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# Truth vs. Partisan Political Purpose

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The philosopher Baruch de Spinoza, referring to his work on politics and ethics, wrote: "I have sedulously tried to deal with the subject of this science with the same serene detachment to which we are accustomed in mathematics." In his monumental *History of Economic Analysis*, Joseph A. Schumpeter said that every economist ought to be able to repeat that sentence of Spinoza's on his deathbed. Achieving such serene detachment may often be next to impossible for the economist in government, but the ideal is a worthy one. (Indeed, it is also a worthy ideal for newspapermen, even when writing hard against a deadline.)

But, in my view, the prime contaminant of the work of the economist in government is not so much emotional stress as the deliberate bending, evasion, or concealment of the truth in order to serve a partisan political purpose. A considerable share of the blame for the American economy's inflationary troubles in recent years was due to poor and misleading reporting of government expenditures, especially defense expenditures, during the Vietnam buildup in 1965–66. That now celebrated $10 billion underestimate of defense spending stemmed partly from President Johnson's unwillingness to disclose the mounting cost of the Vietnam war, partly from the Pentagon's reporting of expenditures on a cash rather than an accrual basis—a deficiency that has still not been remedied, despite the recommendations of the President's Commission on Budget Concepts of 1967—and partly from the failure of the Johnson Administration's economists to dig harder for the facts and to fight harder for the kind of fiscal policies they knew were required.

That Vietnamese example, through familiarity, may have lost its power to shock. Let me, therefore, turn to more recent examples drawn from the Nixon Administration.

The Treasury vastly distorted, in its public releases, the revenue losses resulting from the tax legislation in 1969. It said that the Tax Reform Bill would *increase* revenues by $6.6 billion in calendar 1970, *increase* revenues by $16 million in 1971, and decrease revenues thereafter—with a long-run annual revenue loss of about $2.5 billion. In fact, however, the tax legislation of 1969 *cut* federal revenues by $6.6 billion in 1970, by $13.1 billion in 1971, and thereafter by about $16 billion a year.

The difference is accounted for by the way the Treasury treated the repeal of the 10 percent surtax on personal and corporate incomes and the extension of excises. The Treasury listed the continuation of the surcharge at the reduced rate of 5 percent during the first half of calendar 1970 as adding $3.1 billion to revenues and as having no effect afterward, on the ground that it would have lapsed altogether had there been no tax bill. In fact, however, the President's decision to eliminate the surcharge—the so-called "fiscal olive branch" from the Johnson Administration—meant a $3 billion revenue loss in the first half of 1970, a $6 billion revenue loss in the second half of 1970, and an annual revenue loss of $12 billion thereafter.

Similarly, the Treasury estimates showed that the excise extension would *increase* revenues by $1.17 billion in 1970, by $800

* *The New York Times.*

million in 1971 and 1972, and zero thereafter. In fact, as compared with the yield of excises in calendar 1969, the tax legislation produced no change in revenues in 1970, a loss of $370 million in 1971 and 1972, a $770 million loss in 1973, and a $1.17 billion loss thereafter, not counting higher losses resulting from higher volume of automobile sales or telephone calls.

Whether a tax cut of $13 billion or more was desirable in the inflationary conditions of the economy of 1970 is highly questionable; even more serious were the long-term revenue losses for a nation faced with heavy and growing public needs and a badly strained budget. But, quite apart from the policy issues involved, distortion of the facts, in which economists were guilty of acts of omission or commission, helped to confuse the public and Congressional debate.

The Nixon administration's economists, in my judgment, did not demonstrate much detachment from politics in interpreting the economic indicators as the economy slid into recession. In fact, they stubbornly refused to concede that a recession had occurred at all. And they bitterly attacked skeptics—such as *The New York Times*—that refused to concede that inflation was fading away. On May 26, 1971, Dr. Herbert Stein of the Council of Economic Advisers wrote a letter to *The Times*, criticizing its reporting as a "tangled web of inclusions and exclusions which has been woven to give an unrelievedly black impression of the economy," all for the sake, he said, of setting up a case for its continuing editorial pleas for an incomes policy. The letter was not printed because Dr. Stein subsequently withdrew it, although, in an interview with the *National Journal*, published on Oct. 30, 1971, he accused *The Times* of refusing to publish his letter.

It was not only newspapermen who felt the wrath of Nixon Administration officials when they refused to accept the party line on inflation, unemployment, the economic outlook, or economic policy. A White House aide in late July called in reporters to say that the President was "furious" with Chairman Arthur F. Burns of the Federal Reserve Board for continuing his public campaign for a wage-price review board. The "final straw," said the White House aide, was Dr. Burns's appearance before the Joint Economic Committee on July 23, 1971, when he testified that there hadn't been "any substantial progress" against inflation. The aide charged that Dr. Burns was being "hypocritical" about inflation and the need for an incomes policy, because he himself had been "trying to get his own salary raised from $42,500 to $62,500." Another White House spokesman, following a very adverse public—especially business and banking—reaction to this smear, later said that these White House "leaks" were "not a legitimate expression of Presidential opinion." Soon afterward, policy switched and the wage-price freeze was imposed.

Heavy political pressures—and occasionally a muzzle—were also applied to economists at the Bureau of Labor Statistics, the Commerce Department, and even at the Council of Economic Advisers to bolster the Administration's rose-colored views or to prevent those views from being publicly contradicted by professional economists or other technicians.

I feel that the strongest possible protest must be made against such conduct whether it is committed by politicians or economists who are political appointees. Since World War II, the American political system has made room at the top for academics—economists and other scientists—who have achieved their positions of great influence not through the elective process but because their specialized knowledge is regarded as a valuable national resource to be institutionalized in such bodies as the Council of Economic Advisers. However, if the knowledge of the academics is not exercised disinterestedly, professionally, and in the interests of the broad society rather than a particular party leader, they will finally lose both their influence and their claim to public respect. By the same token, politicians who bring undue pressure upon their professional advisers or upon career economists and statisticians are guilty of desecrating a national resource.

As for the press, it was given special Constitutional protection under the First Amendment not so that it could have a pleasant and cosy relationship with government, but, quite the contrary, so that it could be independent of government and criticize politicians or government officials freely, according to its knowledge and the dictates of conscience, for the sake of preserving an open and free society. If the press should cease to perform that critical function in a tough, honest, and forthright way, it would have sold its birthright and be useless. We at *The Times* intend to continue to give the news—and our views—"without fear or favor," and trust our colleagues will do the same.