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Hooverian Nixonomics

Remembering his own uncertainty about what to do in the midst of worsening depression, President Herbert Hoover later wrote: "No President before had ever believed there was a governmental responsibility in such cases. No matter what the urging on previous occasions, Presidents steadfastly had maintained that the Federal Government was apart from such eruptions; they had always been left to blow themselves out."

President Nixon's economic speech last week in Los Angeles was a remarkable throwback in spirit and philosophy to that old laissez-faire doctrine. Said Mr. Nixon: "The key to fighting inflation is . . . the steadiness that stands firm against the clamor to take dramatic action just to create an appearance of motion; the kind of steadiness that rejects gimmickry, and that gives the enormous creative forces of the market place a chance to work." Impatience, the President now believes, is the root of economic and financial evil.

The President is coupling the doctrine of steadiness with a rather mild dose of the "old-time religion" of budget balancing and budget-cutting. Aware that this budgetary stringency may be terribly unpopular with special-interest groups, Mr. Nixon asks the support of "the one lobby we don't have—an anti-inflation lobby." This should not be "a lobby with plush Washington offices and high-paid officers," he said, hastily adding that of course he was not castigating any of the fine lobbyists present in his Los Angeles audience or elsewhere around the nation.

And indeed, demonstrating that his new-found zeal for resisting the special-interest lobbies is by no means excessive, Mr. Nixon followed his Los Angeles speech by quietly signing a bill to provide $2 billion in loan guarantees for producers of beef cattle and other livestock—a measure that will further intensify pressures on the nation's money and credit.

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Mr. Nixon is now calling for voluntary action by the public to stop inflation. He called upon American consumers to save an extra 15 cents for every $10 they spend. This suggestion produced a quick flap among his advisors. One top White House economist urged the American people not to take the President literally, lest a higher savings rate and cut in consumption deepen the present business slump. Herbert Stein, the retiring chairman of the Council of Economic Advisors, defended the President's statement, saying mysteriously: "We are not asking everyone to save an additional 1.5 per cent."

Besides revealing the fecklessness of Presidential efforts to jawbone consumers, this dispute demonstrates the oversimplification and inadequacy of the President's economic policy; the nation is certainly suffering from severe inflation, but not because consumer demand is excessive. On the contrary, the economy is in a slump, which further cuts in total consumer demand would only worsen.

To boost productivity and production, Mr. Nixon wants to reduce government regulation of business and, ominously, "re-evaluate the trade-off between increasing supplies and certain other objectives, such as improving the environment and improving safety." Laissez-faire, with all its sweet 18th-century charm, is still the favorite doctrine of much of big business, except where bail-outs are concerned.

The only meaningful anti-inflationary element in the President's speech was his backing of the Federal Reserve's restrictive monetary policy, which has sent interest rates soaring and threatens to send the American economy into a more severe slump, endangering the whole world economy. An intellectually bankrupt Administration seems to have no better course than to hope that with a little bit of luck this storm will soon blow itself out—just the way the last serious worldwide economic storm did not.