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Simon a Firm Believer in Free-Enterprise, Free-Market System With a Minimal Government Role

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WASHINGTON, April 17 — William E. Simon, who was named by President Nixon today to be Secretary of the Treasury, is a convinced believer in a free-nterprise, free-markt system with government interference kept to a minimum.

Although Mr. Simon's views on energy matters are widely known, he has had little chance to speak out on other important areas of policy. On some of them, such as taxation, he is likely to come into conflict with the Democratic-controlled Congress, or at least with Congressional liberals.

The broad lines of Mr. Simon's philosophy on economic matters have emerged from conversations with him and others. He declines for the most part to be quoted directly in advance of his confirmation hearing before the Senate Finance Committee, but it is clar that he has well-shaped convictions.

As evidence of his underlying belief in a minimum of government interference, he once cited his experience in helping to administer wage and price controls before he took over as administrator of the Federal Energy Office.

"It taught me a lesson," he once said, "if I need to larn it, how impossible it is for the Government to try to settle all the little details in this incredibly complicated economy."

Backs Floating Currencies

As an example of his philosophy, Mr. Simon is a firm believer in floating exchange rates among currencies, rather than fixed rates that require government intervention in daily trading. This view is controversial within the United States Government and among the major trading nations, but there is no doubt where Mr. Simon stands.

The departing Treasury Secretary, George P. Shultz, says that "Bill Simon is a free market man like me." He adds with a twinkle in his eye, "But he's more of an operator than I am."

Mr. Simon disclaims being "doctrinaire" on the subject of the role of government, saying that there are cases in which the free play of the marketplace does not always produce the best results and government action is desirable.

An example is his reluctant tolerance of oil price controls at a time of sudden scarcity. However, he vigorously opposed efforts in Congress to force a price rollback and did not disguise his belief that higher oil prices were desirable, both to stimulate more production and to reduce demand.

Wall Street Background

Beyond a general belief in a minimum of Government interference in the economy, Mr. Simon's Wall Street background has helped to shape other convictions that are likely to come to the fore in his new role.

Perhaps foremost among them is what might be called the "capital shortage" view of the economy, which has important consequences in such areas as taxation.

According to this school of thought, the nation's most serious problem, beyond that of continuing inflation, is to raise the hundreds of billions of dollars of capital investment that will be needed in industry, including energy, over the next 10 years to keep the economy prosperous and growing and employment expanding.

Like others of the school, Mr. Simon believes that what is wrong with the tax system is not so much that it favors the rich through various "loopholes" but that it discourages the accumulation of savings, and hence discourages investment.

Mr. Simon has no objection to the Nixon Administration's proposals to toughen the "minimum tax" somewhat and to cut off certain kinds of "tax shelters"—all with the aim of making sure that everyone pays at least some tax.

But in thinking more broadly about such areas of taxation as capital gains and business depreciation allowances, Mr. Simon clearly favors changes that are directly opposite those backed by Congressional liberals.

He would, for example, try to "unlock" the hundreds of millions of dollars in capital gains accumulated in the past. These are represented by securities and other property that have gained in value but which the holder declines to sell because of the capital gains tax.

Capital Gains Cited

To achieve his purpose, the capital gains tax would have to be eased, not tightened, as desired by the liberals.

In a related area, Mr. Simon views sympathetically some easing of taxation on business, through such changes as greater allowances for depreciation of equipment, so that business would have more cash to put into new investment. Again, this clashes with the usual liberal view, which holds that corporate profits are already too high.

Mr. Simon links his views on taxation directly with the inflation problem. One key to inflation control, in a widely held view, is an increase in supply of products. And one key to an increase in the supply is more business investment.

As many economists have noted, the nation experienced last year a wholly unexpcted shortage of supply in such basic items as steel, paper and cement and this was an important factor in the near-record inflation. The steel industry, among others, has contended that the investment it will need to expand capa ity through this decade will be impossible without higher after-tax earnings.

Position of Mills

Even in Congress Representative Wilbur D. Millsl, the powerful chairman of the House Ways and Means Committee, has suggested the need for tax incentives to expand business investment, at least in areas identified as having a shortaggge of supply.

For curbing of inflation Mr. Simon regards as "fundamental" the classical remedies of tight control of the Federal budget and control by the Federal Reserve Board of the expansion of money and credit.

He is reasonably optimistic that the wrost is over, for the time being at least, on the inflation problem because the steep rise in food and fuel prices has apparently ended.

As for international monetary matters, while Mr. Simon believes that floating exchange rates are far superior to fixed rates, he does not oppose government intervention from time to time in the markets to influence the exchange rate of the dollar and occasionally to trap money speculators. He also accepts the idea that there should be some kind of international rules governing this intervention, which is now being negotiated among the industrialized nations.

Mr. Simon's first major appearance on the international scene is to be at the next, and final, meeting in June of the "committee of 20" nations that have been negotiating world monetary reform.