

usa documents

avenue des Arts 23
1040 Brussels
Tel. 13 44 50

TT
EK
no file

PUBLIC AFFAIRS OFFICE UNITED STATES MISSION TO THE EUROPEAN COMMUNITIES

December 8, 1971

HERBERT STEIN, NEW PRESIDENTIAL ECONOMICS ADVISER

Washington, D.C. -- Herbert Stein, who has often been called the architect of the Nixon Administration's "phase two" operation to regain U.S. economic stability, will become chairman of the President's Council of Economic Advisers January 1, 1972.

The 55-year-old economist, who has served as a member of the Council since 1969, will succeed Paul W. McCracken, who will return to a professorship at the University of Michigan early next year.

Dr. McCracken's resignation had been expected since September but the effective date was postponed to enable him to work on the new economic stabilization policy announced by President Nixon on August 15.

Mr. Stein was among the top officials who met at the Camp David Retreat in Maryland in mid-August to draw up the final provisions of the new economic program.

Although long opposed to economic controls -- such as the 90-day wage-price freeze -- he said he recognized the need for them at that particular time.

He noted that "the events of 1971 are a stern warning to those of us who do not want a controlled system, even though we recognize the necessity for controls in the conditions of 1970... it is necessary to try to avoid the conditions which led to controls in 1971."

To do this, Mr. Stein said, "we must learn how to manage our fiscal and monetary affairs more responsibly, to avoid a repetition of the 1965-68 inflation. We must learn and teach more about what may be reasonably expected from our economic system. We must try to bring about reforms that will distribute more equitably the burdens of deficiencies in the system. We must try to correct structural conditions, if they be found, which create a permanent tendency toward inflation."

In a reflection on the recent freeze, Mr. Stein acknowledged that "I am not a great admirer of freezes, and do not recommend them as a regular feature of economic life. Still it must be said that the freeze was an amazing accomplishment in decision-making and administration and also in the provision of voluntary support and compliance by the American people."

Mr. Stein was given the responsibility of mapping out the format for "phase two" and provided the basic outline of the program.

He has likened the relationship of phase two and the phase one freeze to that of an occupation which follows a war. "The occupation has to hold and pacify the ground won during the war and possibly prepare for its maintenance over a long period."

The war in the economic sense has been the long and persistent inflation that has undermined the U.S. economic structure.

Mr. Stein views "phase two" as "adaptive and evolutionary."

He has said that since August 15 he has been continuously impressed by how limited was the range of the options that were realistically open to us."

Although his work on the new economic program has brought Mr. Stein to the attention of the average American, he has long been known in the economic and academic circles as a man to listen to.

In 1944, when he was only in his 20's, Mr. Stein won a nationally publicized prize of 25,000 dollars from Pabst Brewing Company for the best essay on how the nation could assure full employment after World War Two.

This feat was followed by many other economic observations that startled the established economists.

He is among the first economists to persuade a sizeable segment of the business community to accept what had been regarded as heresy -- that the Federal Government should not always offer the nation a balanced budget.

Mr. Stein also acquired fame for an article written when he was a member of the Brookings Institution, a private economic study organization.

The article was about a way around a long-standing deadlock over whether Congress should give the President discretionary authority to raise or lower taxes to keep the economy growing smoothly without inflation.

Mr. Stein's suggestion was that presidents and congresses might come to accept as routine an annual presidential recommendation on a tax surcharge which would be positive, negative or zero.

Born in Detroit, Michigan, Mr. Stein attended Williams College in Williamstown, Massachusetts, and received his doctorate in economics from the University of Chicago.

During World War Two he served in the Navy and with the War Production Board. In 1945 he joined the influential Committee for Economic Development and remained there for 22 years, rising to the position of chief economic consultant.

He is the author of several books, among them "Government Price Policy in the United States During the World War" and "The Fiscal Revolution in the United States."

* * * * *

