
The Entrepreneur

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Entrepreneur

The Belden Center for Private Enterprise Education
Harding University School of Business
Searcy, Arkansas

This issue courtesy of Mr. John Sansom, CPA, Pensacola, Florida.

An Economist in Government: Views of a Presidential Advisor

by Murray L. Weidenbaum, Director
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Washington University, St. Louis

1984 Free Market Calendar A Daily Chronicle Of Enterprise

In a joint venture project with Louver Manufacturing Company (Lomanco) of Jacksonville, Arkansas, the Harding University Students in Free Enterprise Economics Team has launched a major six months project: "The 1984 FREE MARKET CALENDAR — A Daily Chronicle of Enterprise."

A calendar is a record of days past and days to come. Since the ancient Egyptians first devised calendars to tabulate the inexorable passage of time, men's lives have been regulated by its pages. Each day, each month is a milestone in the passage from youth to old age. Each week holds its promise of struggle and reward, of ideas achieved and triumphs won. But more than this, the free market calendar is the record of the progress of our nation and its people, of mankind's onward march through the centuries to economic freedom and greater material blessings.

The 1984 FREE MARKET CALENDAR offers not only room to jot down notes of daily affairs but also 365 brief reminders of great enterprising events and relevant comments on the idea of freedom applied to the marketplace. One will enjoy recalling and commiserating the stirring events, and the great men and ideas behind them, which have been the basis for history's greatest economic miracle — American Capitalism.

Printed in blue and red ink on which stock, the 1984 FREE MARKET CALENDAR is punched for hanging and measures 11" x 14" folded or 22" x 14" unfolded. The National Federation for Independent Business (NFIB) is currently reprinting portions of our calendar in their FORUM and INSIGHT publications. A limited amount of copies are available for \$1.50 to cover printing, postage, handling costs.

As the old saw put it, "Economics is what economists do." Judging by both my personal experience and observation of the work of others, I would state that the quotation also accurately describes the role of economists in government. But, since I am cognizant of the great variation possible in the role — and of the numerous factors determining that variation — I am content merely to describe the role of one economist during one tour in Washington.

Based on my service as Chairman of the President's Council of Economic Advisers from January 1981 to August 1982, I would conclude that the role varies substantially over time and that it is a changing blend of participation in policymaking and preaching of economic doctrine, both within the government and to the public.

It would be pleasant to report that those who disagreed with me were generally wrong and, if pressed, I might be willing to provide some factual buttressing for that position. Nevertheless, self-serving statements would not be helpful to the reader. Instead, I have tried — albeit likely not with total success — to avoid writing the modern day equivalent of "An Impartial History of the Civil War as Reported by John Tecumseh Sherman."

I attempt to concentrate on the process by which an official economist participates in the policymaking process. Moreover, I write this with the clear knowledge that few if any decisions in government policy — be they labeled economic or social or foreign affairs — are made solely or even primarily on the basis of economic analysis or information from economists. Yet I also came away with the knowledge that most questions of governmental policymaking — especially those labeled "non-economic" — do contain important economic influences.

Developing the Economic Program

At the outset of the Reagan Administration, for example, the major role of the CEA Chairman was to participate in the development of the President's Economic Recovery Program. The initial tax program had been set during the 1980 campaign: across-the-board personal income tax rate reductions plus liberalization of business depreciation allowances. Thus, the emphasis was on developing the initial package of budget cuts. My appointment to the three-man Budget Working Group chaired by Office of Management and Budget (OMB) Director David Stockman meant that a major part of my time and effort was devoted to reviewing proposed expenditure reductions and to convincing the department heads to go along with them.

One Cabinet secretary was quoted as saying that Stockman and I constituted a "good cop — bad cop" routine. As someone who grew up in the old Budget Bureau in the 1950s it was perhaps inevitable that I played the bad cop. But that function was destined to remain with the CEA chairman in many subsequent connections. Surely, I came to advocate rather consistently much larger budget cuts than those approved.

The economic "White Paper" of February 18, 1981, entitled **A Program for Economic Recovery**, constituted a landmark in the development of President Reagan's economic program. That document announced the four pillars of the program — tax cuts, budget cuts, regulatory relief, and monetary restraint. It also contained the economic assumptions underlying the revenue and expenditure estimates.

As the person who took on the responsibility for the White Paper, I instantly found myself in pitched battles with both supply-siders and monetarists. Without repeating all the doctrinal disputes that occurred, I still vividly recall the fervor of those arguments, which at times bordered on the theological. In any event, I understood the role of the Chairman of the CEA not as a means of preaching supply-side economics or monetarism, but rather of helping the President develop and carry out his economic program.

Thus, my insistence that a modest period of recession would accompany the imposition of monetary restraint was viewed by the supply-siders as a lack of faith in the instantaneous nature of the economy's response to the tax cuts. Similarly, my unwillingness to include, for the guidance of the Federal Reserve System, a set of specific annual targets for monetary growth left the monetarists dismayed.

During this period, I felt a kinship with Lewis Carroll's Alice. In **Through the Looking Glass**, Alice says, "There's no use trying, we can't believe impossible things." "I daresay you haven't had much practice," replies the Queen. "When I was your age, I always did it for half-an-hour a day. Why, sometimes I've believed as many as six impossible things before breakfast."

Selling the Economic Program

After the release of the White Paper, the CEA chairman became one of the three major "salesmen" (along with Treasury Secretary Donald Regan, and the OMB Director) for the President's economic program — aside from the "number one communicator" himself. There followed an almost endless array of joint and individual congressional testimonies and press conferences; White House briefings to the Cabinet, other officials, and numerous visiting interest groups; and speeches, speeches, speeches to all sorts of organizations — business, consumers, agriculture, ethnic, regional, religious, etc.

I reached a point that when I was out for a meal and the waiters began to clear the dishes, I automatically got ready to stand up and speak. At first I referred to the speechifying as economic education and then marketing. Subsequently, however, I found myself using the term "forensic economics" to describe the activity. I was defending the product that I had helped to design, including the inevitable compromises that anyone would reluctantly agree to.

In addition, since there is an important international dimension to economic policy, a wide array of ambassadors and economic and finance ministers from other nations frequently came by for discussions ranging from the courtesy call to the substantive. As chairman of the U.S. delegation to the Economic Policy Committee of the Organization for Economic Cooperation and Development, I carried at times a significant representational load for what was a rather controversial set of policies. As chairman of the Economic Policy Committee, I had key opportunities to work with my counterparts in other nations to develop positions and draft communiques with which we felt comfortable and which other nations would accept. Informally, the EPC chairmanship enabled me at key points to unruffle the feathers of foreign representatives who had been upset by earlier, "harder line" American presentations.

I must admit that I felt no reluctance to play the public role the President assigned to me — to serve as a senior representative of his Administration at a time when the approval of his economic program by the Congress was an essential step in converting economic ideas to economic reality. Thus, I did not see my public role as an economic "oracle" aloof from the foibles of any sitting administration. After all, there is no shortage of that type of expertise in the private sector.

The Day-to-Day Routine

Simultaneously, the development of a host of detailed government programs and policies was taking place inside the Administration. An important structural change was the institution of Cabinet Councils to replace the host of interagency committees that typically had been organized by the White House in the past. The CEA chairman is an active member of three of those cabinet-

level groups — Economic Affairs, Commerce and Trade, and Natural Resources and Environment — and attends the meetings of the other councils (Human Resources, Food and Agriculture, Legal Policy). Members of the CEA and its senior staff serve on the various working groups and task forces.

The effectiveness of the CEA on any specific issue discussed by these groups depends in part on the cogency of its analysis. But that is not always the case. For example, we won the battle to eliminate import restrictions on shoes, but lost the struggle to contain restrictions on imports of textiles. Was it coincidental that the Congressional delegation to the White House urging textile quotas was led by a senior southern Republican who was diligently working for the enactment of the President's program, while the shoe delegation was chaired by a prominent Northeastern liberal Democrat?

The Cabinet Council system ensures that the CEA is represented in the decision making apparatus that handles a host of issues — social security, foreign trade, regulation of financial institutions, transportation, environment, energy, agriculture, etc. At key points, the President attends a Cabinet Council meeting and, at times, makes a decision on the spot. In this regard, the key role of the CEA was not to develop additional, brave new programs, but to operate a damage limitation mechanism. Thus, the CEA (at least in my time) was expected to, and predictably did, oppose each and every proposal to subsidize some segment of the economy, or to shield a specific industry from competition. At times, a Cabinet member proposing some additional form of government intervention in the economy would start off by saying, "Mr. President, Murray will probably give you a different view, but . . ."

In the case of protectionism, we did not win all the battles, but each proponent of additional governmental involvement in the private sector knew that he or she would have to do battle. In certain instances — autos and maritime, for example — we were hampered by Presidential campaign commitments. I found myself grudgingly admiring a sitting President who took his campaign oratory seriously.

The Cabinet Council on Economic Affairs was a forum in which I presented analyses of economic developments. Frequently, the President and Vice President attended, and my presentation would set off an informal discussion on economic policy generally. One Administration wag parodied a presentation of mine in the form of a fictitious memo from "Murray Weidenbomber". I like to believe, however, that my use of "economicese" was not quite as arcane as this parody might lead one to believe.

Meetings, of course, are the basis — and bane — of a bureaucrat's existence. Surely, a major part of the CEA chairman's time is taken up by participating in meetings with other Cabinet-level officials. An important example is the Task Force on Regulatory Relief, chaired by the

Vice President. Members of this group served as the chief "honchos" of regulatory reform, overseeing the operation of the executive order directing agencies to perform benefit cost analysis for proposed regulations and assigning important review responsibilities to OMB.

The Task Force also furnished an instance of the need to establish personal priorities. Regulatory relief, for me, was a labor of love. As an academic, I had written on the subject widely. My initial tie to the President was that body of work, which he had drawn upon frequently in his radio broadcasts and columns as a private citizen. Also, I had chaired the task force on regulation during the campaign and the transition period. At key points I was expected to, and did, participate in setting regulatory policy. Yet, I knew that if I participated on a day-to-day basis, the time available for macroeconomic policy would suffer. Thus, I devoted — as does almost every CEA chairman — most of my time and efforts to macro matters.

One administrative, yet strategic, set of meetings is the daily gathering of the White House senior staff, which the CEA chairman regularly attends. This is an important communication device, providing a ready opportunity to raise issues and policy questions and to push along specific matters. For example, an Administration position paper on trade policy had been drafted at one point, emphasizing a strong free trade orientation. Although substantive agreement had been reached by all relevant parties, the document itself was stuck in the Administration's paperflow. My merely noting the delay led to an on-the-spot decision to release this important document.

Briefing the President

Of course, the direct contacts with the President are of very special importance. Because I take the role of trusted advisor seriously, there are some matters that I will pass over. I do recall, however, discussing the subject of gold with him on several occasions, a matter that he had studied at some length. During the campaign and earlier, he had indicated strong interest in restoring the gold standard. As a member of the Gold Commission (set up under a 1980 law), I told him that I would pursue the matter with an open mind. Subsequently, we reported that the majority of the Commission opposed a return to gold at this time. That disposed of the matter. I see that episode as another example of the CEA's damage-limitation function or the avoidance of economic harm.

Another important function is to keep the President abreast of current economic developments. In addition to sending out a regular flow of analytic reports, the CEA chairman alerts the President to impending releases of economic news. Thus, the evening before the Consumer Price Index report for a given month is issued, the President has on his desk a memo from the CEA chairman setting forth the highlights. At times he will call for amplification. We had a pleasant — but spirited and extended — difference of views on the matter of seasonally adjusted versus unadjusted reports on em-

ployment and unemployment. We ultimately resolved this matter by my providing him both sets of data, together with suitable caveats.

An insight into my approach to my job related to that less-than-momentous issue. After hearing me out fully, the President decided that he would use the unadjusted data in a speech. I then suggested a sentence to explain his position: "We do not live in a seasonally adjusted world." He promptly inserted it into his speech.

If the Presidency is a bully pulpit, the CEA chairmanship is a most elevated lectureship. As I look back on my experiences in that office, I find that I used the position to develop four themes: (1) economic freedom is closely intertwined with personal liberty, (2) business-government relations should be characterized by less intervention by government, (3) free trade is the international combination of these two themes, and (4) it is necessary, from time to time, to take a swipe at business' pleas for special privileges.

The View from the Outside

For a teacher, the rewards of service to the President were considerable, albeit psychic. One give-and-take session on national television gave me the chance to explain aspects of the economy to a far larger audience

than a college professor normally can generate in a lifetime. Witness this excerpt from a session on **Meet the Press** on August 30, 1981:

Question: You've talked about the importance of reducing inflation. How do you think that your tight fiscal and money policies feed through to fight inflation? How do they affect wages and prices throughout the economy?

Dr. Weidenbaum: By setting in motion basic factors, . . . the slower availability of money and credit . . . will restrain . . . the pressures for wage and price increases that can't be supported by the market.

As a result, we will see in the years ahead wage and price decisions which have a much lower inflationary potential than the actions we've seen in the past, because the basic external environment in which wages and prices are set is being changed. That is, the inflationary environment is being wound down.

I returned to the private sector with no grand lessons. I came away grateful for the opportunity to speak my mind and to know that decision makers in government were listening to at least one economist before making up their minds.



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