

WXPost
Hobart Rowen

Despite

"THERE WILL BE NO recession in the United States of America," said President Nixon in his State of the Union address. An administration economist with whom I had been watching the speech, grimaced and covered his head: he had just been discoursing about the recession the nation faced.

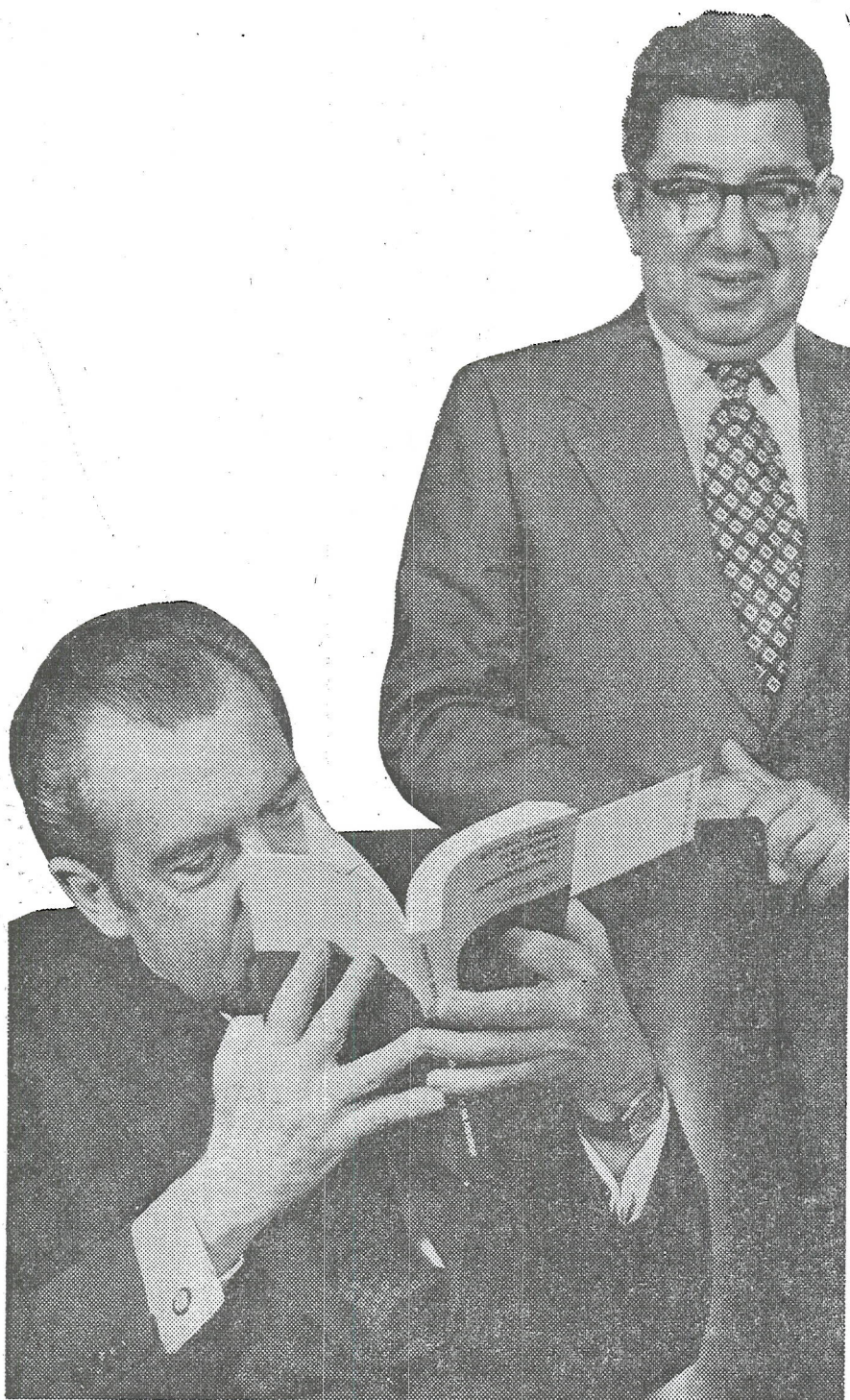
CEA Chairman Herbert Stein not only joins in the disclaimer of a recession—but just to make sure, he wants to re-define it.

"I have a new perfect advance indicator of recession," observed former Economic Council Chairman Arthur M. Okun, "and that's when Herb Stein starts splitting hairs about the definition. The last time he did this was in 1970."

The notion that the President could declare a recession out of bounds with the flick of his speechwriter's wrist only added to the sense of unreality evoked by the whole address.

His glowing account of a prospering nation, busily at work, leading the other free nations in a quest for peace left me wondering what year or decade or what country Mr. Nixon was talking about.

It didn't sound much like the United States in 1974, beset with rampant inflation and growing unemployment (already up to 5.2 per cent in January from 4.6 per cent last October); with an energy crisis



Associated Press

President Nixon checks economic report after signing it Friday. With him is Herbert Stein, Council of Economic Advisers chairman.

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Rhetoric, A Recession

which so far has effectively divided the free world; with food price escalation and food shortages again on the horizon; and with little real prospect of meeting any of these problems head on.

TO BE BROUGHT back to earth, one has to go no farther than the Economic Report by the Council of Economic Advisers, although that document can fairly be said to be more optimistic than some private assessments of the economy.

The Economic Report notes that, "We enter 1974 in a condition of high inflation and in the early stages of a slowdown." It goes on to describe the essential elements of a mild recession while avoiding the word.

Above all, the report stresses the question marks that have been thrown into the economic outlook as a result of the energy crisis, uncertainties that could force the administration to be attempting to bail the economy out of something worse than just a mild recession.

"In view of the uncertainties facing us," the Economic Report says, "it is extremely important to be prepared with fiscal measures to support or restrain the economy if it is clearly running outside the general track described here for 1974.

"The administration is now in the process of preparing for support action. A decision to take such measures would have to be made with great caution, however, in view of the additional supply bottlenecks that might be caused by the energy shortage."

Even the President's written State of the Union Message was candid: ". . . unfortunately, the very mild slowdown which we anticipated for 1974 now threatens to be somewhat more pronounced because of the oil embargo, the resulting shortages, and the oil price increase.

"We expect, therefore, that during the early part of this year output will

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rise little if at all, unemployment will rise somewhat and inflation will be high."

SO THE SITUATION IS much more touch-and-go than Mr. Nixon wanted us to believe—presumably because a candid evaluation on the TV tube would have helped erode the image he was trying to convey of a successful, productive five years in office.

Mr. Nixon didn't dwell on the failures of his economic policies and forecasts of the past few years. His Economic Message claimed that last year "the real income of American consumers per capita, after taxes, rose by 8.5 per cent, also above our long-term rate."

This is the kind of slippery statistic with which the President tries to cozy people into thinking that they are better off than they are. Stein had to admit that real earnings of non-farm workers had actually de-

clined in 1973. The per capita figure cited by the President includes all income, farm and non-farm, dividends, fringe benefits as well as pay. It has little to do with the take-home pay of the average individual.

The most recent Labor Department report shows that in 1973, real average weekly earnings were down 1.5 per cent—the effect of an 8.8 per cent increase in consumer prices against a 7.2 per cent increase in average hourly earnings.

There are plenty of things right about the State of the Union, including the fact that it has stood up so well, relatively, despite the trauma created by the Watergate scandals for which the President is responsible.

But sadly, one doesn't get a real picture of the State of the Union from the President's address. For the most part, we are served up what Nixon's men want us to believe, like the council's assertion that the "maximum employment" goal of the 1946 Act was "approximately" met last year, although the unemployment rate was 4.9 per cent, rather than 4.0 per cent.

After five years in office, the twin economic problems of high inflation and unemployment are still dominant. Mr. Nixon hasn't found the answers, although he's tried gradualism, expansion, controls and now, seemingly, gradualism all over again. The problem is now worsened by shortages of energy and food. Economic policy is made on an ad hoc basis, day by day. The only thing that is constant is the dose of reassuring rhetoric.