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A Briton Casts His Vote

BY THOMAS BALOGH

There is widespread agreement on the importance of a strong recovery in American demand for world goods to shore up the global economy and help other countries climb back out of the pit of recession.

But how is the outcome of next Tuesday's Presidential election likely to influence this vital matter not only for the world, but especially for Britain?

President Ford has shown a singular lack of interest in the impact of United States policy on its allies and on marginal, uncommitted countries. His whole attention is riveted on the problem of inflation, though both he and former President Nixon refused to take the bull by the horns and continue with the incomes policy that had proven so successful in 1972-73.

President Ford's economic general staff is less than impressive. His chief economic adviser, Alan Greenspan, has never earned any academic laurels. He has been a very successful business adviser. One suspects that he shares the view of another successful businessman, the late Charles E. Wilson of General Motors, that "What's good for General Motors is good for the country." In today's complicated world economic tangle, this is certainly not good enough.

The second of Mr. Ford's chief advisers, William E. Simon, the Treasury Secretary, has expressed the same views even more forcefully. So far as he was concerned, the public sector might go hang: government all but abolished, certainly all economic intervention suspended. He is a fervent believer in the all-curing forces of the market.

Mr. Simon, like his mentor Prof. Milton Friedman of the University of Chicago, predicted with great aplomb that the oil cartel would speedily break up and the "artificially boosted" prices would collapse—a view that was widely wrong but that followed necessarily from their odd view that perfect competition was the ruling force of markets.

Mr. Simon was a most successful bond salesman who attained partnership in one of the biggest bond-issue and brokerage firms, Salomon Brothers. He might have made a splendid Secretary of the Treasury in the third quarter of the 19th century.

However, we are not celebrating the centennial but the bicentennial of the republic. More imagination and knowledge are now required. The administration's efforts to combat inflation by monetary restriction have already had the effect of increasing unemployment —it is now about 8 percent—and have cut orders for productive capital goods by over 20 percent in recent months. Production is leveling off despite the cheerful remarks of the chief economists of President Ford, who are now trying to shift the blame for the American recession to "foreign trends."

Nor is their any change in the offing. President Ford's men are adherents of the "slow growth" school that would inevitably increase unemployment and exert severe pressure on Europe by cutting United States income and imports.

True enough, the Administration is pleased that employment has risen. There is an ugly suspicion about, however, that the labor force increase, mainly in women, is due to the need to increase family income that has been sharply cut by the combination of inflation and unemployment.

Nor must the labor situation in the United States be viewed in British terms. Whereas in Britain real wages after inflation since 1968 still show a substantial increase (though lately there has been some fall), they were severely—by 10 percent—reduced in the United States after accounting for inflation, and American productivity increased substantially more than ours.

Further sharp cuts in demand brought about by slashing public expenditures and by a monetary policy which forces up interest rates seem totally inappropriate in the given American framework and seem most ominous internationally.

Yet there is no doubt that these are the domestic policies which Mr. Ford and his advisers think not merely fit but vital for the country and which were sanctified when their guru—Prof. Milton Friedman—won his Nobel Prize.

It cannot be denied that the direct influence of the present Administration on world economics has been, to say the least, unhelpful. With help from Germany, the United States has cut back a proposed increase in the World Bank's lending potential to less developed countries. Reforms put forward for the International Monetary Fund seem calculated to restrict Governments in financial difficulties in choosing suitable measures of readjustment. Indeed, such debtor nations would be forced greatly—perhaps catastrophically—to increase unemployment and to cause vast losses in terms of a shrinkage of assets, production and consumption.

Worse still, the United States was powerfully against controls over international money flows, which undermined stability in many countries. This is a most important retreat, even from the original Bretton Woods compact. There is little here for us to commend.

Thus, both in the domestic and in the international fields, the continuance of the policies of the Ford Administration forebodes evil for the world as a whole and, since we are among the weakest countries in conventional terms, more especially for Britain, at least until the North Sea oil flows fully.

In contrast, Jimmy Carter's campaign has shown some understanding of the problems which trouble the mixed economies of the nonSoviet orbit.

While all statistical calculations are subject to a very considerable degree of doubt and uncertainty, there can be no question that the present appalling budget deficit of the United States is mainly due to the depression which the Nixon-Ford Administrations have inflicted. If full employment were achieved then the deficit would all but disappear, if not turn into a surplus, and manufacturing productivity would improve with a jump.

Inflation in the United States would be mitigated and not exacerbated by fuller employment and increasing productivity—as would be the more equitable distribution of income and wealth. It is the poor (and especially the nonwhite school-leavers but also the adults) who are suffering most and who turn towards violence when all indications point to the increase of poverty.

There was at first hardly any doubt where Jimmy Carter stood on all these issues. In his struggle to obtain the Presidential candidature of the Democratic party, he concentrated on showing himself passionately concerned with precisely these issues.

He strove to put the issues of mass unemployment and less inequality into the debate going on in both parties. He publicly stated his willingness to introduce price controls and evolve an incomes policy, if needed, to secure stability at high employment.

He could point to the success even of former President Nixon's experiment, which enabled the United States to expand without accelerating inflation and which was brusquely terminated for dogmatic reasons with disastrous results. Governor Carter refused to be intimidated into promising wholesale cuts in public expenditure, as President Ford does on every possible occasion in disregard of the social consequences.

However, Mr. Carter's problems were greatly aggravated and finally were shifted by the challenge of Governor Ronald Reagan of California to win the Republican nomination. This, in turn, forced President Ford to take an extremely conservative laissez-faire stand. As time wore on, there was increasing evidence that the voters could be frightened by the threat of higher taxes, however excellent the purposes they supported and however much the increased revenue yield would result from closing tax loopholes.

Thus the doubts about Mr. Carter's views, which developed during the Presidential campaign and which enabled President Ford, at its beginning, to score some telling points, should not at this stage be taken as indicating a less favorable attitude of Mr. Carter's to the woes of the world economy.

On the other hand, his economic staff represents a wide range of the dogmatic factions into which the economic profession has recently splintered. Some favor strong redistributive reform of the tax system. Others, like the old guard of the Kennedy-Johnson era now ensconced in the Brookings Institution and Columbia University, are more conservative and still seem to swear by the neo-Keynesian methods of overall demand management through fiscal policy, which has not proven a success.

Quite a few would be against price controls and incomes policy, whether through guidelines or other methods. But one and all they are distinguished experts.

While it would certainly be premature to state with certainty which of the conflicting policy options President Carter—as opposed to candidate Carter—might espouse, I believe that his victory would usher in an era of far closer American association and sympathy with Western Europe, and of a far more constructive American role in the world economy—a role which under the Republicans has not merely been lacking but has been totally counter-productive.

A change in United States policy, therefore, and of United States policymakers is important to the recovery of the world from the trauma of increasing misery in the midst of increasing capacity to produce the wherewithal of satisfaction.

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Lord Balogh: "'What's good for General Motors is good for the country,' . . . is not good enough."