

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

May 26, 1973

MEMORANDUM FOR THE PRESIDENT

Subject: The Freeze

I return to the subject of "dramatic" action to control inflation, which seems to be a synonym for a price freeze of greater or less duration.

It is commonly said that such a move may be bad economics but is good politics, or good public relations or good psychology. My comment is addressed to the politics or public relations of the matter.

Bad economics may sometimes be good politics. But it cannot be good politics for you to do something which you are known to regard as bad economics in circumstances where you will be generally believed to have done it for political reasons.

The Administration is in trouble because it is believed willing to do anything to win. In my opinion, the only good politics for the Administration now is Spartan virtue. We must show our willingness to forego a dramatic and popular TV spectacular for the sake of what we believe to be good for the country. Otherwise we will confirm cynicism and weaken confidence in our policy.

In any event, I urge you not to make a decision in this field until June 7. During the first week in June we will get figures on employment and wholesale prices in May, revised retail sales estimates for April and a new survey of business investment intentions for 1973. All of this information, especially the investment intentions, will be important for estimating the strength of the boom and the inflation, and for deciding what steps should be taken. Moreover, if we are going to change from the policy announced on May 2 it would be desirable to be able to point to some economic information as a reason for doing so.

Herbert Stein