ready to accept higher unemployment to help control inflation."

their standard of living while worsening U.S. shortages.

(4) Finally, and "most important," governments around the world haven't learned the trick of maintaining full employment without inflation. In drafting the speech, Ford's aides

"Government's 'hard way' also includes some hard thinking on new and innovative ways to meet our inflation problem. The first quarter of 1974, with a 5 per cent drop in GNP and a 10 per cent inflation rate, makes it imperative that we come up with some new and better ideas. We must find ways to increase production and meet any problem of unemployment caused by economic restraint."

L. William Seidman, an accountant, lawyer, and longtime Michigan associate who is helping Ford build a staff, thinks that Ford's views on controlling inflation "may be even stronger" than the administration's.

Seidman, who contributed some thoughts to the White Sulphur Springs speech, believes that the government must pull out all stops to stimulate production.

"The tax and regulatory systems," Ford told the bankers, "must be used to increase production in industries where shortages exist." Seidman says that tax credits and special write-offs are among the devices that can encourage industry, and that regulatory agencies—such as the Federal Power Commission and the Environment Protection Agency—"might ease up where necessary" to stimulate production.

None of this is likely to charm labor, liberals, or environmentalists, but it is clear that Ford's major goal is to establish solid rapport with other constituencies.

Recognition of the inflation problem as the overwhelming problem facing the country, he said, "is much more important than Watergate or even our energy problems."

Mr. Ford deserves great credit for spelling out his economic views with candor. Whether they are "safe" for the business community or any other sector of the nation is another question. One can only hope that he means what he says about searching for "new," "innovative" and "alternative" solutions to the inflation problem, and will therefore open his door to a broader spectrum of advice than is indicated in his speech.