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Mike Mansfield 1903-2001

INFLATION

Mr. MANSFIELD. Mr. President, I have listened with interest to what the distinguished senior Senator from Virginia had to say, and I think he has touched on a point which is of interest to all the American people.

The Senator referred to statements recently made on the economy as being either amusing or aggravating. I would go much farther. I think the statements are tragic, because they offer no hope to the American people who are in dire economic straits at the present time.

How long can this country stand two-digit inflation? What is being done by Congress or the administration to face up to this No. 1 issue, this No. 1 problem? In all candor, I would have to say nothing.

What confronts us today? Inflation is around 12 percent. Interest rates yesterday went over 12 percent. Unemployment is up from 5.1 percent to 5.2 percent in the past month or so. New labor contracts are now being considered, and the increases will be quite hefty before those contracts are agreed to.

And may I say I find no fault with labor, because for the past 2 or 3 years it has been acting responsibly. But I do find fault with people who say that the American "public" is to blame for the inflationary difficulties which confront us at the present time. I do find fault, when that same individual several months ago said that what this country needs is a "recession." I do find fault when all we get is the pious invocation that we should return "to the old-time religion."

What does that mean? That we should just pray, and prayer will do away with inflation? The good Lord expects us to help ourselves.

I do not think prayer alone will do the job. Look at the stock market. And I do not own a share of stock. It went down to its lowest point yesterday—around 760 or 770, I believe—in several years. And the trend is downward.

What about production? This year it is 6 percent under what it was last year. And what about wages? For the 14th consecutive month, they have been lagging behind prices.

Mr. President, if inflation goes on at the present rate, we will have to earn twice as much as we are earning today to break even in 1982.

I have advanced a proposal which may or may not have merit. As a matter of fact, I have introduced legislation which has been referred to the Committee on Banking and Currency, and also to the Committee on Labor and Public Welfare, and I hope will be considered by the Joint Economic Committee as well.

The PRESIDING OFFICER. The 5 minutes of the Senator has expired.

Mr. ROBERT C. BYRD. Mr. President, if the Chair will recognize me, I will yield my 5 minutes to the majority leader.

The PRESIDING OFFICER. The Senator is recognized.

Mr. MANSFIELD. I do not know whether the so-called Brazilian Index Plan, which has been receiving a good deal of publicity lately, is the answer. Personally, I doubt it is the whole answer. In the first place, it is not a Brazilian Index Plan, it is an American Index Plan, which is applicable to one-third of the labor contracts which have been entered into over the past 5-year period. And, mark my words, it will very likely be in all or most of the labor contracts agreed to from now on.

What does it do? It ties a cost of living escalator clause to the contract, so that when a certain increase in the cost of living occurs, automatically the compensation of the wage earner is increased roughly to that extent.

Is it something new? Not really, because military retirees, Government civil service retirees, and social security retirees get an increase in their retirement based on the cost of living every time it reaches 3 percent or more. So there is some protection there.

But what about the people on private pensions, who do not have that guarantee? What about the working people who are not tied to unions, and therefore do not receive that kind of protection? What about the great majority of the American people? How can they cope with the cost of living being what it is today?

Before the Senate convened this morning, I made a suggestion, in response to a question, that it might be well if the President would give some consideration to calling a White House conference, which would include the joint leadership in both Houses, which would include the chairman and ranking minority members from the appropriate committees, which would include administration personnel, and which would bring in labor and industry and other necessary sectors of the private economy to consider this problem at this time.

I do not know whether or not it is feasible at the moment, but I do know that something should be done to face up to this problem, and to do so now.

The solution is not going to come about simply through a $5 billion or $10 billion decrease in the Federal budget. It goes far beyond that. It has not been caused by Watergate and related matters. There is no connection whatsoever. This is a worldwide phenomenon.

We have worldwide inflation, if I correctly remember a chart I saw earlier this week, ranging from 705 percent in Chile down to about 30 percent in Japan, to 22 percent in Mexico, to 18 percent in France, to 14 to 15 percent in the United Kingdom, to 10.7 percent in Canada, and to approximately, on an average, I would say, between 11 and 12 percent in this country—closer to 12 percent.

Frankly, I think it is up to the administration and Congress—and neither one is without blame, is to face up to this problem to see if something cannot be done, and to get away from saying it is the fault of the public; to get away from saying that what we need is a recession; to get away from saying that what we need is a return to the old time religion. In respect to the latter on old saying comes to mind: "The Lord helps those who help themselves."

What we need to do is to face up to a practical fact. Let me say, Mr. President, that every one of us, when we go home, is being confronted with the question: "What are you doing about inflation?" And none of us can, in good conscience, say that we are doing anything.

Mr. President, I ask unanimous consent that an editorial from the New York Post entitled "Inflation: Sayings of Chairman Stein," an editorial under date of July 8, 1974; an editorial from the Baltimore Sun entitled "Psychology of Inflation"; and a commentary by Mr. Ernest B. Furgurson, contained in the Baltimore Sun of today, to which the distinguished Senator from Virginia made reference, entitled "Dr. Stein's Bitter Medicine," all be incorporated in the RECORD at this point.

There being no objection, the editorials and commentary were ordered to be printed in the RECORD, as follows:

[From the New York Post, July 8, 1974]

INFLATION: SAYINGS OF CHAIRMAN STEIN

In what may be some of his curtain lines as chairman of the President's Council of Economic Advisers, Herbert Stein finally identified the villain in the nation's desperate economic drama. In response to a question on the CBS program Face the Nation yesterday, Stein said that "in a basic sense" he was obliged to conclude that "the American public" is responsible for the inflationary nightmare haunting the country. The fault, dear friends, lies not within our stars or in the failures of men who have shaped government policy, but with you.

The sayings of Chairman Stein have been illuminating—or darkening—the American landscape for a long time. Throughout his tenure he has steadfastly leaned to an optimistic assessment of bad news. Even yesterday, while conceding that "we have a lot of problems," he simultaneously insisted that they were just "a minor ripple in the rising tide of economic welfare." There is, he added, "every reason" to believe things will be better three to five years from now.

The basis of his faith is what he several times described as the economists' "old-time religion"—which he defined as "much greater discipline" among Americans who "have to decide" whether they really want to do anything about inflation. For their "endless demands"——and those of other people in other nations—are causing most of the trouble.

We confess we watched Stein with mingled dismay and disbelief. Was this really all he had to say after holding this prestigious post on the nation's top economic strategy team so long?

Was the Administration truly a creation and victim of popular caprice? Had "the people" wrecked the Administration's best-laid plans?

We remember that moment in the summer of 1969 when the President unexpectedly imposed a price-wage freeze, and then instituted the more limited but reasonably effective provisions of Phase 2. Every opinion poll showed vast public support—in every sector of the citizenry—for those moves. It was not "the people" who destroyed that best chance for stability; it was Richard Nixon, Herbert Stein and others in the high command who seemingly could not endure even the modest success of a control system that violated all their preconceptions.

And now Stein summons us to "that old-time religion"—high interest rates, stoic submission and self-denial by the vast majority while big corporate power resists tax reform, curbs on depletion allowances and other minimal exercises in equity.

Inflation is a world-wide plague; there are no miracle drugs. But controls were a serious attempt to demonstrate the vitality of free government. Their dismantling was a tragic blunder. What we are offered now is a sterile blend of promise, preachment and prayer.

[From the Baltimore Sun, July 9, 1974]

PSYCHOLOGY OF INFLATION

The psychology of inflation is a much-neglected aspect of this multi-faceted economic phenomenon, perhaps the key aspect. Herbert Stein, chairman of the President's Council of Economic Advisors, clearly injects the psychology of inflation into the national debate when he says the American people are fundamentally to blame for inflation because of their lack of "self discipline."

Althought Mr. Stein is to be praised for his courage in urging fiscal restraints against inflation (which, unfortunately, so far have had little impact) it may be that he has departed from his metier when he begins talking about the psychological roots of inflation. He seems particularly undiscriminating, for instance, in his blanket indictment of the American people—for it must be asked: Who are the Americans who have failed to exercise the necessary self-discipline? Not common laborers, certainly, who are trying to support families on $100 weekly take-home pay. Not nurses, many of them likewise supporting families and who take home around $150 a week. Not the bricklayers, truck drivers and machine operators, who are, to one degree or another, in the same fix. For these people—for the bulk of Americans, that is—highly disciplined lives are a necessity.

So who is really to blame? Perhaps in a broader sense than Mr. Stein intended, all of us are to blame. The reason is that all of us have participated in an Ameircan dream of materialistic success, a vision in which there are always winners and losers and in which the flight from losership often becomes, even for the affluent, a desperate enterprise.

The prime reason this frenzied social Darwinism exists in the midst of apparent abundance (which in some instances is rapidly becoming scarcity) may be because we have made the rewards for succeeding and the punishments for failing so extreme. For instance, a man who is laid off unexpectedly (as happened to so many aerospace engineers a few years ago) may suddenly lose access to medical care for himself and his family. The fear that such a loss can engender in the man—and in those still employed—can be intense.

If the nation earlier had seen to it that certain public needs had been met, such as access to medical care for all of the population, the fear would be greatly lessened—and the inflationary pressures reduced, because workers would be making fewer of the demands for higher pay of the kind that have their origins primarily in fear. In short, as the late Adlai Stevenson pointed out so many years ago, by devoting a disproportionately small amount of our resources to public need and a disproportionately large amount to consumer goods which sometimes do not meet real needs, we have laid the groundwork for serious strains in the society. The current inflation perhaps is more a manifestation of this than of anything else.

[From the Baltimore Sun, July 9, 1974]

DR. STEIN'S BITTER MEDICINE

(By Ernest B. Furgurson)

WASHINGTON.—Hang down your head, John Public, and take your spanking like a little man. Dr. Stein has assessed the situation and decided it is all your fault, and not only must you endure his tonguelashing today, but you must be prepared to suffer for your sins at least another three or four years.

By that time, both Herbert Stein and the administration he serves will be safely out of town.

Stein makes $42,500 a year of the taxpayers' money in his role as chairman of the President's Council of Economic Advisers. In this job, he obviously is supposed to be the President's key adviser on economic strategy, who figures out why we have inflation or depression, or both at once, and what to do about them.

Now he finally has figured out why. It is because we taxpayers insist on opposing tax increases. And with all the money we therefore have left after our scandalously low taxes, we go out and buy things at ridiculously high prices.

It seems so simple it is amazing no one analyzed it so clearly before. But economics is a complicated business, and you will recall that Stein had to work his way through many steps before arriving at his useful conclusion.

This thinking does not come from an out-of-town dilettante in government economics, one of those familiar corporation grandees come to Washington to give his wife a couple of years' thrills meeting the First Lady and hostessing parties for jetset ambassadors.

Stein started in 1938, during the New Deal, in the years when economic intervention by government was at its all-time height of fashion. He knows the federal alphabet sideways, having served with the FDIC, the NDAC, the WPB and the OWMR before going to the Committee for Economic Development and Brookings Institution, whence he came to the CEA when Mr. Nixon entered office.

But the core of his three dozen career years was with the private CED, which is sponsored by big business. After 22 years there, he came in with the Republicans of the 1960's as a throwback to the French Physiocrats of the 1700's, a contemporary laissez-faire economist. The Physiocrats believed government should keep its hands completely off trade and the economy; Stein would not take us all the way back to that point, but his advice is rendered in their spirit.

When inflation inexorably made Mr. Nixon's 1968 campaign speeches look foolish, other advisers pushed for wage and price controls. For more than 18 months, Stein argued against them. A workable incomes policy, he declared, is a wisp of imagination like "a good 5c cigar or a nonfattening fudge sundae."

In August, 1971, the President gave in to John Connally and others and clapped on wage and price controls overnight. Stein was a key man in tuning them although philosophically he continued to oppose them. At the end of Phase 1 and Phase 2, when the rate of inflation was down noticeably, Stein was made chairman of the CEA and undertook an effort much more to his taste—the removal of the controls which had only begun to work.

Since the start of Phase 3 eighteen months ago, through 3½ and 4 and the abandonment of all controls three months ago, prices have shot upward at rates unprecedented in modern peacetime. To report the inflation encountered every day at the supermarket, gasoline station and bank is sadly repetitious.

So Sunday Dr. Stein exposed himself to questioning on television, and when the subject of inflation somehow came up, he said that because voters were against tax increases over the past decade, the people rather than the government are responsible for it. He said we were going to have to pay penance by disciplining ourselves, to accept tight money and other such restrictions, for "years, not months—that is, three or four years, more or less indefinitely."

Presidential impeachment possibilities aside, the march of normal events would take Stein off the spot before we thus finished paying for our foolishness. But he is taking no chances. He is scheduled to leave at the end of the summer to become a professor at the University of Virginia.